

The former Dubbo City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 1 July 2015 to 12 May 2016

"A vibrant city of lifestyle and opportunity"



The former Dubbo City Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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Overview

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

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by Dubbo Regional Council on 15 December 2016. Council has the power to amend and reissue these financial statements.
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The former Dubbo City Council

General Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the reporting period 1/7/15 to 12/5/16.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the period, and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the period, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

This statement is an end of period snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

The overall change for the reporting period (in dollars) of Council's 'net wealth'.

5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. Their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

The former Dubbo City Council

General Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

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

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

- present fairly the Council's operating result and financial position for the period, 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 Dubbo Regional Council made on 28 November 2016.



Michael Kneipp
Administrator



Mark Riley
Interim General Manager



Craig Giffin
Responsible Accounting Officer

The former Dubbo City Council

Income Statement

for the period 1 July 2015 to 12 May 2016

Budget ¹			Actual	Actual
1/7/15			1/7/15	1/7/14
to 30/6/16	\$ '000	Notes	to 12/5/16	to 30/6/15
Income from continuing operations				
Revenue:				
n/a	Rates and annual charges	3a	41,871 ²	42,866
n/a	User charges and fees	3b	32,961	36,530
n/a	Interest and investment revenue	3c	3,700	4,048
n/a	Other revenues	3d	976	956
n/a	Grants and contributions provided for operating purposes	3e,f	13,964 ³	15,313
n/a	Grants and contributions provided for capital purposes	3e,f	22,494	38,323
Other income:				
n/a	Net gains from the disposal of assets	5	1,778	3,926
n/a	Net share of interests in joint ventures and associates using the equity method	19	20	18
n/a	Total income from continuing operations		117,764	141,980
Expenses from continuing operations				
n/a	Employee benefits and on-costs	4a	24,892	27,941
n/a	Borrowing costs	4b	3,673	4,115
n/a	Materials and contracts	4c	19,522	25,202
n/a	Depreciation and amortisation	4d	21,364	29,295
n/a	Other expenses	4e	10,475	12,374
n/a	Total expenses from continuing operations		79,926	98,927
n/a	Net operating result for the period		37,838	43,053
n/a	Net operating result attributable to Council		37,838	43,053
n/a	Net operating result for the period before grants and contributions provided for capital purposes		15,344	4,730

¹ Original budget as approved by Council is not required for these financial statements

² Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

³ Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

The former Dubbo City Council

Statement of Comprehensive Income

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Net operating result for the period (as per Income Statement)		37,838	43,053
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	2,990	450,314
Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	10
Total items which will not be reclassified subsequently to the operating result		2,990	450,324
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the period		2,990	450,324
Total comprehensive income for the period		40,828	493,377
Total comprehensive income attributable to Council		40,828	493,377

The former Dubbo City Council

Statement of Financial Position
as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
ASSETS			
Current assets			
Cash and cash equivalents	6a	10,906	16,949
Investments	6b	80,789	61,500
Receivables	7	18,865	10,608
Inventories	8	1,503	1,938
Other	8	541	340
Total current assets		112,604	91,335
Non-current assets			
Investments	6b	25,360	30,692
Receivables	7	2,358	2,154
Inventories	8	1,814	1,801
Infrastructure, property, plant and equipment	9	1,963,783	1,942,860
Investments accounted for using the equity method	19	908	888
Other	8	495	495
Total non-current assets		1,994,718	1,978,890
TOTAL ASSETS		2,107,322	2,070,225
LIABILITIES			
Current liabilities			
Payables	10	7,096	8,121
Borrowings	10	4,989	3,897
Provisions	10	11,797	11,622
Total current liabilities		23,882	23,640
Non-current liabilities			
Payables	10	1	1
Borrowings	10	63,142	67,259
Provisions	10	1,258	1,114
Total non-current liabilities		64,401	68,374
TOTAL LIABILITIES		88,283	92,014
Net assets		2,019,039	1,978,211
EQUITY			
Retained earnings	20	851,063	813,225
Revaluation reserves	20	1,167,976	1,164,986
Total equity		2,019,039	1,978,211

The former Dubbo City Council

Statement of Changes in Equity for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
1/7/15 to 12/5/16						
Opening balance (as per last year's audited accounts)		813,225	1,164,986	1,978,211	–	1,978,211
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		813,225	1,164,986	1,978,211	–	1,978,211
c. Net operating result for the period		37,838	–	37,838	–	37,838
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	2,990	2,990	–	2,990
Other comprehensive income		–	2,990	2,990	–	2,990
Total comprehensive income (c&d)		37,838	2,990	40,828	–	40,828
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		851,063	1,167,976	2,019,039	–	2,019,039

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
1/7/14 to 30/6/15						
Opening balance (as per last year's audited accounts)		770,172	714,662	1,484,834	–	1,484,834
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		770,172	714,662	1,484,834	–	1,484,834
c. Net operating result for the year		43,053	–	43,053	–	43,053
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	450,314	450,314	–	450,314
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	10	10	–	10
Other comprehensive income		–	450,324	450,324	–	450,324
Total comprehensive income (c&d)		43,053	450,324	493,377	–	493,377
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the year		813,225	1,164,986	1,978,211	–	1,978,211

The former Dubbo City Council

Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget ¹ 1/7/15 to 30/6/16	\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Cash flows from operating activities				
Receipts:				
n/a	Rates and annual charges		37,153	42,968
n/a	User charges and fees		31,630	38,429
n/a	Investment and interest revenue received		4,788	3,711
n/a	Grants and contributions		21,103	24,912
n/a	Bonds, deposits and retention amounts received		329	–
n/a	Other		3,607	6,172
Payments:				
n/a	Employee benefits and on-costs		(25,012)	(27,614)
n/a	Materials and contracts		(22,877)	(28,906)
n/a	Borrowing costs		(3,150)	(3,822)
n/a	Bonds, deposits and retention amounts refunded		(658)	(467)
n/a	Other		(13,189)	(16,092)
n/a	Net cash provided (or used in) operating activities	11b	33,724	39,291
Cash flows from investing activities				
Receipts:				
n/a	Sale of investment securities		69,800	28,543
n/a	Sale of real estate assets		2,934	6,643
n/a	Sale of infrastructure, property, plant and equipment		1,228	1,220
n/a	Deferred debtors receipts		527	66
Payments:				
n/a	Purchase of investment securities		(83,753)	(46,198)
n/a	Purchase of infrastructure, property, plant and equipment		(26,985)	(42,997)
n/a	Purchase of real estate assets		(367)	(2,233)
n/a	Deferred debtors and advances made		(126)	(1,444)
n/a	Net cash provided (or used in) investing activities		(36,742)	(56,400)
Cash flows from financing activities				
Receipts:				
n/a	Proceeds from borrowings and advances		–	21,800
Payments:				
n/a	Repayment of borrowings and advances		(3,025)	(2,670)
n/a	Net cash flow provided (used in) financing activities		(3,025)	19,130
n/a	Net increase/(decrease) in cash and cash equivalents		(6,043)	2,021
n/a	Plus: cash and cash equivalents – beginning of reporting period	11a	16,949	14,928
n/a	Cash and cash equivalents – end of reporting period	11a	10,906	16,949
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	106,149	92,192
	Total cash, cash equivalents and investments		117,055	109,141

¹ The original budget as approved by Council is not required for these financial statements

Please refer to Note 11 for additional cash flow information

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Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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n/a – not applicable

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Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of Preparation

(i) Background

These financial statements are general purpose financial statements, which 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) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act* (LGA), Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) 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.

(iv) Early Adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of Accounting

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

- (a) 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,
- (b) the write down of any asset on the basis of impairment (if warranted), and
- (c) 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.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the periods presented.

There have also been no changes in accounting policies when compared with previous financial statements.

(vii) Critical Accounting Estimates

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 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 are set out below:

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

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

Preparation of the financial statements on a going concern basis

AASB 101 states that an entity shall prepare financial statements on a going concern basis unless

management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Whilst the former Dubbo City Council has been amalgamated into Dubbo Regional Council from 13 May 2016, Council believes that the going concern basis for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the Dubbo Regional Council.
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:
 - all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils
 - new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties
 - any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.
- The former Dubbo City Council has not been liquidated nor has trading ceased.

(b) Revenue Recognition

Income recognition as a result of Council's amalgamation

The former Dubbo City Council was amalgamated on 12 May 2016 with the former Wellington Council to form the new Dubbo Regional Council.

In accordance with the Australian Accounting Standards the former Dubbo City Council has had to recognise 100% of the rates revenue for the 2015/16 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or where earlier upon receipt of the rates.

The former Dubbo City Council has also recognised 100% of the Federal Assistance Grants (FAGs) revenue as grants are recognised upon receipt or

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

upon earlier notification that the grant has been secured.

As a consequence these financial statements include all the rates and FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016.

Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Dubbo Regional Council

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

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

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

Rates are recognised as revenue for the period 1 July 2015 to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016 in accordance with a directive from the Office of Local Government.

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

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

User charges, fees and other income are recognised as revenue when the service has been provided, the payment is received, whichever first occurs. Parking fines are only recognised on receipt of the fines from the Office of State Revenue, as it is only at this time

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Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

that Council has control over the revenue from the fines.

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Other Income

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

(c) Principles of Consolidation

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

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

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, 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 Supply
- Sewerage Service

(ii) The Trust Fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that 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 statements.

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

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

(iii) Interests in Other Entities

Council has no interest in any subsidiaries.

Joint Ventures

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

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

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the Statement of Financial Position.

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

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Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Associates

Council has no interest in any associates.

County Councils

Council is not a member of any county councils.

(d) Leases

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

Operating Leases

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position but are incorporated into cash and cash equivalents for presentation of the Statement of Cash Flows.

(f) Investments and Other Financial Assets

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

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

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

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

(i) Financial Assets at Fair Value Through Profit and Loss

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

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

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

(ii) Loans and Receivables

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

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

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Held-to-Maturity Investments

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

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

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

(iv) Available-For-Sale Financial Assets

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

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

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

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

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and

receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting and Measurement of Financial Instruments:

(i) Initial Recognition

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

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

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

(ii) Subsequent Measurement

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

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

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Impairment

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

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

(iii) Types of Investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the Local Government Act and s212 of the LG (General) Regulation 2005.

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

Council maintains its Investment Policy in compliance with the Act and ensures that delegated staff exercises care, diligence and skill that a prudent person would exercise in investing Council funds.

(g) Fair Value Estimation – Financial Instruments

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(i) Inventories

(i) Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

(ii) Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

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

At balance date, the following classes of I,PP&E were stated at their fair value:

- Plant and Equipment
(as approximated by depreciated historical cost)
- Operational Land (external valuation)
- Community Land (internal valuation)
- Land Improvements
(as approximated by depreciated historical cost)
- Buildings – Specialised/Non-Specialised
(external/internal valuation)
- Other Structures (external/internal valuation done in conjunction with valuation of buildings)
- Roads Assets Including Roads, Bridges and Footpaths (internal valuation)
- Bulk Earthworks (internal valuation)
- Stormwater Drainage (internal valuation)
- Water and Sewerage Networks (internal valuation)
- Swimming Pools
(as approximated by depreciated historical cost)
- Other Infrastructure Airport Runways and Taxiways (as approximated by depreciated historical cost)

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

- Other Assets
(as approximated by depreciated historical cost)

Due to the proclamation date of 12 May 2016 the following assets have not been revalued for these financial statements:

- Community Land
- All Other Asset Classes
- Land Improvements

Initial Recognition

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

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

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

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

Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item 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.

Asset Revaluations (Including Indexation)

In accounting for asset revaluations relating to Infrastructure, Property, Plant and Equipment:

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

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

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

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

Full revaluations are undertaken for all assets on a 5-year cycle.

Capitalisation Thresholds

Items of Infrastructure, Property, Plant and Equipment are not capitalised unless their cost of acquisition exceeds the following;

Land

- Council Land	100% Capitalised
- Open Space	100% Capitalised
- Land Under Roads (purchases after 30/6/08)	100% Capitalised

Plant and Equipment

Office Furniture	> \$500
Office Equipment	> \$5,000
Other Plant and Equipment	> \$5,000

Buildings and Land Improvements

Park Furniture and Equipment	> \$5,000
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Building

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Other Structures	> \$5,000	- Sealed Roads: Structure	60 to 90 years
		- Unsealed Roads	34 years
		- Bridge: Concrete	100 years
		- Bridge: Other	80 years
		- Road Pavements	60 to 90 years
		- Kerb	108 years
		- Gutter and Paths	60 to 75 years
Water and Sewer Assets			
Reticulation Extensions	> \$5,000		
Other	> \$5,000		
Stormwater Assets		Water and Sewer Assets	
Drains and Culverts	> \$5,000	- Reservoirs	100 years
Other	> \$5,000	- Bores	30 years
Transport Assets		- Reticulation Pipes: PVC	70 years
Road Construction and Reconstruction	> \$5,000	- Reticulation Pipes: Other	25 to 70 years
Reseal/Re-Sheet and Major Repairs:	> \$5,000	- Pumps and Telemetry	15 to 50 years
Bridge Construction and Reconstruction	> \$5,000		
		Other Infrastructure Assets	
		- Bulk Earthworks	Infinite
Depreciation			
<p>Depreciation on Council's Infrastructure, Property, Plant and Equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.</p> <p>Land is not depreciated.</p> <p>Estimated useful lives for Council's Infrastructure, Property Plant and Equipment include:</p>		<p>All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.</p> <p>An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.</p>	
Plant and Equipment		Disposal and Derecognition	
- Office Equipment	2 to 5 years	An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.	
- Office Furniture	10 years	Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.	
- Computer Equipment	2 to 5 years		
- Vehicles	5 years		
- Heavy Plant/Road Making Equip.	5 to 8 years		
- Other Plant and Equipment	5 to 15 years		
Other Equipment			
- Playground Equipment	5 to 15 years		
- Benches, Seats	10 to 20 years		
Buildings			
- Buildings: Masonry	150 years		
- Buildings: Other	50 to 100 years		
Stormwater Drainage			
- Drains	120 years		
- Culverts	120 years		
Transportation Assets			
- Sealed Roads: Surface	21 to 24 years		

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(l) Land Under Roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as intangible.

(n) Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council.

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

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

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

(o) Rural Fire Service Assets

Under section 119 of the Rural Fires Act 1997, 'all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed'.

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

assets, their values and depreciation charges within these financial statements.

(p) Provisions for Close Down, Restoration And For Environmental Clean-up Costs – Including Tips and Quarries

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

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close Down, Restoration and Remediation Costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

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

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

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

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

operations and revisions to discount rates are capitalised within property, plant and equipment.

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

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

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

These costs are charged to the Income Statement.

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

(q) Non-Current Assets (or Disposal Groups) 'Held for Sale' and Discontinued Operations

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

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of Infrastructure, Property, Plant and Equipment – unless the assets are to be traded in after 12 May and the replacement assets were already purchased and accounted for as at 12 May.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

Non-current assets classified as 'held for sale' are presented separately from the other assets in the Statement of Financial Position.

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

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

(r) Impairment of Assets

All Council's Infrastructure, Property Plant & Equipment is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

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

(s) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of reporting period that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

(u) Borrowing costs

Borrowing costs are expensed.

(v) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(w) Employee Benefits

(i) Short Term Obligations

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

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

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

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

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

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

(ii) Other Long Term Obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

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

(iii) Retirement Benefit Obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

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

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

The position is monitored annually.

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12/05/16.

(x) Self Insurance

Council does not self-insure.

(y) Allocation Between Current and Non-Current Assets and Liabilities

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

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

Exceptions

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

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

(z) Taxes

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

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

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

recoverable from or payable to the ATO are classified as operating cash flows.

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

(aa) New Accounting Standards and Interpretations Issued (Not Yet Effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 12 May 2016.

Council has not adopted any of these standards early.

