

Dubbo Regional Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022

"Great community, great council"



Dubbo Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

"Great community, great council"



Dubbo Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Dubbo Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

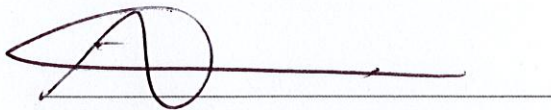
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

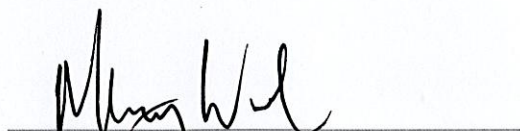
Signed in accordance with a resolution of Council made on 27 October 2022.