These include the following standards that are anticipated will impact on local government:

AASB 9 – Financial Instruments

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB ED 260 – Income of Not-for-Profit Entities

AASB16 – Leases

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(ab) Rounding of Amounts

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

(ac) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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 & non-current)		
	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Actual	Actual	Actual	Actual	
	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	
GOVERNANCE														
Governance	n/a	22	–	n/a	(108)	30	n/a	130	(30)	–	–	–	–	
	–	22	–	–	(108)	30	–	130	(30)	–	–	–	–	
TRANSPORT														
Footpaths & Cycleways	n/a	149	690	n/a	544	720	n/a	(395)	(30)	47	110	30,534	30,726	
Traffic Management	n/a	1,616	1,806	n/a	1,080	993	n/a	536	813	72	133	10,075	9,264	
Street Lighting	n/a	127	147	n/a	775	959	n/a	(648)	(812)	127	147	346	521	
State Roads	n/a	1,009	1,366	n/a	1,254	1,396	n/a	(245)	(30)	–	–	–	523	
Urban Roads	n/a	8,956	15,004	n/a	4,656	6,932	n/a	4,300	8,072	1,475	515	509,102	499,891	
Rural Roads	n/a	2,994	7,083	n/a	5,555	11,639	n/a	(2,561)	(4,556)	2,464	3,567	563,861	564,640	
	–	14,851	26,096	–	13,864	22,639	–	987	3,457	4,185	4,472	1,113,918	1,105,565	
SEWERAGE SERVICES														
Sewerage Services	n/a	15,922	18,780	n/a	10,798	11,009	n/a	5,124	7,771	298	390	223,235	217,941	
	–	15,922	18,780	–	10,798	11,009	–	5,124	7,771	298	390	223,235	217,941	
WASTE SERVICES														
Domestic Waste Management Services	n/a	4,786	4,297	n/a	3,534	4,003	n/a	1,252	294	859	71	3,305	3,043	
Other Waste Management Services	n/a	3,048	4,095	n/a	1,786	1,637	n/a	1,262	2,458	8	1,630	7,790	7,741	
	–	7,834	8,392	–	5,320	5,640	–	2,514	2,752	867	1,701	11,095	10,784	
WATER SUPPLY														
Water Supply	n/a	19,999	20,861	n/a	12,911	13,967	n/a	7,088	6,894	151	111	206,011	197,241	
	–	19,999	20,861	–	12,911	13,967	–	7,088	6,894	151	111	206,011	197,241	

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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 & non-current)		
	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Actual	Actual	Actual	Actual	
	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	
COMMUNITY PROTECTION														
Stormwater	n/a	7,088	7,527	n/a	1,583	3,014	n/a	5,505	4,513	29	69	188,061	182,555	
Emergency Management	n/a	–	–	n/a	100	95	n/a	(100)	(95)	–	–	63	63	
Fire Services	n/a	224	1,439	n/a	1,462	1,317	n/a	(1,238)	122	222	1,427	11,009	11,351	
	–	7,312	8,966	–	3,145	4,426	–	4,167	4,540	251	1,496	199,133	193,969	
CITY DEVELOPMENT														
Livestock Markets	n/a	3,320	4,041	n/a	2,466	2,830	n/a	854	1,211	11	–	21,285	20,655	
Airport	n/a	2,929	3,258	n/a	2,725	3,478	n/a	204	(220)	–	–	27,688	26,273	
City Development	n/a	33	9	n/a	749	719	n/a	(716)	(710)	–	–	140	109	
Property Development	n/a	1,441	4,615	n/a	200	255	n/a	1,241	4,360	–	–	7,843	7,287	
Holiday Park	n/a	1,432	1,510	n/a	1,244	1,357	n/a	188	153	–	–	4,786	4,705	
City Marketing & Communications	n/a	343	304	n/a	1,197	1,471	n/a	(854)	(1,167)	–	2	1,296	1,223	
Showground	n/a	172	330	n/a	872	1,307	n/a	(700)	(977)	–	15	8,268	8,497	
	–	9,670	14,067	–	9,453	11,417	–	217	2,650	11	17	71,306	68,749	
BUILT & NATURAL ENVIRONMENT														
Environment & Health Services	n/a	9	19	n/a	298	362	n/a	(289)	(343)	–	12	62	61	
Building & Development Services	n/a	1,332	1,639	n/a	2,258	2,499	n/a	(926)	(860)	–	4	632	688	
Environmental Sustainability Services	n/a	1	13	n/a	262	301	n/a	(261)	(288)	1	9	–	–	
Environmental Support	n/a	1	2	n/a	(132)	2	n/a	133	–	–	–	–	–	
City Strategy	n/a	57	105	n/a	591	855	n/a	(534)	(750)	–	55	195	248	
Ranger Services	n/a	163	132	n/a	702	714	n/a	(539)	(582)	–	28	73	38	
Animal Shelter	n/a	62	101	n/a	427	514	n/a	(365)	(413)	24	–	2,068	2,068	
	–	1,625	2,011	–	4,406	5,247	–	(2,781)	(3,236)	25	108	3,030	3,103	

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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 & non-current)		
	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Actual	Actual	Actual	Actual	
	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	
PARKS & LANDCARE SERVICES														
Horticultural Services	n/a	683	848	n/a	3,376	3,592	n/a	(2,693)	(2,744)	–	44	57,292	57,741	
Landcare Services	n/a	132	136	n/a	998	1,249	n/a	(866)	(1,113)	63	123	37,770	37,811	
Parks & Landcare Business Support Services	n/a	–	–	n/a	(38)	(44)	n/a	38	44	–	–	73	68	
Sporting Facilities	n/a	139	1,301	n/a	2,697	2,873	n/a	(2,558)	(1,572)	–	1,638	75,142	75,141	
Parks & Landcare Operations	n/a	18	–	n/a	18	136	n/a	–	(136)	–	–	616	617	
Recreation Planning & Programmes	n/a	191	180	n/a	(13)	108	n/a	204	72	22	14	101	73	
Dubbo Aquatic Leisure Centre	n/a	296	300	n/a	809	952	n/a	(513)	(652)	–	17	3,631	3,883	
	–	1,459	2,765	–	7,847	8,866	–	(6,388)	(6,101)	85	1,836	174,625	175,334	
COMMUNITY SERVICES														
Cemeteries	n/a	152	217	n/a	287	331	n/a	(135)	(114)	–	–	6,286	6,253	
Recreation Services	n/a	20	326	n/a	747	840	n/a	(727)	(514)	–	–	3,317	3,464	
Library Services	n/a	135	349	n/a	1,773	1,879	n/a	(1,638)	(1,530)	112	327	4,173	3,751	
Library Services - Joint Venture	n/a	20	18	n/a	–	–	n/a	20	18	–	–	908	888	
Old Dubbo Gaol	n/a	1,188	678	n/a	759	1,000	n/a	429	(322)	712	218	1,647	1,039	
Social Services	n/a	96	310	n/a	888	1,080	n/a	(792)	(770)	84	253	2,885	2,986	
Rainbow Cottage	n/a	936	1,077	n/a	1,046	1,164	n/a	(110)	(87)	387	441	996	1,004	
Family Day Care	n/a	1,606	1,878	n/a	1,702	2,018	n/a	(96)	(140)	1,306	1,524	273	279	
Cultural Services	n/a	7	3	n/a	190	229	n/a	(183)	(226)	–	–	8	40	
Community Support Services	n/a	1	–	n/a	(26)	–	n/a	27	–	–	–	–	–	
Regional Theatre & Convention Centre	n/a	1,259	1,371	n/a	3,699	4,457	n/a	(2,440)	(3,086)	–	–	22,367	23,346	
Western Plains Cultural Centre	n/a	352	277	n/a	1,842	2,247	n/a	(1,490)	(1,970)	160	69	8,869	8,916	
	–	5,772	6,504	–	12,907	15,245	–	(7,135)	(8,741)	2,761	2,832	51,729	51,966	

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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 & non-current)	
	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
HUMAN ENVIRONMENT													
Human Environment Services	n/a	43	53	n/a	260	277	n/a	(217)	(224)	–	–	223	189
	–	43	53	–	260	277	–	(217)	(224)	–	–	223	189
CORPORATE SERVICES													
Customer Services	n/a	–	11	n/a	(87)	(133)	n/a	87	144	–	12	4	–
Corporate Development/Strategic Mgmt	n/a	–	1	n/a	(151)	3	n/a	151	(2)	–	–	–	–
Fleet Management Services	n/a	297	257	n/a	(459)	(531)	n/a	756	788	–	–	17,245	17,700
Management Accounting Services	n/a	–	–	n/a	(22)	52	n/a	22	(52)	–	–	–	–
Financial Accounting Services	n/a	160	163	n/a	9	35	n/a	151	128	12	–	2	11
Human Resource Services	n/a	109	76	n/a	(161)	66	n/a	270	10	12	12	191	101
Information Management Services	n/a	25	31	n/a	(456)	(60)	n/a	481	91	12	–	1,969	2,160
Governance and Risk Services	n/a	98	121	n/a	(105)	(1)	n/a	203	122	6	–	597	765
Civic Administration Building	n/a	–	–	n/a	(410)	(402)	n/a	410	402	–	–	8,910	8,564
Technical Support Services	n/a	204	489	n/a	114	239	n/a	90	250	–	–	661	841
Business Support Services (Technical)	n/a	–	–	n/a	(45)	42	n/a	45	(42)	–	–	14	150
Depot Services	n/a	13	(10)	n/a	(46)	(23)	n/a	59	13	–	–	5,121	5,116
Rates and General Revenue	n/a	32,235	32,202	n/a	598	793	n/a	31,637	31,409	6,774	7,031	17,623	9,028
Employment Overhead Distribution	n/a	15	–	n/a	123	140	n/a	(108)	(140)	–	–	279	206
Corporate Overheads	n/a	–	–	n/a	–	(228)	n/a	–	228	–	–	–	–
Works Services	n/a	99	144	n/a	221	172	n/a	(122)	(28)	–	–	401	742
	–	33,255	33,485	–	(877)	164	–	34,132	33,321	6,816	7,055	53,017	45,384
Operating result from continuing operations	–	117,764	141,980	–	79,926	98,927	–	37,838	43,053	15,450	20,018	2,107,322	2,070,225

1. Original Budget disclosures are not required for these financial statements.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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:

Purchaser Provider Chargeout

All budget functions with zero expenses have charged their costs to other functions within Council. Council provides services to end user functions, these service providers charge out all their costs to the appropriate client function, thus resulting in them reporting a zero expense at the end of the year.

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

GOVERNANCE

Costs relating to the 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, area representation and public disclosure and compliance, together with related administration costs.

TRANSPORT

Footpaths & Cycleways

Costs relating to provision of pedestrian and cyclist transport facilities as an alternative to vehicular modes of transport, to enhance the appearance of the streetscape by the use of appropriate footpath construction materials, and to integrate and facilitate the transport, recreation and safety needs of pedestrians and cyclists.

Traffic Management

Costs relating to optimising traffic flow throughout road network, to minimise accident potential for all road users, provide clear and safe traffic guidance, plan future road network and raise level of road safety in Dubbo.

Street Lighting

Costs relating to providing a street lighting system which benefits motorists and pedestrians using the city's road network, parks and walkways, to ensure that in all developing areas of the City, street lighting infrastructure aesthetically compliment the streetscape as much as practicable, and to provide a street lighting service to the City at the lowest possible cost to ratepayers.

State Roads

To provide a road management service for the Roads and Maritime Services on the urban sections of the Newell and Mitchell Highways and the full length of the Dubbo city section of the Golden Highway as per the terms of the contract relating to maintenance, and other projects as they arise.

Urban Roads

Costs of providing a safe, serviceable road network in the urban area, and provide an aesthetically pleasing road environment.

Rural Roads

Costs of providing a safe and serviceable road network, and to preserve the road network asset.

SEWERAGE SERVICES

Sewerage

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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:

WASTE SERVICES

Domestic Waste Management Services

Provide waste collection, transportation, and disposal services for the residents of Dubbo, and to facilitate public participation in recycling and the reduction of domestic waste being disposed of to landfill.

Other Waste Management Services

Provision of a cost effective environmentally friendly waste collection, transport and disposal service for the owners/occupier of commercial/industrial premises located within the garbage scavenging districts, and to provide roadside reserves and street litter receptacle collection services.

WATER

Water Supply

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

COMMUNITY PROTECTION

Stormwater

Provide adequate infrastructure, together with planning for new infrastructure, to cater for the present and future disposal of stormwater within the City, to minimise damage to property under threat from storm events and to provide safe and trafficable driving conditions in wet weather.

Emergency Management

To aid and assist in the operation of the State Emergency Service.

Fire Services

Protect the individual and minimise damage to property under threat from fire or other natural forces and/or external hazards.

CITY DEVELOPMENT

Livestock Markets

Operation of a quality assured livestock selling facility that complies with all regulations, legislation codes and policies governing the handling, movement, welfare, disposal and sale of livestock, operates at no cost to ratepayers generates income to undertake improvements whilst providing an annual dividend to general revenue.

Airport

Provide airport facilities approved by the Civil Aviation Safety Authority that cater for private and commercial aviation operators and passengers, operates at no cost to ratepayers and generates income to undertake improvements and provide a dividend to general revenue.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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:

City Development

Facilitate the industrial and tourism development of the City by funding an appropriate body to auspice the implementation of the adopted Economic Development Strategy with a view to increasing employment opportunities and maintaining population growth within the City along with expanding the level of services available to the regional community.

Property Development

Undertake a residential land development programme which provides land at market prices in response to market forces and which provides funding for ongoing development opportunities and provides funding for one off major projects. To provide sufficient land at the shortest possible lead-time of industrial land to meet market requirement with such land marketed at a break-even price.

Holiday Park

To provide a first class accommodation facility for visitors to Dubbo on a cost effective basis.

City Marketing & Communications

Costs of providing tourism promotion, marketing and information services to residents and visitors.

Showground

Provide a modern public showground facility that is a venue for a wide variety of user group activities.

BUILT & NATURAL ENVIRONMENT

Environment & Health Services

To monitor and report available information on the state and health of the environment.

Building & Development Services

Processing and assessment of development and regulatory applications within statutory time frames and provide a comprehensive inspection of buildings during and following construction. To encourage development which is compatible with and enhances the environment.

Environmental Sustainability Services

Prepare, implement, monitor and review Council's Strategic Land Use plans to provide direction for future management of rural, industrial, commercial, recreational, residential and other urban development, as well as developing policies and standards to achieve a healthy sustainable environment, and to monitor and report available information on the state of the environment.

City Strategy

Prepare, implement, monitor and review Council's Strategic Landuse Plans to provide philosophy and direction for future management of rural, industrial, commercial, recreational, residential and other urban development.

Environmental Support

To provide management and business support services and a Land Information System which provides for the effective and efficient operation of the Environmental Services Division.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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:

Ranger Services

To respond to community requests on matters relevant to the function and where necessary enforce the requirement of various acts, regulations and policies.

Animal Shelter

To respond to community requests on matters relevant to the function and, where necessary, enforce the requirements of various acts, regulations and policies.

PARKS & LANDCARE SERVICES

Horticultural Services

Cost of providing high quality recreation space and facilities to meet the widest practical range of passive recreational needs of residents and visitors.

Landcare Services

Costs of maintenance and provision of reserves either owned by Council or under Council control.

Parks & Landcare Business Support Services

Provide management and business support services to the Parks & Landcare Services Division.

Sporting Facilities

Costs of providing high quality recreation space and facilities to meet the widest practical range of active recreational needs and expectations of both residents and visitors.

Parks & Landcare Operations

Provision of specialised horticultural and landcare related services to in-house service purchasers (clients) and customers external to council.

Recreation Planning & Programmes

To encourage residents to pursue recreational activities; to provide a range of recreation facilities and programs to meet the needs of residents in a cost effective and efficient manner.

Dubbo Aquatic Leisure Centre

Provision of a facility for social, recreational and sporting requirements of residents of and visitors to Dubbo.

COMMUNITY SERVICES

Cemeteries

Provision of Cemetery facilities to the community.

Recreation Services

To provide recreation facilities and programs to meet the needs of residents, and to encourage residents to pursue recreational activities.

Library Services

Costs of providing educational and recreational library services for the residents of Dubbo.

Library Services - Joint Venture

Council's share of participating in the provision of a regional library service Macquarie Regional Library

Old Dubbo Gaol

Provide a historical and educational tourist attraction.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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:

Social Services

Costs of supporting social service programmes for the benefit of residents, and financial support for community groups, provide community facilities, and to undertake social planning.

Rainbow Cottage

Costs of providing quality, centre-based long day care childcare services.

Family Day Care

Costs of providing an affordable and quality home-based child care service to residents.

Cultural Services

Provide facilities and financial subsidies to cultural groups to improve the level of cultural activity and awareness in the Dubbo community.

Community Support Services

Management and business support service provided to Community Services Division.

Regional Theatre & Convention Centre

To provide a first class facility for the entertainment and convention requirement of the residents and visitors to Dubbo on a cost effective basis.

Western Plains Cultural Centre

This function is the consolidation of the Museum Services and Cultural Services into one function.

HUMAN ENVIRONMENT

Human Environment Services

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, street lighting, other.

CORPORATE SERVICES

Corporate Development/Strategic Management

Planning, organising and controlling the functions of Council in an efficient and timely manner, development of a draft 'Dubbo City Management Plan' for the Council and the organisation, promote and improve public awareness of Council's activities and operations thereby promoting the Corporate image of Council.

Customer Services

To provide services to customers in a proactive and informative manner.

Fleet Management Services

Cost of management of Council's plant and vehicle resources of Council, meet statutory requirements and provide fleet management and technical advice to the organisation.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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:

Management Accounting Services

Development of the Annual Operating Plan and Budgets, preparation of Quarterly Statements, and provision of Management Reports that enable the organisations performance to be monitored against the Annual Operating Plan.

Financial Accounting Services

Costs of providing Statutory Financial Accounting Services to the organisation, and processing of all financial transactions in a timely manner, providing the organisation with the actual expenditure/income data for Management Reports.

Human Resource Services

Cost of providing human resource services and advice to the organisation.

Information Management Services

Supporting the effective and efficient use of information technology systems within Council.

Governance and Risk Services

Costs of developing and maintaining an effective administrative service system to ensure optimum performance to the organisation.

Civic Administration Building

Costs of providing a clean and safe working environment for the Council.

Technical Support Services

Provision of engineering design, development and technical support services to the organisation.

Business Support Services (Technical)

Collate and assist in the development of the Division's Annual Operating Plan and Budget, ensure that all Division expenditure is within budget, and to maintain the Divisions pavement management system for sealed and unsealed roads.

Depot Services

Costs of providing a clean, safe and adequately sized functional working environment for the users of the Hawthorn Street Depot.

Rates and General Revenue

Responsible for the raising of general revenue for the organisation including rates, and management of investments to maximise interest.

Employment Overhead Distribution

This consists of costs related to staff's annual leave, sick leave, long service leave, training costs and superannuation. These costs are distributed as an overhead to other functions based on salary & wage costs.

Works Services

Carry out construction and maintenance activities to clients agreed briefs, and maintain a high quality output.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
(a) Rates and annual charges ^{1,2}			
Ordinary rates			
Residential		14,748	14,512
Farmland		1,922	1,913
Business		7,424	7,192
Total ordinary rates		24,094	23,617
Special rates			
Nil			
\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		3,920	4,203
Water supply services		4,101	4,457
Sewerage services		8,376	9,112
Drainage		1,098	1,172
Waste management services (non-domestic)		282	305
Total annual charges		17,777	19,249
<u>TOTAL RATES AND ANNUAL CHARGES</u>		<u>41,871</u>	<u>42,866</u>

¹ Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

² Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		11,421	12,185
Sewerage services		3,374	3,567
Waste management services (non-domestic)		2,779	2,180
Total user charges		17,574	17,932
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Regulatory/ statutory fees		1,679	2,206
Total fees and charges – statutory/regulatory		1,679	2,206
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		2,797	3,198
Aquatic leisure centre		316	305
Caravan park		1,353	1,487
Cemeteries		151	217
Design transport interchange Dept of Transport		–	73
Dubbo development partnership guide		200	199
Family day care		299	352
Fodder sales 'Greengrove' effluent reuse property		189	277
Leaseback fees – Council vehicles		237	278
Old Dubbo gaol		476	460
Private works		356	528
Public halls		1,214	1,340
Rainbow cottage long day care centre		549	636
Regional livestock markets		3,270	4,001
RMS (formerly RTA) charges (state roads not controlled by Council)		1,009	1,366
Sale of animals		–	53
Sewer plan drafting fees		94	106
Showground		123	239
Sporting facilities		175	261
Tourism		78	87
Water service connections		46	48
Other		776	881
Total fees and charges – other		13,708	16,392
TOTAL USER CHARGES AND FEES		32,961	36,530

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		134	165
– Interest earned on investments (interest and coupon payment income)		3,531	3,827
– Interest (other)		–	44
Amortisation of premiums and discounts			
– Interest free (and interest reduced) loans provided		31	8
– 'Held to maturity' investments		4	4
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>3,700</u>	<u>4,048</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		134	165
General Council cash and investments		1,609	1,691
Restricted investments/funds – external:			
Development contributions			
– Section 94		155	172
– Section 64		20	44
Water fund operations		527	383
Sewerage fund operations		1,255	1,593
Total interest and investment revenue recognised		<u>3,700</u>	<u>4,048</u>
(d) Other revenues			
Rental income – other council properties		347	405
Fines		195	207
Commissions and agency fees		7	8
Evocities Reimbursement of Expenses		31	–
Insurance claim recoveries		64	6
Insurances – risk management bonus		185	173
National Australia Bank Incentive Payment		16	-
Other revenues from local organisations		27	60
Other		104	97
<u>TOTAL OTHER REVENUE</u>		<u>976</u>	<u>956</u>

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	4,865 ¹	5,058	–	–
Financial assistance – local roads component	1,706 ¹	1,739	–	–
Pensioners' rates subsidies – general component	203	235	–	–
Total general purpose	6,774	7,032	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	83	95	–	–
– Sewerage	81	93	–	–
– Domestic waste management	63	72	–	–
Bushfire and emergency services	200	347	22	1,117
Community services	83	256	–	–
Environmental trust	–	–	–	1,630
Environmental trust organics collection	–	–	796	–
Family day care	1,306	1,524	–	–
Heritage and cultural	100	195	–	–
Library	112	127	–	–
Local Infrast. Renewal Scheme interest subsidy	–	–	314	370
Noxious weeds	44	59	–	–
Paid parental leave	80	51	–	–
Rainbow cottage long day care centre	372	426	–	–
Sporting facilities	–	–	–	1,655
Stormwater	–	12	–	–
Street lighting	127	147	–	–
Tourism	–	–	712	87
Transport (roads to recovery)	2,343	820	–	–
Transport (other roads and bridges funding)	1,353	3,178	361	325
Other	35	163	89	237
Total specific purpose	6,382	7,565	2,294	5,421
Total grants	13,156	14,597	2,294	5,421
Grant revenue is attributable to:				
– Commonwealth funding	8,195	6,864	–	1,955
– State funding	4,961	7,733	2,294	3,466
	13,156	14,597	2,294	5,421

¹ Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15	1/7/14	1/7/15	1/7/14
	to 12/5/16	to 30/6/15	to 12/5/16	to 30/6/15
	Operating	Operating	Capital	Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – roadworks	–	–	1,261	1,380
S 94 – drainage	–	–	208	289
S 94 – open space	–	–	616	797
S 64 – water supply contributions	–	–	1,224	1,561
S 64 – sewerage service contributions	–	–	1,231	1,334
Voluntary Planning Agreements	–	–	25	–
Total developer contributions	17	–	4,565	5,361
Other contributions:				
Evocities MTB Sponsorship	59	–	–	–
Infrastructure contributions (non-cash)				
– Roadworks	–	–	5,670	13,415
– Drainage	–	–	5,711	5,918
– Sewerage	–	–	1,058	2,199
– Water	–	–	1,371	1,373
– Footpaths	–	–	54	800
– Land under roads	–	–	1,703	3,703
Oval Sponsorship	48	50	–	–
RMS contributions (regional roads, block grant)	612	584	–	–
Sporting facilities	–	–	–	47
Other	89	82	68	86
Total other contributions	808	716	15,635	27,541
Total contributions	808	716	20,200	32,902
TOTAL GRANTS AND CONTRIBUTIONS	13,964	15,313	22,494	38,323

\$ '000	Actual	Actual
	1/7/15 to 12/5/16	1/7/14 to 30/6/15

(g) Restrictions relating to 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	8,871	5,812
Add: grants and contributions recognised in the current period but not yet spent:	5,250	8,290
Less: grants and contributions recognised in a previous reporting period now spent:	(666)	(5,231)
Net increase (decrease) in restricted assets during the period	4,584	3,059
Unexpended and held as restricted assets	13,455	8,871
Comprising:		
– Specific purpose unexpended grants	5,415	2,566
– Developer contributions	8,040	6,305
	13,455	8,871

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(a) Employee benefits and on-costs			
Salaries and wages		21,569	24,114
Travel expenses		276	314
Employee leave entitlements (ELE)		2,694	2,858
Superannuation		2,514	2,872
Workers' compensation insurance		509	536
Fringe benefit tax (FBT)		157	264
Payroll tax		192	203
Training costs (other than salaries and wages)		357	492
Other		140	206
Total employee costs		28,408	31,859
Less: capitalised costs		(3,516)	(3,918)
TOTAL EMPLOYEE COSTS EXPENSED		24,892	27,941
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		330	321
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,648	3,937
Total interest bearing liability costs expensed		3,648	3,937
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Interest free (or favourable) loans and advances made by Council		–	153
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	25	25
Total other borrowing costs		25	178
TOTAL BORROWING COSTS EXPENSED		3,673	4,115
(c) Materials and contracts			
Raw materials and consumables		12,847	15,162
Contractor and consultancy costs		6,115	9,446
– Contractor and consultancy costs (internal audit BDO alliance)		65	73
Auditors remuneration ⁽¹⁾		52	58
Legal expenses:			
– Legal expenses: planning and development		3	6
– Legal expenses: other		45	55
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		395	402
TOTAL MATERIALS AND CONTRACTS		19,522	25,202

(continued on the next page...)

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
		52	58
		52	58
Remuneration for audit and other assurance services			
		52	58
Total Auditor remuneration			
2. Operating lease payments are attributable to:			
Computers		395	402
		395	402

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Plant and equipment		–	–	2,559	2,817
Office equipment		–	–	128	160
Furniture and fittings		–	–	151	240
Land improvements (depreciable)		–	–	223	263
Infrastructure:					
– Buildings – non-specialised		–	–	244	512
– Buildings – specialised		–	–	1,307	2,695
– Other structures		–	–	3,012	3,588
– Roads		–	–	6,167	10,122
– Stormwater drainage		–	–	694	2,036
– Water supply network		–	–	3,098	3,479
– Sewerage network		–	–	4,083	4,400
– Swimming pools		–	–	44	–
– Other infrastructure – Airport Runways		–	–	350	–
Other assets					
– Other		–	–	42	448
Asset reinstatement costs	9 & 26	–	–	7	7
Total depreciation and impairment costs		–	–	22,109	30,767
Less: capitalised costs		–	–	(745)	(1,472)
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	21,364	29,295

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(e) Other expenses			
Other expenses for the period include the following:			
Advertising		438	615
Bad and doubtful debts		44	43
Carbon tax expense		–	(1)
Contributions to emergency services		766	635
Councillor expenses – mayoral fee		33	39
Councillor expenses – councillors' fees		168	198
Councillors' expenses (incl. mayor) – other (excluding fees above)		116	121
Credit card merchant fees		47	61
Donations, contributions and assistance to other organisations (Section 356)		1,881	1,942
Electricity and heating		2,288	3,117
Family day care – fee relief		1,095	1,334
Insurance		1,231	1,505
Postage		88	118
Printing and stationery		289	450
Property rental		66	14
Street lighting		625	787
Subscription Shires Association		40	44
Telephone and communications		283	428
Valuation fees		109	101
Vehicle registration		103	93
Water resource charge		280	245
Other		485	485
<u>TOTAL OTHER EXPENSES</u>		<u>10,475</u>	<u>12,374</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		1,228	1,220
Less: carrying amount of plant and equipment assets sold/written off		(1,580)	(1,782)
Net gain/(loss) on disposal		<u>(352)</u>	<u>(562)</u>
Real estate assets held for sale			
Proceeds from disposal – real estate assets		2,934	6,643
Less: carrying amount of real estate assets sold/written off		(804)	(2,155)
Net gain/(loss) on disposal		<u>2,130</u>	<u>4,488</u>
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		69,800	28,543
Less: carrying amount of financial assets sold/redeemed/matured		(69,800)	(28,543)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>1,778</u>	<u>3,926</u>

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	12/5/16	12/5/16	30/6/15	30/6/15
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		114	–	1,112	–
Cash-equivalent assets ¹					
– Deposits at call		10,792	–	15,837	–
Total cash and cash equivalents		10,906	–	16,949	–
Investments (Note 6b)					
– Long term deposits		76,290	21,858	60,500	28,697
– NCD's, FRN's (with maturities > 3 months)		4,499	3,502	1,000	1,995
Total investments		80,789	25,360	61,500	30,692
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		91,695	25,360	78,449	30,692

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		10,906	–	16,949	–
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Investments

a. 'Held to maturity'	6(b-ii)	80,789	25,360	61,500	30,692
Investments		80,789	25,360	61,500	30,692

Note 6(b-i)**Reconciliation of investments classified as 'held to maturity'**

Balance at beginning of period		61,500	30,692	23,543	50,990
Amortisation of premiums and discounts		4	–	–	4
Additions		77,090	6,663	46,153	45
Disposals (sales and redemptions)		(69,800)	–	(28,543)	–
Transfers between current/non-current		11,995	(11,995)	20,347	(20,347)
Balance at end of period		80,789	25,360	61,500	30,692

Comprising:

– Long term deposits		79,290	18,858	60,500	28,697
– NCD's, FRN's (with maturities > 3 months)		4,499	3,502	1,000	1,995
Total		80,789	25,360	61,500	30,692

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	91,695	25,360	78,449	30,692
attributable to:				
External restrictions (refer below)	55,399	25,360	42,683	30,692
Internal restrictions (refer below)	34,957	–	33,635	–
Unrestricted	1,339	–	2,131	–
	91,695	25,360	78,449	30,692

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – water (A)	3,800	–	(3,800)	–
Specific purpose unexpended loans – sewer (A)	732	–	(732)	–
External restrictions – included in liabilities	4,532	–	(4,532)	–

External restrictions – other

Developer contributions – general (D)	6,305	–	1,735	8,040
Specific purpose unexpended grants (F)	2,566	2,849	–	5,415
Specific purpose unexpended grants-water fund (F)	–	83	(83)	–
Specific purpose unexpended grants-sewer fund (F)	–	81	(81)	–
Water supplies (G)	18,788	5,272	–	24,060
Sewerage services (G)	34,404	1,911	–	36,315
Domestic waste management (G)	2,256	243	–	2,499
Drainage	4,524	–	(94)	4,430
External restrictions – other	68,843	10,439	1,477	80,759
Total external restrictions	73,375	10,439	(3,055)	80,759

A Loan moneys which must be applied for the purposes for which the loans were raised.

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

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

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	6,848	163	–	7,011
Employment overheads	152	398	–	550
Airport	541	355	–	896
Animal shelter	253	40	–	293
Aquatic leisure centre improvements	73	–	(73)	–
Building and development services	682	–	(81)	601
Business support technical services office equip.	6	8	–	14
Cemetery improvements	218	–	–	218
City development	72	70	–	142
City image	148	46	–	194
City strategy	190	81	–	271
Civic administration building	1,111	184	–	1,295
Corporate development/strategic management	99	–	(54)	45
Cultural services projects	14	–	(6)	8
Depot services asset management	682	59	–	741
Emergency response	56	–	–	56
Employees leave entitlements and FAG grant	1,217	206	(1,423)	–
Environment and health services	30	–	–	30
Environmental sustainability services	15	–	–	15
Family day care operations	252	–	–	252
Financial accounting services	10	–	(9)	1
Fire control operations	493	–	–	493
Footpath construction	548	–	(332)	216
Governance	19	70	–	89
Governance and risk services	725	–	(128)	597
Holiday park	274	–	(192)	82
Horticultural service operations	198	–	(176)	22
Human environment operations	68	–	–	68
Human resource services	102	89	–	191
Information technology computer equipment	1,590	–	(160)	1,430
Landcare services operations	104	–	(60)	44
Library buildings and operations	135	174	–	309
Livestock markets	3,166	923	–	4,089
Old Dubbo Gaol operations	84	–	(2)	82
Other waste	2,248	–	–	2,248
Parks and landcare business support services	74	–	(2)	72
Property development	2,825	1,653	–	4,478
Rainbow cottage operations	311	–	–	311
Ranger services	15	–	–	15
Recreation planning and programmes	89	–	–	89

(continued on the next page...)

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions (continued)				
Recreation services	115	6	–	121
Regional entertainment centre	671	–	(83)	588
Rural roads projects	2,596	–	(13)	2,583
Showground	53	–	–	53
Social service projects	297	–	(14)	283
Sporting facilities projects	974	–	(188)	786
State roads	152	–	–	152
Street lighting	374	–	(28)	346
Technical support services	688	–	(132)	556
Traffic management projects	436	–	(386)	50
Urban road projects	562	339	–	901
Western Plains Cultural Centre operations	843	–	–	843
Works services operations	137	–	–	137
Total internal restrictions	33,635	4,864	(3,542)	34,957
TOTAL RESTRICTIONS	107,010	15,303	(6,597)	115,716

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Purpose					
Rates and annual charges		5,256 ¹	946 ¹	595	847
Interest and extra charges		438	–	416	–
User charges and fees		8,135	355	6,509	317
Accrued revenues					
– Interest on investments		1,639	–	1,219	–
Deferred debtors		142	1,057	579	990
Due from other levels of government		72	–	8	–
Government grants and subsidies		2,335	–	753	–
Net GST receivable		615	–	429	–
Other debtors		398	–	254	–
Total		19,030	2,358	10,762	2,154
Less: provision for impairment					
User charges and fees		(165)	–	(154)	–
Total provision for impairment – receivables		(165)	–	(154)	–
TOTAL NET RECEIVABLES		18,865	2,358	10,608	2,154
Externally restricted receivables					
Water supply					
– Rates and availability charges		147	–	97	–
– Other		5,431	331	3,235	305
Sewerage services					
– Rates and availability charges		1,831	199	1,124	183
– Other		489	–	781	–
Domestic waste management					
		306	–	151	–
Drainage					
		87	–	47	–
Total external restrictions		8,291	530	5,435	488
Internally restricted receivables					
Nil					
Unrestricted receivables		10,574	1,828	5,173	1,666
TOTAL NET RECEIVABLES		18,865	2,358	10,608	2,154

¹ The final payment instalment for rates (and annual charges) income is 31/5/16. As at 12/5/16 there is a large outstanding debtor that reflects this timing difference between the financial reporting date & the instalment payment date.

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		622	1,814	1,077	1,801
Stores and materials		822	–	800	–
Trading stock		59	–	61	–
Total inventories at cost		1,503	1,814	1,938	1,801
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		1,503	1,814	1,938	1,801
(b) Other assets					
Prepayments		541	–	340	–
Shares in unlisted companies – StateCover		–	495	–	495
TOTAL OTHER ASSETS		541	495	340	495
Externally restricted assets					
Water					
Stores and materials		181	–	166	–
Other		–	45	–	45
Prepayments		20	–	17	–
Total water		201	45	183	45
Sewerage					
Prepayments		12	–	4	–
Total sewerage		12	–	4	–
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		213	45	187	45
Total internally restricted assets		–	–	–	–
Total unrestricted assets		1,831	2,264	2,091	2,251
TOTAL INVENTORIES AND OTHER ASSETS		2,044	2,309	2,278	2,296

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Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 8. Inventories and other assets (continued)

\$ '000	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Other disclosures				
(a) Details for real estate development				
Residential	557	1,207	1,003	1,207
Industrial/commercial	65	607	74	594
Total real estate for resale	622	1,814	1,077	1,801
(Valued at the lower of cost and net realisable value)				
Represented by:				
Development costs	622	1,814	1,077	1,801
Total costs	622	1,814	1,077	1,801
Total real estate for resale	622	1,814	1,077	1,801
Movements:				
Real estate assets at beginning of period	1,077	1,801	706	2,107
– Purchases and other costs	354	13	2,064	169
– Transfers in from (out to) Note 9	(5)	–	–	(13)
– WDV of sales (expense) 5	(804)	–	(2,155)	–
– Transfer between current/non-current	–	–	462	(462)
Total real estate for resale	622	1,814	1,077	1,801

(b) Inventory write downs

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

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

The former Dubbo City Council

Notes to the Financial Statements
for the period 1 July 2015 to 12 May 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period									as at 12/5/2016					
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Remeasurement adjustment quarries through P & L	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements assets sold	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment													depreciation	impairment	
Capital work in progress	–	36,343	–	–	36,343	–	7,535	–	–	(36,701)	–	–	–	–	7,177	–	–	–	7,177
Plant and equipment	–	32,586	13,541	–	19,045	2,555	1,007	(1,175)	(2,559)	(298)	–	–	–	–	–	32,885	14,310	–	18,575
Office equipment	–	1,697	1,277	–	420	301	26	–	(128)	–	–	–	–	–	–	2,024	1,405	–	619
Furniture and fittings	–	2,882	1,874	–	1,008	87	135	–	(151)	–	–	–	–	–	–	3,104	2,025	–	1,079
Land:																			
– Operational land	–	27,919	–	–	27,919	–	177	–	–	–	–	5	–	–	–	28,101	–	–	28,101
– Community land	–	123,842	–	–	123,842	–	–	–	–	–	–	–	–	–	–	123,842	–	–	123,842
– Land under roads (post 30/6/08)	6,012	–	–	–	6,012	1,703	–	–	–	–	–	–	–	7,715	–	–	–	–	7,715
Land improvements – non-depreciable	–	1,801	–	–	1,801	–	–	–	–	–	–	–	–	–	–	1,801	–	–	1,801
Land improvements – depreciable	–	5,591	3,156	–	2,435	–	213	–	(223)	–	–	–	–	–	–	5,804	3,379	–	2,425
Infrastructure:																			
– Buildings – non-specialised	–	22,767	11,743	–	11,024	–	68	–	(244)	–	–	–	–	–	–	22,833	11,985	–	10,848
– Buildings – specialised	–	108,547	52,662	–	55,885	1,675	80	(30)	(1,307)	–	–	–	–	–	–	110,250	53,947	–	56,303
– Other structures	–	102,923	46,988	–	55,935	471	1,130	–	(3,012)	(1,568)	–	–	–	–	–	101,604	48,648	–	52,956
– Roads	–	1,070,210	209,263	–	860,947	4,770	4,476	–	(6,167)	8,849	–	–	–	–	–	1,088,305	215,430	–	872,875
– Bulk earthworks (non-depreciable)	–	239,395	–	–	239,395	–	948	–	–	–	–	–	–	–	–	240,343	–	–	240,343
– Stormwater drainage	–	199,093	24,269	–	174,824	190	5,550	–	(694)	753	–	–	(29)	–	–	205,558	24,964	–	180,594
– Water supply network	–	214,515	53,312	–	161,203	775	1,464	(286)	(3,098)	2,335	–	–	–	1,595	–	220,583	56,595	–	163,988
– Sewerage network	–	220,894	75,771	–	145,123	2,179	4,013	(89)	(4,083)	24,764	–	–	–	1,424	–	253,917	80,586	–	173,331
– Swimming pools	–	–	–	–	–	–	–	–	(44)	1,866	–	–	–	–	–	3,287	1,465	–	1,822
– Other infrastructure airport runways/taxiways	–	–	–	–	–	–	–	–	(350)	16,135	–	–	–	–	–	32,129	16,344	–	15,785
Other assets:																			
– Heritage collections	–	33	4	–	29	–	–	–	–	–	–	–	–	–	–	33	4	–	29
– Other	–	34,524	17,054	–	17,470	–	–	–	(42)	(16,135)	–	–	–	–	–	2,395	1,102	–	1,293
Reinstatement, rehabilitation and restoration assets (refer Note 26):																			
– Quarry assets	–	1,997	–	–	1,997	–	–	–	–	–	–	–	–	–	–	1,997	–	–	1,997
– Quarry restoration	–	309	106	–	203	–	–	–	(7)	–	89	–	–	–	–	398	113	–	285
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	6,012	2,447,868	511,020	–	1,942,860	14,706	26,822	(1,580)	(22,109)	–	89	5	(29)	3,019	14,892	2,481,193	532,302	–	1,963,783

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

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

The former Dubbo City Council

Notes to the Financial Statements
for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
Works in progress	–	5,484	–	5,484	–	3,146	–	3,146
Plant and equipment	–	1,661	773	888	–	1,645	664	981
Office equipment	–	41	40	1	–	41	40	1
Furniture and fittings	–	21	16	5	–	21	15	6
Land								
– Operational land	–	1,369	–	1,369	–	1,369	–	1,369
Buildings	–	875	432	443	–	875	421	454
Other structures	–	684	146	538	–	675	126	549
Roads, bridges and footpaths	–	3,449	496	2,953	–	3,449	470	2,979
Bulk earthworks	–	746	–	746	–	746	–	746
Infrastructure	–	219,109	56,165	162,944	–	213,057	52,925	160,132
Other assets	–	425	–	425	–	425	–	425
Total water supply	–	233,864	58,068	175,796	–	225,449	54,661	170,788
Sewerage services								
Works in progress	–	985	–	985	–	25,463	–	25,463
Plant and equipment	–	1,537	835	702	–	1,489	759	730
Office equipment	–	99	64	35	–	99	63	36
Furniture and fittings	–	13	6	7	–	13	5	8
Land								
– Operational land	–	5,672	–	5,672	–	5,671	–	5,671
Buildings	–	1,886	1,184	702	–	1,742	1,169	573
Other structures	–	590	376	214	–	543	361	182
Roads, bridges and footpaths	–	3,695	943	2,752	–	3,695	915	2,780
Bulk earthworks	–	830	–	830	–	830	–	830
Infrastructure	–	251,792	79,303	172,489	–	218,789	74,546	144,243
Total sewerage services	–	267,099	82,711	184,388	–	258,334	77,818	180,516
Domestic waste management								
Plant and equipment	–	1,029	353	676	–	1,024	457	567
Other structures	–	291	286	5	–	291	285	6
Roads, bridges and footpaths	–	20	7	13	–	20	6	14
Bulk earthworks	–	49	–	49	–	49	–	49
Total DWM	–	1,389	646	743	–	1,384	748	636
Stormwater drainage								
Works in progress	–	53	–	53	–	166	–	166
Plant and equipment	–	31	23	8	–	23	23	–
– Operational land	–	751	–	751	–	751	–	751
Stormwater infrastructure	–	205,220	24,895	180,325	–	198,756	24,206	174,550
Stormwater bulk earthworks	–	2,406	–	2,406	–	2,405	–	2,405
Total Stormwater Drainage	–	208,461	24,918	183,543	–	202,101	24,229	177,872
TOTAL RESTRICTED I,PP&E	–	710,813	166,343	544,470	–	687,268	157,456	529,812

The former Dubbo City Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Impairment losses recognised in the Income Statement:			
Impaired irrigation assets written off		–	(10)
Total impairment losses		–	(10)
<u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u>	4(d)	<u>–</u>	<u>(10)</u>

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Payables					
Goods and services – operating expenditure		4,198	–	5,119	–
Payments received in advance		261	–	225	–
Accrued expenses:					
– Borrowings		916	–	506	–
– Salaries and wages		556	–	782	–
Security bonds, deposits and retentions		1,160	–	1,489	–
Other		5	1	–	1
Total payables		7,096	1	8,121	1
Borrowings					
Loans – secured ¹		4,989	63,142	3,897	67,259
Total borrowings		4,989	63,142	3,897	67,259
Provisions					
Employee benefits:					
Annual leave		2,781	–	2,809	–
Sick leave		1,356	–	1,493	–
Long service leave		7,660	524	7,320	493
Sub-total – aggregate employee benefits		11,797	524	11,622	493
Asset remediation/restoration (future works)	26	–	734	–	621
Total provisions		11,797	1,258	11,622	1,114
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		<u>23,882</u>	<u>64,401</u>	<u>23,640</u>	<u>68,374</u>
(i) Liabilities relating to restricted assets					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Externally restricted assets					
Water		2,985	22,835	2,028	23,694
Sewer		2,418	17,425	1,806	19,085
Drainage		238	3,536	182	3,783
Liabilities relating to externally restricted assets		5,641	43,796	4,016	46,562
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		5,641	43,796	4,016	46,562
Total liabilities relating to unrestricted assets		18,241	20,605	19,624	21,812
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		<u>23,882</u>	<u>64,401</u>	<u>23,640</u>	<u>68,374</u>

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16	Actual 30/6/15
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(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	7,432	7,208
	<u>7,432</u>	<u>7,208</u>

Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	1/7/15 to 12/5/16			Unused amounts reversed	Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting		
Asset remediation	621	9	–	104	–	734
TOTAL	12,736	215	–	104	–	13,055

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	10,906	16,949
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		10,906	16,949
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		37,838	43,053
Adjust for non-cash items:			
Depreciation and amortisation		21,364	29,295
Net losses/(gains) on disposal of assets		(1,778)	(3,926)
Non-cash capital grants and contributions		(13,736)	(28,544)
Impairment losses recognition – I,PP&E		–	10
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Interest-free advances made by Council (deferred debtors)		–	153
Amortisation of premiums, discounts and prior period fair valuations			
– ‘Held to maturity’ financial assets		(4)	(4)
– Interest on all fair value adjusted interest free advances made by Council		(31)	(8)
Unwinding of discount rates on reinstatement provisions		113	77
Share of net (profits) or losses of associates/joint ventures		(20)	(18)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(8,993)	(662)
Increase/(decrease) in provision for doubtful debts		11	43
Decrease/(increase) in inventories		(20)	(9)
Decrease/(increase) in other assets		(201)	688
Increase/(decrease) in payables		(921)	(751)
Increase/(decrease) in accrued interest payable		410	63
Increase/(decrease) in other accrued expenses payable		(226)	231
Increase/(decrease) in other liabilities		(288)	(539)
Increase/(decrease) in employee leave entitlements		206	194
Increase/(decrease) in other provisions		–	(55)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		33,724	39,291

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(c) Non-cash investing and financing activities			
Bushfire grants		22	1,117
Infrastructure contributions		13,865	27,427
Total non-cash investing and financing activities		13,887	28,544
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		–	500
Credit cards/purchase cards		400	400
Total financing arrangements		400	900
Amounts utilised as at balance date:			
– Credit cards/purchase cards		20	66
Total financing arrangements utilised		20	66

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

(e) Bank guarantees

No Bank Guarantees have been provided by Council to external third parties.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(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			
Sewerage infrastructure		8,389	7,011
Road infrastructure		8,267	8,751
Water infrastructure		–	160
Other structures		1,089	949
Total commitments		17,745	16,871
These expenditures are payable as follows:			
Within the next year		14,214	11,831
Later than one year and not later than 5 years		3,531	5,040
Total payable		17,745	16,871
Sources for funding of capital commitments:			
Unrestricted general funds		17,745	16,871
Total sources of funding		17,745	16,871

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	298	295
Later than one year and not later than 5 years	243	262
Later than 5 years	–	–
Total non-cancellable operating lease commitments	541	557

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

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

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.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>13,546</u>	14.49%	0.79%	-5.79%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>93,472</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>79,508</u>	68.56%	61.14%	73.76%
Total continuing operating revenue ⁽¹⁾	<u>115,966</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>48,701</u>	4.51x	3.47x	3.34x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>10,809</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>38,583</u>	5.76x	5.04x	5.09x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>6,698</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>6,640</u>	15.14%	4.13%	4.49%
Rates, annual and extra charges collectible	<u>43,863</u>			
6. Cash expense cover ratio				
Current period's cash and cash equivalents plus all term deposits	<u>109,054</u>	19.27 mths	16.0 mths	16.3 mths
Payments from cash flow of operating and financing activities	<u>5,659</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.

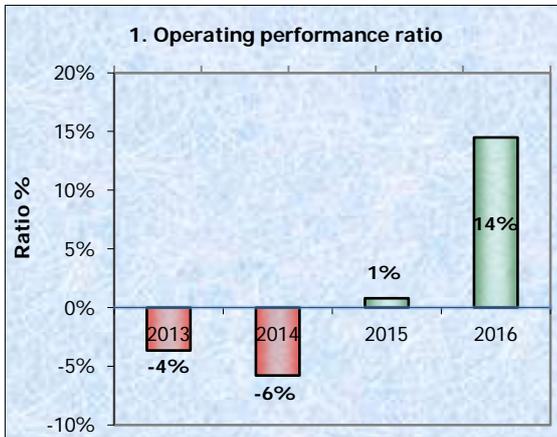
⁽³⁾ Refer to Note 10(a).

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

The former Dubbo City Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 14.49%

Council's ratio has been significantly enhanced due to the level of capital contributions falling by \$15.83m, and depreciation reducing by \$7.93m as a result of a review of reviewing remaining useful lives and residual values of roads assets to bring them to values that reflect Council's management of these assets.

Benchmark: Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 12/5/16 result

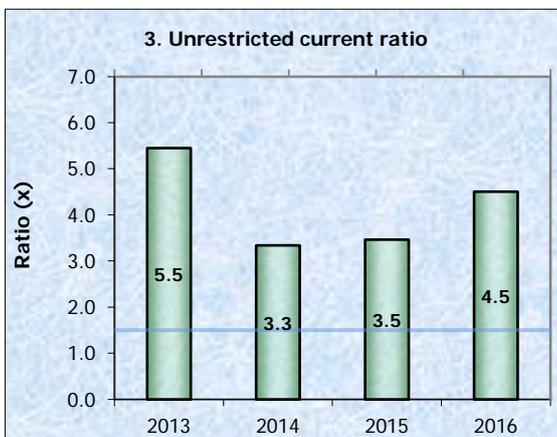
12/5/16 ratio 68.56%

This ratio continues to show the strength of Council's ability to generate own source revenue, exceeding the benchmark.

Benchmark: Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 4.51x

This ratio continues to be very strong, with the benchmark of 1.5 being exceeded again in the 2016 financial year.

Benchmark: Minimum ≥ 1.50

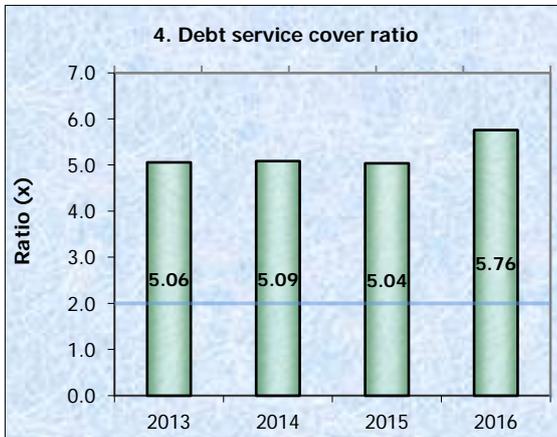
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark

The former Dubbo City Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



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 12/5/16 result

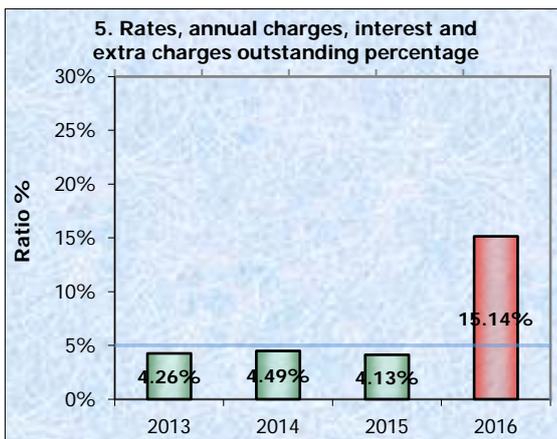
12/5/16 ratio 5.76x

This ratio is consistently strong indicating that there is \$5.50 in cash to meet every \$1.00 of debt. The benchmark for this ratio is 2.0

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 12/5/16 result

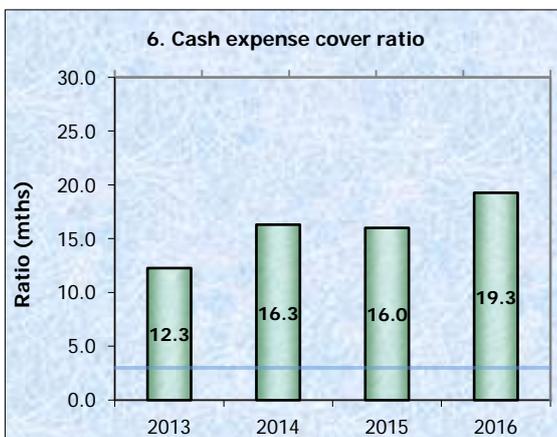
12/5/16 ratio 15.14%

The Rates Outstanding percentage for 2016 has been adversely affected by the 12 May 2016 close off for reporting, as the fourth instalment had not been collected at the financial year close off date.

Benchmark: ——— Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

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 12/5/16 result

12/5/16 ratio 19.27 mths

This ratio indicates that Council has sufficient cash to continue operations for over 19 months without additional cashflow. This is an extremely strong result compared to the benchmark of 3 months.

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁵ 12/5/16
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	24.94%	19.03%	10.51%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 21.96%	26.37%	-10.95%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	83.17%	85.10%	61.52%
Total continuing operating revenue ⁽¹⁾	prior period: 85.62%	80.84%	52.09%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	10.00x	11.43x	4.51x
Current liabilities less specific purpose liabilities ^(3,4)	prior period: 10.50x	12.35x	3.47x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	4.79x	3.82x	7.71x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 4.86x	6.17x	4.65x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	3.36%	12.77%	17.47%
Rates, annual and extra charges collectible	prior period: 1.94%	14.01%	1.48%
6. Cash expense cover ratio			
Current period's cash and cash equivalents plus all term deposits	30.38	61.30	10.59
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	13.61 mths

Notes

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

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

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	
	12/5/16	30/6/15	12/5/16	30/6/15
Financial assets				
Cash and cash equivalents	10,906	16,949	10,906	16,949
Investments				
– 'Held to maturity'	106,149	92,192	106,149	92,192
Receivables	21,223	12,762	21,223	12,762
Other financial assets	495	495	495	495
Total financial assets	138,773	122,398	138,773	122,398
Financial liabilities				
Payables	6,836	7,897	6,836	7,897
Loans/advances	68,131	71,156	68,131	71,156
Total financial liabilities	74,967	79,053	74,967	79,053

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.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
1/7/15 to 12/5/16				
Possible impact of a 1% movement in interest rates	1,198	1,198	(1,198)	(1,198)
1/7/14 to 30/6/15				
Possible impact of a 1% movement in interest rates	883	883	(883)	(883)

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

		12/5/16	12/5/16	30/6/15	30/6/15
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		69%	62%	42%	93%
Overdue		31%	38%	58%	7%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Rates and annual charges	Other receivables				
Current	Current	5,256	11,436	595	10,558
< 1 year overdue	0 – 30 days overdue	946	2,663	847	293
1 – 2 years overdue	30 – 60 days overdue	–	569	–	268
2 – 5 years overdue	60 – 90 days overdue	–	518	–	355
		6,202	15,186	1,442	11,474
(iii) Movement in provision for impairment of receivables				12/5/16	30/6/15
Balance at the beginning of the period				154	111
+ new provisions recognised during the period				11	43
Balance at the end of the period				165	154

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
1/7/15 to 12/5/16									
Trade/other payables	1,160	5,676	–	–	–	–	–	6,836	6,836
Loans and advances	–	9,971	8,118	8,118	8,118	8,118	60,699	103,142	68,131
Total financial liabilities	1,160	15,647	8,118	8,118	8,118	8,118	60,699	109,978	74,967
1/7/14 to 30/6/15									
Trade/other payables	1,489	6,408	–	–	–	–	–	7,897	7,897
Loans and advances	–	8,118	8,118	8,118	8,118	8,118	68,817	109,407	71,156
Total financial liabilities	1,489	14,526	8,118	8,118	8,118	8,118	68,817	117,304	79,053

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

The following interest rates were applicable to Council's borrowings at balance date:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	6,836	0.00%	7,897	0.00%
Loans and advances – fixed interest rate	68,131	6.05%	71,156	6.00%
	<u>74,967</u>		<u>79,053</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 24(a), this note is not applicable for "former Councils".

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,119	208	–	26	(1)	–	1,352	–
Roads	4,479	1,261	–	109	(216)	–	5,633	–
Parking	83	–	–	2	–	–	85	–
Open space	624	616	–	18	(313)	–	945	–
Community facilities	–	–	–	–	–	–	–	–
Voluntary Planning Agreements	–	25	–	–	–	–	25	–
S94 contributions – under a plan	6,305	2,110	–	155	(530)	–	8,040	–
Total S94 revenue under plans	6,305	2,110	–	155	(530)	–	8,040	–
S64 contributions	–	2,455	–	20	(2,475)	–	–	–
Total contributions	6,305	4,565	–	175	(3,005)	–	8,040	–

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Drainage

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,119	208	–	26	(1)	–	1,352	–
Total	1,119	208	–	26	(1)	–	1,352	–

CONTRIBUTION PLAN - Roads

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	4,479	1,261	–	109	(216)	–	5,633	–
Total	4,479	1,261	–	109	(216)	–	5,633	–

CONTRIBUTION PLAN - Open Space

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	624	616	–	18	(311)	–	947	–
Total	624	616	–	18	(311)	–	947	–

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Parking

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	83	–	–	2	–	–	85	–
Total	83	–	–	2	–	–	85	–

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Voluntary Planning Agreements	–	25	–	–	–	–	25	–
Total	–	25	–	–	–	–	25	–

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 12/5/2016 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.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

(iii) Potential claims – contract disputes

Council is currently in dispute with a contractor over the terms of a contract. While Council denies liability for the amount, and liability has not been recognised, there is potential for Council to be required to pay up to \$50,000 in costs in relation to this dispute.

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 end of period, 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.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities

\$ '000

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

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

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

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

Unconsolidated structured entities

Note 19(d)

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

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

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

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

	Council's share of net income		Council's share of net assets	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 12/5/16	Actual 30/6/15
Joint ventures	20	18	908	888
Total	20	18	908	888

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

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

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

(b) Joint ventures and associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	12/5/16	30/6/15
Macquarie Regional Library	Joint venture	Equity	908	888
Total carrying amounts – material joint ventures and associates			908	888

(b) Details

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

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	12/5/16	30/6/15	2016	2015	2016	2015	2016	2015
Macquarie Regional Library	n/a	n/a	57%	58%	57%	58%	25%	25%

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates

	Macquarie Regional Library	
	12/5/16	30/6/15
Statement of financial position		
Current assets		
Cash and cash equivalents	856	215
Other current assets	580	1,164
Total current assets	1,436	1,379
Non-current assets		
	982	876
Current liabilities		
Other current liabilities	826	689
Total current liabilities	826	689
Non-current liabilities		
	30	37
Net assets	1,562	1,529
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,529	1,503
Profit/(loss) for the period	33	26
Closing net assets	1,562	1,529
Council's share of net assets (%)	58.1%	58.1%
Council's share of net assets (\$)	908	888
	1/7/15	1/7/14
	to 12/5/16	to 30/6/15
Statement of comprehensive income		
Income	2,644	2,536
Interest income	36	37
Depreciation and amortisation	(289)	(286)
Other expenses	(2,357)	(2,257)
Profit/(loss) for period	34	30
Total comprehensive income	34	30
Share of income – Council (%)	56.8%	58.0%
Profit/(loss) – Council (\$)	20	18
Total comprehensive income – Council (\$)	20	18

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of period (from previous year's audited accounts)		813,225	770,172
a. Net operating result for the period		37,838	43,053
Balance at end of the reporting period		851,063	813,225
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		1,167,976	1,164,986
Total		1,167,976	1,164,986
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		1,164,986	714,662
– Revaluations for the period	9(a)	2,990	450,314
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	–	10
– Balance at end of period		1,167,976	1,164,986
TOTAL VALUE OF RESERVES		1,167,976	1,164,986

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the reporting period.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16
\$ '000			
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges ²	4,494	8,283	29,094
User charges and fees	11,736	3,810	17,415
Interest and investment revenue	537	1,265	1,898
Other revenues	35	45	896
Grants and contributions provided for operating purposes	83	81	13,800
Grants and contributions provided for capital purposes	3,398	2,520	16,576
Other income			
Net gains from disposal of assets	(284)	(82)	2,144
Share of interests in joint ventures and associates using the equity method	–	–	20
Total income from continuing operations	19,999	15,922	81,843
Expenses from continuing operations			
Employee benefits and on-costs	3,626	3,029	18,237
Borrowing costs	1,275	813	1,585
Materials and contracts	2,937	1,683	14,902
Depreciation and amortisation	3,394	4,261	13,709
Other expenses	1,679	1,012	7,784
Total expenses from continuing operations	12,911	10,798	56,217
Operating result from continuing operations	7,088	5,124	25,626
Net operating result for the period	7,088	5,124	25,626
Net operating result attributable to each council fund	7,088	5,124	25,626
Net operating result for the period before grants and contributions provided for capital purposes	3,690	2,604	9,050

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

² Rates and are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

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

The former Dubbo City Council

Notes to the Financial Statements

as at 12 May 2016

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

Statement of Financial Position by fund \$ '000	Actual 12/5/16	Actual 12/5/16	Actual 12/5/16
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	3,560	1,315	6,031
Investments	20,500	24,000	36,289
Receivables	5,578	2,321	10,966
Inventories	181	–	1,322
Other	20	12	509
Total current assets	29,839	27,648	55,117
Non-current assets			
Investments	–	11,000	14,360
Receivables	331	199	1,828
Inventories	–	–	1,814
Infrastructure, property, plant and equipment	175,796	184,388	1,603,599
Investments accounted for using the equity method	–	–	908
Other	45	–	450
Total non-current assets	176,172	195,587	1,622,959
TOTAL ASSETS	206,011	223,235	1,678,076
LIABILITIES			
Current liabilities			
Payables	953	331	5,812
Borrowings	1,088	2,087	1,814
Provisions	944	–	10,853
Total current liabilities	2,985	2,418	18,479
Non-current liabilities			
Payables	–	–	1
Borrowings	22,792	17,425	22,925
Provisions	43	–	1,215
Total non-current liabilities	22,835	17,425	24,141
TOTAL LIABILITIES	25,820	19,843	42,620
Net assets	180,191	203,392	1,635,456
EQUITY			
Retained earnings	125,545	157,218	568,300
Revaluation reserves	54,646	46,174	1,067,156
Total equity	180,191	203,392	1,635,456

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.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (12 May 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 15/12/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 12 May 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 12 May 2016 and which are only indicative of conditions that arose after 12 May 2016.

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

Amalgamation of operations for the former Dubbo City Council to form Dubbo Regional Council

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Dubbo City Council would be amalgamated with Wellington Council to form the new council Dubbo Regional Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Dubbo City Council to Dubbo Regional Council on 13 May 2016.

The proclamation ensures that any reference in any document to the former Dubbo City Council is to be read as a reference to Dubbo Regional Council, and that anything done by the former Dubbo City Council before the amalgamation is taken to have been done by Dubbo Regional Council.

These proclamation clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts).

This ensures the general business and operations of former councils are preserved, including contracts and services.

These financial statements have been drawn up to reflect the closing financial position as at 12 May 2016 of the former Dubbo City Council and its financial performance for the period 1 July 2015 to 12 May 2016.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 24. Discontinued operations

\$ '000

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

Note 25. Intangible assets

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

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

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

Asset/operation	Estimated year of restoration	Net Present Value of provision	
		12/5/16	30/6/15
Quarries	2015 to 2055	734	621
Balance at end of the reporting period	10(a)	734	621

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

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

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

Reconciliation of movement in provision for the period:	12/5/16	30/6/15
Balance at beginning of period	621	544
Effect of a change in discount rates used in PV calculations	88	52
Amortisation of discount (expensed to borrowing costs)	25	25
Total – reinstatement, rehabilitation and restoration provision	734	621

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

1/7/15 to 12/5/16	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	–	–	7,177	7,177
Plant and equipment	–	18,575	–	18,575
Office equipment	–	619	–	619
Furniture and fittings	–	1,079	–	1,079
Operational land	–	28,101	–	28,101
Community land	–	–	123,842	123,842
Land under roads (post 30/06/2008)	–	–	7,715	7,715
Land improvements – non-depreciable	–	–	1,801	1,801
Land improvements – depreciable	–	–	2,425	2,425
Buildings – non-specialised	–	–	10,848	10,848
Buildings – specialised	–	–	56,303	56,303
Other structures	–	–	52,956	52,956
Roads	–	–	872,875	872,875
Bulk earthworks	–	–	240,343	240,343
Stormwater drainage	–	–	180,594	180,594
Water supply network	–	–	163,988	163,988
Sewerage network	–	–	173,331	173,331
Swimming Pools	–	–	1,822	1,822
Other Infrastructure Airport Runways/Taxiways	–	–	15,785	15,785
Heritage collections	–	–	29	29
Quarry assets	–	1,997	–	1,997
Quarry restoration assets	–	–	285	285
Other assets	–	–	1,293	1,293
Total infrastructure, property, plant and equipment	–	50,371	1,913,412	1,963,783

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

1/7/14 to 30/6/15	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	30/06/14	–	–	36,343	36,343
Plant and equipment	30/06/14	–	19,045	–	19,045
Office equipment	30/06/14	–	420	–	420
Furniture and fittings	30/06/14	–	1,008	–	1,008
Operational land	30/06/13	–	27,919	–	27,919
Community land	30/06/11	–	–	123,842	123,842
Land under roads (post 30/06/2008)	At Cost	–	–	6,012	6,012
Land improvements – non-depreciable	30/06/10	–	–	1,801	1,801
Land improvements – depreciable	30/06/08	–	–	2,435	2,435
Buildings – non-specialised	30/06/13	–	–	11,024	11,024
Buildings – specialised	30/06/13	–	–	55,885	55,885
Other structures	30/06/13	–	–	55,935	55,935
Roads	30/06/15	–	–	860,947	860,947
Bulk earthworks	30/06/15	–	–	239,395	239,395
Stormwater drainage	30/06/15	–	–	174,824	174,824
Water supply network	30/06/15	–	–	161,203	161,203
Sewerage network	30/06/15	–	–	145,123	145,123
Heritage collections	30/06/07	–	–	29	29
Quarry assets	30/06/14	–	1,997	–	1,997
Quarry restoration assets	30/06/14	–	–	203	203
Other assets	30/06/07	–	–	17,470	17,470
Total infrastructure, property, plant and equipment		–	50,389	1,892,471	1,942,860

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

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

Level 2 Inputs

Plant & Equipment

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

Office Equipment and Furniture & Fittings

There is a liquid second hand market for these types of assets, but the market is not liquid enough to qualify the assets as valued at Level 1. The reason for retaining book value in Note 9 is that these assets typically have very short useful lives, are held to the end of their economic life and have no residual value, and the Written Down Value reflects their value in use rather than their market value.

Operational Land

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

Quarry Assets

The Quarry Assets are valued on the basis of the price of acquiring the same quality material from commercial quarries that operate within the Dubbo Local Government area. The reason for Level 2 classification is that there is a degree of estimation required to determine the amount of material remaining in the quarry, and also the potential variation in quality of the material that has yet to be won from the quarry.

Level 3 Inputs

Capital Works in Progress

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

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

(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

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

Valuation of roads was undertaken by an external valuer, 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, 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.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

(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.

There were no changes in Valuation Techniques from prior years.

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Capital works in progress	Community land	Land under roads	Land improvements non- depreciable	Land improvements depreciable	Buildings non- specialised	Buildings specialised	Other structures	Total
Opening balance – 1/7/14	9,655	123,842	2,296	1,491	2,653	11,251	58,432	52,601	262,221
Purchases (GBV)	29,158	–	3,703	–	45	285	243	7,141	40,575
Disposals (WDV)	–	–	–	–	–	–	(95)	(243)	(338)
Depreciation and impairment	–	–	–	–	(263)	(512)	(2,695)	(3,588)	(7,058)
WIP transfers	(2,470)	–	–	310	–	–	–	–	(2,160)
Transferred from real estate development	–	–	13	–	–	–	–	24	37
Closing balance – 30/6/15	36,343	123,842	6,012	1,801	2,435	11,024	55,885	55,935	293,277
Purchases (GBV)	7,535	–	1,703	–	213	68	1,755	1,601	12,875
Disposals (WDV)	–	–	–	–	–	–	(30)	–	(30)
Depreciation and impairment	–	–	–	–	(223)	(244)	(1,307)	(3,012)	(4,786)
WIP transfers	(36,701)	–	–	–	–	–	–	(1,568)	(38,269)
Closing balance – 12/5/16	7,177	123,842	7,715	1,801	2,425	10,848	56,303	52,956	263,067

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Infrastructure – roads	Infrastructure – bulk earthworks	Infrastructure – stormwater drainage	Infrastructure – water supply	Infrastructure – sewerage	Heritage collections	Airport runways and taxiways	Other assets	Total
Opening balance – 1/7/14	571,532	161,449	99,969	151,081	137,292	29	–	17,699	1,139,051
Purchases (GBV)	14,566	1,336	7,430	1,648	3,078	–	–	219	28,277
Disposals (WDV)	–	–	–	(214)	(69)	–	–	–	(283)
Depreciation and impairment	(10,122)	–	(2,036)	(3,479)	(4,400)	–	–	(448)	(20,485)
FV gains – other comprehensive income	284,977	76,615	69,453	10,073	9,196	–	–	–	450,314
WIP transfers	(6)	(5)	8	2,094	26	–	–	–	2,117
Closing balance – 30/6/15	860,947	239,395	174,824	161,203	145,123	29	–	17,470	1,598,991
Purchases (GBV)	9,246	948	5,740	2,238	6,192	–	–	–	24,364
Disposals (WDV)	–	–	–	(286)	(89)	–	–	–	(375)
Depreciation and impairment	(6,167)	–	(694)	(3,098)	(4,083)	–	(350)	(42)	(14,434)
FV gains – other comprehensive income	–	–	–	1,596	1,424	–	–	–	3,020
WIP transfers	8,849	–	753	2,335	24,764	–	16,135	(16,135)	36,701
Other Revaluation Reversal Asset Sold	–	–	(29)	–	–	–	–	–	(29)
Closing balance – 12/5/16	872,875	240,343	180,594	163,988	173,331	29	15,785	1,293	1,648,238

The former Dubbo City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Quarry restoration assets	Swimming pools	Total
Opening balance – 1/7/14	158	–	158
Depreciation and impairment	(7)	–	(7)
Other movement unwinding of discounts	52	–	52
Closing balance – 30/6/15	203	–	203
Transfers from/(to) another asset class	–	1,865	1,865
Depreciation and impairment	(7)	(44)	(51)
Other movement unwinding of discounts	89	–	89
Closing balance – 12/5/16	285	1,821	2,106

(5). Highest and best use

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

The former Dubbo City Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 28. 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

INTERIM GENERAL MANAGER

Mark Riley

Members

ADMINISTRATOR

Michael Kneipp

RESPONSIBLE ACCOUNTING OFFICER

Craig Giffin

PUBLIC OFFICER

Craig Giffin

AUDITORS

Luka Group
2 River Street
Dubbo NSW 2830

Other information

ABN: 77 296 185 278

INDEPENDENT AUDITOR'S REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF THE FORMER DUBBO CITY COUNCIL

Report on the Financial Statements

We have audited the accompanying general purpose financial statements of the former Dubbo City Council for the financial period 1 July 2015 to 12 May 2016. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the projected revenue and expenditure of developer contributions reported in Note 17 and accordingly, we express no opinion on them.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Dubbo City Council for the period 1 July 2015 to 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of these statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion:

- (a) 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;
- (b) the Council's financial statements:
 - (i) has been prepared in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position, the results of its operations and cashflows; and
 - (iv) is in accordance with applicable Australian Accounting Standards, and other mandatory professional reporting requirements.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



LUKA GROUP

2 River Street
Dubbo
Dated: 15 December 2016



JM SHANKS
PARTNER

15 December 2016

The Administrator
Michael Kneipp
Dubbo Regional Council
PO Box 81
DUBBO NSW 2830

Dear Michael

INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT OF THE FORMER DUBBO CITY COUNCIL

We advise having completed our audit of the financial statements of the former Dubbo City Council for the financial period 1 July 2015 to 12 May 2016. The financial statements include the general purpose consolidated accounts of the economic entity comprising the Council and its controlled entities and the special purpose financial statements, detailing the income and expenditure of Council's business units and their financial position at reporting date. The contents of both of these statements include the Council's Certificate as required by section 413(2)(c) of the Local Government Act 1993. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417 of the Local Government Act 1993 we submit our statements on the conduct of the audit of the former Dubbo City Council for the period 1 July 2015 to 12 May 2016. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.



The following comments are provided in accordance with Section 415(3) of the Local Government Act 1993 and Regulation 227 of the Local Government (general) regulation 2005 to assist in the understanding of the financial statements and our reports.

Review of the Financial Statements

In May 2016, Dubbo City Council was advised that it was merging with Wellington Council to form the new Dubbo Regional Council. As a result, the financial statements cover the period 1 July 2015 to 12 May 2016.

For preparation of the financial statements, the Office of Local Government advised as follows:

- Rates are recognised as revenue at the commencement of the rating year for the period 1 July 2015 to 30 June 2016. No adjustments have been made for rates not earned during the period 13 May 2016 to 30 June 2016.
- Financial assistance grants are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenues from the financial assistance grant includes the last quarter payment which was received on 17 May 2016.
- No budget figures are required for the Income Statement, Statement of Cash Flows, Note 2 and Note 16 as budgets were prepared for a full year ended 30 June 2016.
- The comparative year is for the full financial year of 1 July 2014 to 30 June 2015.

(a) Operating Result from Continuing Operations

As disclosed in Council's Income Statement the operations for the period 1 July 2015 to 12 May 2016 resulted in a surplus from continuing operations after capital amounts of \$37,838,000 (2015 - \$43,053,000). Some items of note in the income statement include:

- The operating result from continuing operations *before* capital amounts was a surplus of \$15,344,000 (2015 - \$4,730,000).
- Rates and annual charges decreased by \$995,000 to \$41,871,000 (2015 - \$42,866,000). Ordinary rates increased by \$477,000 to \$24,094,000 which is consistent with the approved variation increase for general rates and the movement in land values. Annual charges decreased by \$1,472,000 to \$17,777,000 and have been impacted by the early cut off period. While domestic waste management services decreased by \$310,000 to \$3,920,000, there was an actual 5% increase in charges and additional services provided. Water supply services decreased by \$356,000 to \$4,101,000 but there was an actual 3% increase in charges and additional services provided. Sewerage services decreased by \$736,000 to \$8,376,000, but there was an actual 3% increase in charges and additional services provided.
- User charges and fees decreased by \$3,569,000 to \$32,961,000 (2015 - \$36,530,000) and were impacted by the early cut off period. Water supply services decreased by \$764,000 to \$11,421,000 but there was a 3% increase in the consumption charge and an increase in the number of services provided. Sewerage services decreased by \$193,000 to \$3,374,000 but there was a 2% increase in charges and in the number of services provided. Waste management services non-domestic increased by \$599,000 to \$2,779,000 due to some large demolition contracts in the area where the waste was disposed at the Whylandra Waste Facility. Regulatory and statutory fees decreased by \$527,000 to \$1,679,000 due to decreased building activity within the city over the financial period. Private works decreased by \$172,000 to \$356,000 due to less works performed compared to the previous year. RMS charges - State Roads decreased by \$357,000 to \$1,009,000 due to a decrease in National Highway 17 maintenance compared to the previous year.
- Interest and investment revenue decreased by \$348,000 to \$3,700,000 (2015 - \$4,048,000) and is impacted by the early cut off of period end. Council's cash and cash equivalents at 12 May 2016 were \$7,921,000 higher than the previous year.
- Grant and contributions provided for operating purposes decreased by \$1,349,000 to \$13,964,000 (2015 - \$15,313,000). The financial assistance grant decreased by \$226,000 to \$6,571,000. Transport - roads to recovery increased by \$1,523,000 to \$2,343,000 due to the commencement of a new program and additional funding provided by the Department of Transport. Transport - other roads and bridges funding decreased by \$1,825,000 to \$1,353,000 primarily due to the Troy Junction railway deviation project in the prior year.

- Grants and contributions provided for capital purposes decreased by \$15,829,000 to \$22,494,000 (2015 - \$38,323,000). Capital grants decreased by \$3,127,000 to \$2,294,000. Environmental trust decreased by \$1,630,000 due to projects in the prior year. Bushfire and emergency services decreased by \$1,095,000 due to no new equipment being received this year compared to the prior year. Sporting facilities decreased by \$1,655,000 due to the completion of the Barden Park Sporting Facility in the prior year. Tourism increased by \$625,000 to \$712,000 due to funding for the refurbishment of Old Dubbo Gaol. Environmental trust organics collection increased by \$796,000 due to the first instalment of a grant for the implementation of a composting facility at the Whylandra Waste Facility. Capital contributions decreased by \$12,702,000 to \$20,200,000. Section 94 and Section 64 developer contributions decreased by \$796,000 to \$4,565,000 due to decreased subdivision activity within the city. Non cash contributions for road works, drainage, water, sewerage, footpaths and land under roads decreased collectively by \$11,841,000 to \$15,567,000 due to a reduction in private subdivisions released during the year.
- Other revenue increased by \$20,000 to \$976,000 (2015 - \$956,000). Rental income – other council properties decreased by \$58,000 to \$347,000 due to the early cut off period.
- Council had a gain on disposal of assets of \$1,778,000 (2015 - \$3,926,000) during the year. Real estate assets held for sale generated a surplus of \$2,130,000 (2015 - \$4,488,000) which was mainly due to sales in Keswick estate, while infrastructure, property, plant and equipment generated a loss on disposal of \$352,000 (2015 - \$562,000).
- The employee costs of Council decreased by \$3,049,000 to \$24,892,000 (2015 - \$27,941,000) after capitalisation of costs which has been driven by the early cut off period. The pre capitalisation employee costs decreased by \$3,451,000 to \$28,408,000. Salary and wages decreased by \$2,545,000 to \$21,569,000 due to the early cut off, but there was a general wage increase for all staff and the number of full time equivalent employees increased by 9 to 330.
- Borrowing costs decreased by \$442,000 to \$3,673,000 (2015 - \$4,115,000). Interest on loans decreased by \$289,000 to \$3,648,000 due to the early cut off period.
- Materials and contracts decreased by \$5,680,000 to \$19,522,000 (2015 - \$25,202,000). Raw materials and consumables decreased by \$2,315,000 to \$12,847,000 and contractor and consultancy cost decreased by \$3,331,000 to \$6,115,000. These movements are impacted by the timing and extent of various projects during the period and the early cut off period.
- Depreciation and amortisation decreased by \$7,931,000 to \$21,364,000 (2015 - \$29,295,000) due to the early cut off period and roads decreasing by \$3,955,000 and storm water drainage decreasing by \$1,342,000 as a result of the first year of depreciation following the revaluation in the prior year.
- Other expenses decreased by \$1,899,000 to \$10,475,000 (2015 - \$12,374,000). Electricity and heating decreased by \$829,000 to \$2,288,000 due to the early cut off period and a renegotiation of the electricity contract for Council's various sites resulting in an estimated reduction of 17% across all contestable sites. Insurance decreased by \$274,000 to \$1,231,000 due to the early period cut off and a reduction in premiums for the period.

(b) Financial Position

The Statement of Financial Position disclosed that for the period ended 12 May 2016 Council's net assets stood at \$2,019,039,000 (2015 - \$1,978,211,000) which represents an increase of \$40,828,000 being the surplus from continuing operations after capital amounts of \$37,838,000 and the revaluation of infrastructure assets for \$2,990,000 being the indexation of the water and sewerage networks.

To assess the appropriateness or otherwise of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist and the effect of the restrictions is summarised as follows:-

	12/5/16 \$'000	30/6/15 \$'000
Net current assets	88,722	67,695
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(63,903)	(48,305)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(34,957)	(33,635)
Add: Applicable liabilities (refer Note 10) matched by a current cash restriction		
- Water	2,985	2,028
- Sewerage	2,418	1,806
- Stormwater drainage	238	182
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	7,432	7,208
	<hr/>	<hr/>
Unrestricted net current asset surplus/(deficit)	2,935	(3,021)
	<hr/>	<hr/>
Unrestricted net current assets comprise:		
<i>Unrestricted Current Assets</i>		
Cash and Investments	1,339	2,131
Receivables	10,574	5,173
Inventories	1,322	1,772
Other assets	509	319
	<hr/>	<hr/>
	13,744	9,395
Less:		
<i>Unrestricted Current Liabilities</i>		
Payables	(5,574)	(7,427)
Provisions	(10,853)	(10,694)
Borrowings	(1,814)	(1,503)
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	(18,241)	(19,624)
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	7,432	7,208
	<hr/>	<hr/>
Unrestricted net current asset surplus/(deficit)	2,935	(3,021)
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The unrestricted net current asset position of Council has increased by \$5,956,000 over the past year to a surplus of \$2,935,000. Coupled with Council's very strong level of internal restrictions, Council is in a very sound position.

Liquidity

Note 6 to the accounts discloses total cash and investments of \$117,055,000 (2015 - \$109,141,000). Of this amount \$80,759,000 (2015 - \$73,375,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$34,957,000 (2015 - \$33,635,000) is subject to internal restrictions agreed upon by Council for designated purposes which may be altered at the discretion of Council, consistent with their management plan.

The unrestricted balance of \$1,339,000 (2015 - \$2,131,000) represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements. Overall, Council's cash position is regarded as financially very strong.

(c) Performance Indicators

Note 13 to the financial statements provide a measure of Council's performance using a number of selected ratios as follows:

Operating Performance Ratio

This ratio measures a Council's ability to contain operating expenditure within operating revenue.

The ratio of a surplus of 14.49% (2015 - 0.79%) exceeds the benchmark of 0%. This is the second year in a row that Council has exceeded the benchmark.

We stress the importance of considering these ratios in conjunction with other performance indicators and not in isolation. The fact that these ratios are based upon consolidated funds should also be kept in mind as the ratios for individual funds (i.e General, Water, Sewer, etc.) may vary significantly.

Own source operating revenue

This ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.

The ratio of 68.56% (2015 - 61.14%) is above the benchmark of 60% and indicates Council is not reliant on government grants and contributions to provide services to the community. This is a sound position.

Unrestricted Current Ratio

The unrestricted current ratio is a measure of Council's liquidity and demonstrates Council's ability to satisfy obligations out of short-term and immediate asset balances.

Council's ratio of 4.51:1 (2015 - 3.47:1) is considered strong. The benchmark is a minimum of 1.5:1. Council has been consistently well above this benchmark minimum.

Debt Service Cover Ratio

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

Council's ratio of 5.76:1 (2015 - 5.04:1) is considered sound, as the benchmark is a minimum of 2:1. This result means that Council has \$5.76 of cash to meet every \$1 of debt. It indicates that Council has the ability to borrow further if required.

Rates and Annual Charges Outstanding Ratio

The rates and annual charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Council's rates and annual charges outstanding percentage of 15.14% (2015 - 4.13%) has been adversely impacted by early period close date of 12 May 2016. The final instalment of rates for ratepayers was not due until 31 May 2016. As a result, rates debtors at 12 May 2016 were still very high. If these subsequent rate payments were taken into account, Council's rates and annual charges outstanding ratio would range from 4% to 5% as has traditionally been the case for many years.

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.

Council's ratio of 19.27 months (2015 - 16.01 months) is well above the minimum benchmark of 3 months and indicates that Council is in a very strong cash and investment position.

(d) Statement of Cash Flows

The Statement of Cash Flows reports a net decrease in cash assets held of \$6,043,000 (2015 – increase of \$2,021,000) as follows:

	12/5/16 \$'000	30/6/15 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	33,724	39,291	(5,567)
Investing activities	(36,742)	(56,400)	19,658
Financing activities	(3,025)	19,130	(22,155)
Net increase / (decrease) in cash held during the year	(6,043)	2,021	(8,064)

Cash Flows from Operating Activities

The net cash flow provided by operating activities totalled \$39,724,000 (2015 - \$39,291,000). The significant movements have been a decrease in rates and annual charges receipts of \$5,815,000, a decrease in user charges and fees receipts of \$6,799,000, a decrease in grants and contributions receipts of \$3,809,000, a decrease in payments for employee benefits and on-costs of \$2,602,000 and a decrease in payments for materials and contracts of \$6,029,000.

Cash Flows from Investing Activities

The net cash flow used in investing activities totalled \$36,742,000 (2015 - \$56,400,000). The major cash movements relate to the outflow movement of investments of \$13,953,000 (2015 - \$17,655,000), sale of real estate assets of \$2,934,000 (2015 - 6,643,000) and the acquisition of property, plant and equipment by Council of \$26,985,000 (2015 - \$42,997,000). The major areas of asset acquisition were roads for \$9,246,000, stormwater drainage for \$5,740,000 and sewerage for \$6,192,000.

Cash Flows from Financing Activities

The net cash flow used in financing activities was \$3,025,000 (2015 - \$19,130,000 provided by). There were no new borrowings during the year (2015 - \$21,800,000). Repayments of borrowings of \$3,025,000 (2015 - \$2,670,000) were in line with the repayment requirements of the loans.

(e) Comparison of Actual and Budgeted Performance

There is no comparison of actual to budgeted performance for Council, as the budgets were developed over a full financial year, whereas Council operated for the period 1 July 2015 to 12 May 2016.

As a result, Council was not required to report budgeted figures and Note 16 is not required.

Other Matters

(a) National Competition Policy

In accordance with the requirements of National Competition Policy guidelines, the former Dubbo City Council has prepared special purpose financial statements on its business units for the period ended 12 May 2016. Council has determined that it has seven business units within its operations: Water, Sewerage, Livestock Markets, Airport, Property Development, Caravan Park and Rainbow Cottage.

The Office of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.

An unmodified audit report on the special purpose statements for the period ended 12 May 2016 has been issued.

(b) Management Letters

A management letter will be issued in the next few weeks.

(c) Legislative Compliance

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial statements that have come to our attention during the conduct of the audit and that the former Dubbo City Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 and regulations.

(d) Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Dubbo City Council for the period ended 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of these statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Conclusion

- (a) The former Dubbo City Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of this report;
- (b) The former Dubbo City Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of this report; and
- (c) all information relevant to the conduct of the audit has been obtained.



LUKA GROUP

2 River Street
Dubbo
Dated: 15 December 2016



JM SHANKS
PARTNER

The former Dubbo City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 1 July 2015 to 12 May 2016

"A vibrant city of lifestyle and opportunity"



The former Dubbo City Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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Background

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

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

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

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

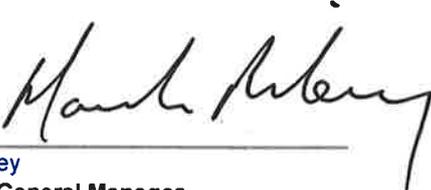
- present fairly the operating result and financial position for each of Council's declared business activities for the period, and
- accord with Council's accounting and other records.

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 Dubbo Regional Council made on 28 November 2016.



Michael Kneipp
Administrator



Mark Riley
Interim General Manager



Craig Giffin
Responsible Accounting Officer

The former Dubbo City Council

Income Statement of Council's Water Supply Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	4,494	4,868
User charges	11,736	12,603
Fees	–	–
Interest	537	406
Grants and contributions provided for non-capital purposes	83	95
Profit from the sale of assets	–	–
Other income	35	38
Total income from continuing operations	16,885	18,010
Expenses from continuing operations		
Employee benefits and on-costs	3,626	3,671
Borrowing costs	1,275	1,364
Materials and contracts	2,937	3,239
Depreciation and impairment	3,394	3,597
Loss on sale of assets	284	98
Calculated taxation equivalents	82	78
Debt guarantee fee (if applicable)	–	–
Other expenses	1,679	2,096
Total expenses from continuing operations	13,277	14,143
Surplus (deficit) from continuing operations before capital amounts	3,608	3,867
Grants and contributions provided for capital purposes	3,398	2,949
Surplus (deficit) from continuing operations after capital amounts	7,006	6,816
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	7,006	6,816
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,082)	(1,160)
SURPLUS (DEFICIT) AFTER TAX	5,924	5,656
Plus opening retained profits	118,457	111,563
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	82	78
– Debt guarantee fees	–	–
– Corporate taxation equivalent	1,082	1,160
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	125,545	118,457
Return on capital %	2.8%	3.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	5,924	5,656
Less: capital grants and contributions (excluding developer contributions)	(2,174)	(1,388)
Surplus for dividend calculation purposes	3,750	4,268
Potential dividend calculated from surplus	1,875	2,134

The former Dubbo City Council

Income Statement of Council's Sewerage Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	8,284	9,002
User charges	3,387	3,588
Liquid trade waste charges	16	14
Fees	406	651
Interest	1,265	1,614
Grants and contributions provided for non-capital purposes	81	93
Profit from the sale of assets	–	–
Other income	45	58
Total income from continuing operations	13,484	15,020
Expenses from continuing operations		
Employee benefits and on-costs	3,030	3,142
Borrowing costs	813	683
Materials and contracts	1,683	1,620
Depreciation and impairment	4,260	4,453
Loss on sale of assets	82	70
Calculated taxation equivalents	225	250
Other expenses	1,012	1,111
Total expenses from continuing operations	11,105	11,329
Surplus (deficit) from continuing operations before capital amounts	2,379	3,691
Grants and contributions provided for capital purposes	2,520	3,830
Surplus (deficit) from continuing operations after capital amounts	4,899	7,521
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	4,899	7,521
Less: corporate taxation equivalent (30%) [based on result before capital]	(714)	(1,107)
SURPLUS (DEFICIT) AFTER TAX	4,185	6,414
Plus opening retained profits	152,093	144,322
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	225	250
– Debt guarantee fees	–	–
– Corporate taxation equivalent	714	1,107
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	157,217	152,093
Return on capital %	1.7%	2.4%
Subsidy from Council	1,067	1,078
Calculation of dividend payable:		
Surplus (deficit) after tax	4,185	6,414
Less: capital grants and contributions (excluding developer contributions)	(1,289)	(2,496)
Surplus for dividend calculation purposes	2,896	3,918
Potential dividend calculated from surplus	1,448	1,959

The former Dubbo City Council

Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

\$ '000	Dubbo City Regional Airport		Livestock Markets	
	Category 1		Category 1	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations				
Access charges	–	–	–	–
User charges	2,797	3,198	3,280	4,013
Fees	–	–	–	–
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	12	–
Profit from the sale of assets	–	–	–	–
Other income	131	146	28	28
Total income from continuing operations	2,928	3,344	3,320	4,041
Expenses from continuing operations				
Employee benefits and on-costs	320	390	416	439
Borrowing costs	80	87	–	–
Materials and contracts	1,568	1,987	967	1,249
Depreciation and impairment	625	807	917	932
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	99	97	8	7
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	211	294	166	210
Total expenses from continuing operations	2,903	3,662	2,474	2,837
Surplus (deficit) from continuing operations before capital amounts	25	(318)	846	1,204
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	25	(318)	846	1,204
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	25	(318)	846	1,204
Less: corporate taxation equivalent (30%) [based on result before capital]	(8)	–	(254)	(361)
SURPLUS (DEFICIT) AFTER TAX	18	(318)	592	843
Plus opening retained profits	11,631	12,497	11,225	10,251
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	99	97	8	7
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	8	–	254	361
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	(645)	–	(237)
Closing retained profits	11,755	11,631	12,079	11,225
Return on capital %	0.4%	-0.9%	5.0%	7.0%
Subsidy from Council	511	1,046	–	–

The former Dubbo City Council

Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

	Property Development		Dubbo City Holiday Park	
	Category 2		Category 2	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000				
Income from continuing operations				
Access charges	–	–	–	–
User charges	–	–	1,353	1,487
Fees	–	–	–	–
Interest	50	54	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	1,381	4,487	79	–
Other income	11	74	–	23
Total income from continuing operations	1,442	4,615	1,432	1,510
Expenses from continuing operations				
Employee benefits and on-costs	–	–	–	22
Borrowing costs	–	–	–	–
Materials and contracts	1,363	2,676	931	936
Depreciation and impairment	–	–	138	185
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	249	215	63	69
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	–	1	174	214
Total expenses from continuing operations	1,612	2,892	1,306	1,426
Surplus (deficit) from continuing operations before capital amounts	(170)	1,723	126	84
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	(170)	1,723	126	84
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(170)	1,723	126	84
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(517)	(38)	(25)
SURPLUS (DEFICIT) AFTER TAX	(170)	1,206	88	59
Plus opening retained profits	7,279	5,445	2,148	1,995
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	249	215	63	69
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	–	517	38	25
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	(104)	–	–
Closing retained profits	7,358	7,279	2,337	2,148
Return on capital %	n/a	n/a	2.7%	1.9%
Subsidy from Council	170	–	–	49

The former Dubbo City Council

Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

Rainbow Cottage

Category 2

\$ '000	Actual	Actual
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Income from continuing operations		
Access charges	–	–
User charges	549	636
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	387	441
Profit from the sale of assets	–	–
Other income	186	–
Total income from continuing operations	1,122	1,077
Expenses from continuing operations		
Employee benefits and on-costs	752	850
Borrowing costs	–	–
Materials and contracts	250	236
Depreciation and impairment	24	54
Loss on sale of assets	–	–
Calculated taxation equivalents	7	4
Debt guarantee fee (if applicable)	–	–
Other expenses	19	24
Total expenses from continuing operations	1,052	1,168
Surplus (deficit) from continuing operations before capital amounts	70	(91)
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	70	(91)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	70	(91)
Less: corporate taxation equivalent (30%) [based on result before capital]	(21)	–
SURPLUS (DEFICIT) AFTER TAX	49	(91)
Plus opening retained profits	197	284
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	7	4
– Debt guarantee fees	–	–
– Corporate taxation equivalent	21	–
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	274	197
Return on capital %	10.5%	-13.3%
Subsidy from Council	–	112

The former Dubbo City Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	3,560	9,788
Investments	20,500	11,800
Receivables	5,578	3,333
Inventories	181	166
Other	20	16
Non-current assets classified as held for sale	–	–
Total current assets	29,839	25,103
Non-current assets		
Investments	–	1,000
Receivables	331	305
Inventories	–	–
Infrastructure, property, plant and equipment	175,796	170,788
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	45	45
Total non-current assets	176,172	172,138
TOTAL ASSETS	206,011	197,241
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	953	293
Borrowings	1,088	807
Provisions	944	928
Total current liabilities	2,985	2,028
Non-current liabilities		
Payables	–	–
Borrowings	22,792	23,643
Provisions	43	51
Total non-current liabilities	22,835	23,694
TOTAL LIABILITIES	25,820	25,722
NET ASSETS	180,191	171,519
EQUITY		
Retained earnings	125,545	118,457
Revaluation reserves	54,646	53,062
Council equity interest	180,191	171,519
Non-controlling equity interest	–	–
TOTAL EQUITY	180,191	171,519

The former Dubbo City Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	1,315	6,086
Investments	24,000	15,050
Receivables	2,321	1,905
Inventories	–	–
Other	12	4
Non-current assets classified as held for sale	–	–
Total Current Assets	27,648	23,045
Non-current assets		
Investments	11,000	14,000
Receivables	199	183
Inventories	–	–
Infrastructure, property, plant and equipment	184,388	180,516
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	195,587	194,699
TOTAL ASSETS	223,235	217,744
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	331	219
Borrowings	2,087	1,587
Provisions	–	–
Total current liabilities	2,418	1,806
Non-current liabilities		
Payables	–	–
Borrowings	17,425	19,085
Provisions	–	–
Total non-current liabilities	17,425	19,085
TOTAL LIABILITIES	19,843	20,891
NET ASSETS	203,392	196,853
EQUITY		
Retained earnings	157,217	152,093
Revaluation reserves	46,175	44,760
Council equity interest	203,392	196,853
Non-controlling equity interest	–	–
TOTAL EQUITY	203,392	196,853

The former Dubbo City Council

Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Dubbo City Regional Airport		Livestock Markets	
	Category 1		Category 1	
	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
ASSETS				
Current assets				
Cash and cash equivalents	1	1	–	–
Investments	1,223	352	4,820	3,668
Receivables	123	445	342	266
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	1,347	798	5,162	3,934
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	26,668	26,983	16,849	17,223
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Other	–	–	–	–
Total non-current assets	26,668	26,983	16,849	17,223
TOTAL ASSETS	28,015	27,781	22,011	21,157
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	135	109	40	72
Borrowings	372	–	–	–
Provisions	204	197	138	119
Total current liabilities	711	306	178	191
Non-current liabilities				
Payables	–	–	–	–
Borrowings	1,326	1,628	–	–
Provisions	7	4	15	6
Total non-current liabilities	1,333	1,632	15	6
TOTAL LIABILITIES	2,044	1,938	193	197
NET ASSETS	25,971	25,843	21,818	20,960
EQUITY				
Retained earnings	11,755	11,631	12,079	11,225
Revaluation reserves	14,216	14,212	9,739	9,735
Council equity interest	25,971	25,843	21,818	20,960
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	25,971	25,843	21,818	20,960

The former Dubbo City Council

Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Property Development		Dubbo City Holiday Park	
	Category 2		Category 2	
	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
ASSETS				
Current assets				
Cash and cash equivalents	–	–	1	–
Investments	3,993	3,963	1,122	603
Receivables	27	438	–	–
Inventories	622	1,077	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	4,642	5,478	1,123	603
Non-current assets				
Investments	–	–	–	–
Receivables	902	–	–	–
Inventories	1,814	1,801	–	–
Infrastructure, property, plant and equipment	–	–	4,703	4,414
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Other	–	–	–	–
Total non-current assets	2,716	1,801	4,703	4,414
TOTAL ASSETS	7,358	7,279	5,826	5,017
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	–	–	100	61
Borrowings	–	–	282	–
Provisions	–	–	–	–
Total current liabilities	–	–	382	61
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	299	–
Provisions	–	–	–	–
Total non-current liabilities	–	–	299	–
TOTAL LIABILITIES	–	–	681	61
NET ASSETS	7,358	7,279	5,145	4,956
EQUITY				
Retained earnings	7,358	7,279	2,337	2,148
Revaluation reserves	–	–	2,808	2,808
Council equity interest	7,358	7,279	5,145	4,956
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	7,358	7,279	5,145	4,956

The former Dubbo City Council

Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

Rainbow Cottage

Category 2

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	–	216
Investments	311	–
Receivables	–	–
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	311	216
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	668	682
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	668	682
TOTAL ASSETS	979	898
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	10	9
Borrowings	–	–
Provisions	203	203
Total current liabilities	213	212
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	6	3
Total non-current liabilities	6	3
TOTAL LIABILITIES	219	215
NET ASSETS	760	683
EQUITY		
Retained earnings	274	197
Revaluation reserves	486	486
Council equity interest	760	683
Non-controlling equity interest	–	–
TOTAL EQUITY	760	683

The former Dubbo City Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents of the notes accompanying the financial statements

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2	Water Supply Business Best-Practice Management disclosure requirements	17
3	Sewerage Business Best-Practice Management disclosure requirements	19

The former Dubbo City Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies

These financial statements are Special Purpose Financial Statements prepared for use by Council and the Office of Local Government.

These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the Special Purpose Financial Statements, unless otherwise stated, 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 the Special Purpose Financial Statements have been prepared in accordance with:

- the Local Government Act NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

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' to 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 government policy statement, 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 standards for disclosure. 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 and the villages of Wongarbon, Ballimore and Brocklehurst.

b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the City of Dubbo and the villages of Wongarbon and Brocklehurst.

c. Dubbo City Regional Airport

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

d. Dubbo Regional Livestock Markets

Comprising the whole of the Livestock Markets operations and net assets located on Bootherba Road.

Category 2

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

a. 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 former Dubbo City Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

the General Purpose Financial Reports this is disclosed as Gain/(Loss) on disposal of assets.

b. 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, provides cabin accommodation as well as tent sites. The Dubbo City Caravan Park is in direct competition with other caravan parks within Dubbo.

c. Rainbow Cottage Long Day Care Centre

Rainbow Cottage, located in Mitchell Street, provides day care for children 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, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied

to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$482,000 of combined land values attracts 0%. For that valued from \$482,001 to \$2,947,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of 2.0% applies.

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

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage 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 against the Best-Practice Management of Water Supply and Sewerage 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 each reported Business Activity.

While 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 or 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 from ordinary activities before capital amounts has been achieved.

The former Dubbo City Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

Since this 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 Council’s General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the period.

Local Government Rates and Charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and Debt Guarantee Fees

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

(ii) Subsidies

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

Subsidies occur when Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

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

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

(iii) Return on investments (Rate of Return)

The 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 rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of Infrastructure, Property, Plant & Equipment as at 12 May

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.31% at 12/5/16.

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

(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.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 12 May 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

The former Dubbo City Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	82,000
(ii)	Number of assessments multiplied by \$3/assessment	47,859
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	47,859
(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]	1,874,800
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	430,731
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	10,291,400

2016 Surplus	3,749,600	2015 Surplus	4,267,900	2014 Surplus	2,273,900
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	430,731
(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

The former Dubbo City Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 12/5/16

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	19,746
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)]	%	74.10%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	174,904
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	7,652
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	6,168
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)]	%	5.10%
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

The former Dubbo City Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business best-practice management disclosure requirements

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	225,000
(ii)	Number of assessments multiplied by \$3/assessment	44,649
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	44,649
(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]	1,448,150
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	401,841
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	8,923,700

2016 Surplus	2,896,300	2015 Surplus	3,917,700	2014 Surplus	2,109,700
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	401,841
(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

The former Dubbo City Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

12/5/16

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	14,739
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	183,644
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	5,781
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	7,600
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.63%
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	34,119
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	13,768
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	3.83%
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%

The former Dubbo City Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

12/5/16

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-4.43%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 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: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
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	12,212
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	164

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

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF THE FORMER DUBBO CITY COUNCIL

Report on the Financial Statements

We have audited the special purpose financial statements of the former Dubbo City Council for the period 1 July 2015 to 12 May 2016, comprising the Statement by Councillors and Management, Income Statement by Business Activities, Statement of Financial Position by Business Activities and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Dubbo City Council for the period 1 July 2015 to 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion, the special purpose financial statements of the former Dubbo City Council is presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.



LUKA GROUP

2 River Street
Dubbo
Dated: 15 December 2016



JM SHANKS
PARTNER

The former Dubbo City Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

"A vibrant city of lifestyle and opportunity"



The former Dubbo City Council

Special Schedules

for the period 1 July 2015 to 12 May 2016

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¹ Special Schedules are not audited.

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.

The former Dubbo City Council

Special Schedule 1 – Net Cost of Services for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,470	22	–	(1,448)
Administration	1,039	1,048	–	9
Public order and safety				
Fire service levy, fire protection, emergency services	1,442	202	22	(1,218)
Beach control	76	–	–	(76)
Enforcement of local government regulations	317	1	–	(316)
Animal control	807	200	–	(607)
Other	13	–	–	(13)
Total public order and safety	2,655	403	22	(2,230)
Health	163	47	–	(116)
Environment				
Noxious plants and insect/vermin control	250	45	–	(205)
Other environmental protection	236	26	–	(210)
Solid waste management	5,248	7,030	804	2,586
Street cleaning	276	–	–	(276)
Drainage	1,582	1,140	5,948	5,506
Stormwater management	–	–	–	–
Total environment	7,592	8,241	6,752	7,401
Community services and education				
Administration and education	591	93	–	(498)
Social protection (welfare)	274	2	–	(272)
Aged persons and disabled	–	–	–	–
Children's services	2,731	2,541	–	(190)
Total community services and education	3,596	2,636	–	(960)
Housing and community amenities				
Public cemeteries	278	152	–	(126)
Public conveniences	–	–	–	–
Street lighting	763	127	–	(636)
Town planning	1,334	558	–	(776)
Other community amenities	36	–	–	(36)
Total housing and community amenities	2,411	837	–	(1,574)
Water supplies	12,594	16,601	2,663	6,670
Sewerage services	10,793	13,402	2,506	5,115

The former Dubbo City Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,767	135	–	(1,632)
Museums	–	–	–	–
Art galleries	1,664	292	60	(1,312)
Community centres and halls	–	–	–	–
Performing arts venues	2,951	1,264	–	(1,687)
Other performing arts	–	–	–	–
Other cultural services	991	8	–	(983)
Sporting grounds and venues	3,710	210	–	(3,500)
Swimming pools	793	296	–	(497)
Parks and gardens (lakes)	1,548	195	636	(717)
Other sport and recreation	1,264	201	68	(995)
Total recreation and culture	14,688	2,601	764	(11,323)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,537	831	–	(706)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	1,537	831	–	(706)
Transport and communication				
Urban roads (UR) – local	4,187	1,705	7,374	4,892
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	3,114	2,191	338	(585)
Sealed rural roads (SRR) – regional	338	464	–	126
Unsealed rural roads (URR) – local	1,890	–	–	(1,890)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	13	–	–	(13)
Bridges on SRR – local	175	–	–	(175)
Bridges on URR – local	37	–	–	(37)
Bridges on regional roads	30	–	–	(30)
Parking areas	109	–	–	(109)
Footpaths	530	48	101	(381)
Aerodromes	2,729	2,928	–	199
Other transport and communication	2,323	1,213	1,261	151
Total transport and communication	15,475	8,549	9,074	2,148
Economic affairs				
Camping areas and caravan parks	1,212	1,433	–	221
Other economic affairs	4,701	6,362	713	2,374
Total economic affairs	5,913	7,795	713	2,595
Totals – functions	79,926	63,013	22,494	5,581
General purpose revenues ⁽¹⁾		32,237		32,237
Share of interests – joint ventures and associates using the equity method	–	20		20
NET OPERATING RESULT ⁽²⁾	79,926	95,270	22,494	37,838

(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 per the Income Statement

The former Dubbo City Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	3,897	67,259	71,156	–	3,025	–	–	3,648	4,989	63,142	68,131
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	3,897	67,259	71,156	–	3,025	–	–	3,648	4,989	63,142	68,131
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	3,897	67,259	71,156	–	3,025	–	–	3,648	4,989	63,142	68,131

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

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

The former Dubbo City Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	2,669	2,396
b. Engineering and supervision	406	421
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	107	203
d. Maintenance expenses	782	1,095
– Reservoirs		
e. Operation expenses	30	19
f. Maintenance expenses	88	225
– Pumping stations		
g. Operation expenses (excluding energy costs)	35	55
h. Energy costs	143	223
i. Maintenance expenses	40	39
– Treatment		
j. Operation expenses (excluding chemical costs)	1,822	2,137
k. Chemical costs	740	858
l. Maintenance expenses	387	361
– Other		
m. Operation expenses	395	442
n. Maintenance expenses	8	4
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	3,060	3,435
b. Plant and equipment	77	84
4. Miscellaneous expenses		
a. Interest expenses	1,275	1,364
b. Revaluation decrements	–	–
c. Other expenses	847	607
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	12,911	13,968

The former Dubbo City Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges		
a. Access (including rates)	3,093	3,355
b. Usage charges	8,849	9,391
7. Non-residential charges		
a. Access (including rates)	1,397	1,513
b. Usage charges	2,559	2,778
8. Extra charges	–	–
9. Interest income	537	406
10. Other income	435	488
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	83	95
c. Other grants	–	–
12. Contributions		
a. Developer charges	1,224	1,561
b. Developer provided assets	1,371	1,373
c. Other contributions	735	–
13. Total income	20,283	20,960
14. Gain (or loss) on disposal of assets	(284)	(98)
15. Operating result	7,088	6,894
15a. Operating result (less grants for acquisition of assets)	7,088	6,894

The former Dubbo City Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	2,606	387
c. Renewals	3,527	1,635
d. Plant and equipment	35	140
17. Repayment of debt	567	460
18. Totals	6,735	2,622
Non-operating funds employed		
19. Proceeds from disposal of assets	15	39
20. Borrowing utilised	–	3,800
21. Totals	15	3,839
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	14,071	13,998
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	1,882	1,852
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	223 ET	166 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 173,883	\$ 173,160

The former Dubbo City Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	24,060	–	24,060
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	147	–	147
c. User charges	5,242	271	5,513
d. Other	189	60	249
27. Inventories	181	–	181
28. Property, plant and equipment			
a. System assets	–	174,904	174,904
b. Plant and equipment	–	892	892
29. Other assets	20	45	65
30. Total assets	<u>29,839</u>	<u>176,172</u>	<u>206,011</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	953	–	953
33. Borrowings	1,088	22,792	23,880
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	944	43	987
35. Total liabilities	<u>2,985</u>	<u>22,835</u>	<u>25,820</u>
36. NET ASSETS COMMITTED	<u>26,854</u>	<u>153,337</u>	<u>180,191</u>
EQUITY			
37. Accumulated surplus			125,545
38. Asset revaluation reserve			54,646
39. TOTAL EQUITY			<u>180,191</u>
Note to system assets:			
40. Current replacement cost of system assets			232,810
41. Accumulated current cost depreciation of system assets			(57,906)
42. Written down current cost of system assets			<u>174,904</u>

The former Dubbo City Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	2,489	2,326
b. Engineering and supervision	247	241
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	637	418
b. Maintenance expenses	–	–
– Pumping stations		
c. Operation expenses (excluding energy costs)	151	214
d. Energy costs	123	175
e. Maintenance expenses	239	243
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,033	1,215
g. Chemical costs	20	29
h. Energy costs	403	427
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	254	233
– Other		
l. Operation expenses	171	190
m. Maintenance expenses	14	31
3. Depreciation expenses		
a. System assets	4,037	4,350
b. Plant and equipment	74	100
4. Miscellaneous expenses		
a. Interest expenses	813	683
b. Revaluation decrements	–	–
c. Other expenses	93	134
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	10,798	11,009

The former Dubbo City Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges (including rates)	11,255	12,170
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Trade waste charges		
a. Annual fees	410	409
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	1,265	1,614
11. Other income	690	1,031
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	81	93
c. Other grants	–	–
13. Contributions		
a. Developer charges	1,231	1,468
b. Developer provided assets	1,058	2,065
c. Other contributions	14	–
14. Total income	16,004	18,850
15. Gain (or loss) on disposal of assets	(82)	(70)
16. Operating result	5,124	7,771
16a. Operating result (less grants for acquisition of assets)	5,124	7,771

The former Dubbo City Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	7,182	17,560
c. Renewals	334	1,200
d. Plant and equipment	84	163
18. Repayment of debt	1,160	807
19. Totals	8,760	19,730
Non-operating funds employed		
20. Proceeds from disposal of assets	29	87
21. Borrowing utilised	–	18,000
22. Totals	29	18,087
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	13,488	13,416
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	1,395	1,381
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	224 ET	188 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 169,901	\$ 169,360

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Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	25,315	11,000	36,315
27. Receivables			
a. Specific purpose grants	10	–	10
b. Rates and availability charges	1,831	199	2,030
c. User charges	–	–	–
d. Other	479	–	479
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	183,644	183,644
b. Plant and equipment	–	744	744
30. Other assets	13	–	13
31. Total assets	<u>27,648</u>	<u>195,587</u>	<u>223,235</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	331	–	331
34. Borrowings	2,087	17,425	19,512
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>2,418</u>	<u>17,425</u>	<u>19,843</u>
37. NET ASSETS COMMITTED	<u>25,230</u>	<u>178,162</u>	<u>203,392</u>
EQUITY			
38. Accumulated surplus			157,218
39. Asset revaluation reserve			46,174
40. TOTAL EQUITY			<u>203,392</u>
Note to system assets:			
41. Current replacement cost of system assets			267,480
42. Accumulated current cost depreciation of system assets			(83,836)
43. Written down current cost of system assets			<u>183,644</u>

The former Dubbo City Council

Notes to Special Schedules 3 and 5 for the period 1 July 2015 to 12 May 2016

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.

The former Dubbo City Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'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	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	2,050	–	32	11	67,151	133,083	50%	39%	9%	2%	0%
	Sub-total	2,050	–	32	11	67,151	133,083	50.0%	39.0%	9.0%	2.0%	0.0%
Other structures	Other structures	–	–	–	–	52,956	101,604					100%
	Sub-total	–	–	–	–	52,956	101,604	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Sealed roads	7,761	–	2,255	1,881	647,245	789,771	36%	30%	27%	6%	1%
	Unsealed roads	–	–	911	782	43,590	62,224	2%	13%	19%	52%	14%
	Bridges	250	–	122	54	11,545	19,020	34%	57%	6%	0%	3%
	Footpaths	715	–	198	159	24,800	32,873	68%	23%	6%	2%	1%
	Other road assets	–	–	296	190	145,695	175,570	37%	35%	26%	2%	0%
	Bulk earthworks	–	–	–	–	240,343	240,343	100%	0%	0%	0%	0%
	Sub-total	8,726	–	3,782	3,066	1,113,218	1,319,801	47.0%	24.6%	20.7%	6.4%	1.3%
Water supply network	Other	4,469	–	1,693	1,272	163,988	218,131	44%	38%	15%	2%	1%
	Sub-total	4,469	–	1,693	1,272	163,988	218,131	44.0%	38.0%	15.0%	2.0%	1.0%
Sewerage network	Other	6,334	–	969	927	173,331	230,266	53%	26%	16%	4%	1%
	Sub-total	6,334	–	969	927	173,331	230,266	44.0%	38.0%	15.0%	2.0%	1.0%

The former Dubbo City Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (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	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Other	1,903	–	55	67	180,594	204,805	52%	39%	8%	0%	1%
	Sub-total	1,903	–	55	67	180,594	204,805	52.0%	39.0%	8.0%	0.0%	1.0%
Open space/recreational assets	Swimming pools	–	–	31	32	1,822	3,287	29%	55%	12%	3%	1%
	Sub-total	–	–	31	32	1,822	3,287	29.0%	55.0%	12.0%	3.0%	1.0%
Other infrastructure assets	Other	–	–	4	26	15,785	32,129	100%	0%	0%	0%	0%
	Sub-total	–	–	4	26	15,785	32,129	100.0%	0.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	23,482	–	6,566	5,401	1,768,845	2,243,106	46.5%	26.8%	16.6%	4.5%	5.6%

Notes:

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

Infrastructure asset condition assessment 'key'

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

The former Dubbo City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>14,707</u>	77.41%	100.47%	10.76%
Depreciation, amortisation and impairment	<u>18,999</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>23,482</u>	1.53%	0.95%	1.00%
Carrying value of infrastructure assets	<u>1,530,927</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>5,401</u>	0.82	0.97	0.91
Required asset maintenance	<u>6,566</u>			

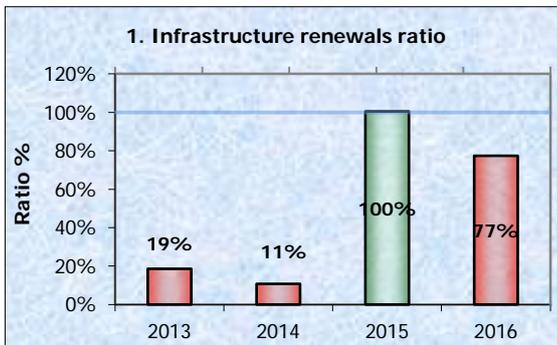
Notes

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

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

The former Dubbo City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



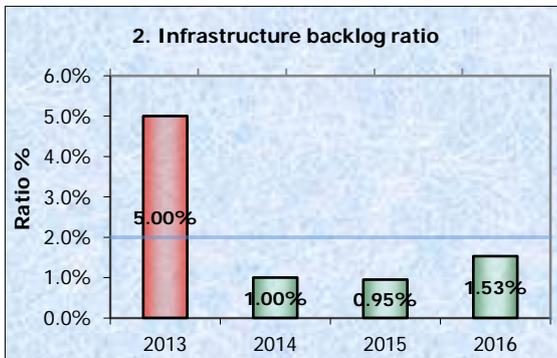
Purpose of asset renewals ratio

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

12/5/16 ratio 77.41%

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ 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.

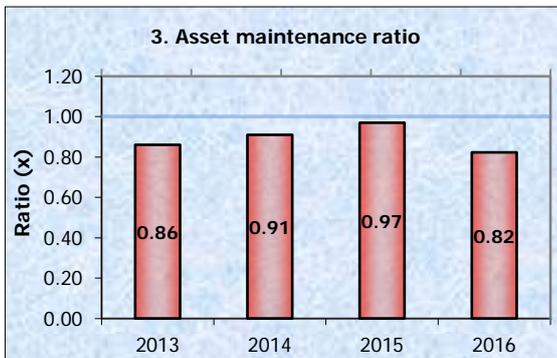
Commentary on 12/5/16 result

12/5/16 ratio 1.53%

Council has continued to review the condition of assets, and refined the asset information in relation to infrastructure assets. The 2016 result indicates that the cost to renew assets that have fallen below a satisfactory standard is \$23.482m or 1.6% of the total value of assets, which is below the required benchmark.

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 12/5/16 result

12/5/16 ratio 0.82 x

While the asset maintenance ratio is slightly below the required benchmark, it has been consistent across the last four years at a high level.

Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark

The former Dubbo City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁽¹⁾ 12/5/16
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
<u>Asset renewals ⁽²⁾</u>	24.86%	53.21%	99.71%
Depreciation, amortisation and impairment			
prior period:	38.83%	314.96%	63.12%
2. Infrastructure backlog ratio			
<u>Estimated cost to bring assets to a satisfactory standard</u>	2.73%	3.65%	1.06%
Carrying value of infrastructure assets			
prior period:	1.77%	3.10%	0.48%
3. Asset maintenance ratio			
<u>Actual asset maintenance</u>	0.75	0.96	0.82
Required asset maintenance			
prior period:	1.10	0.80	0.97

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.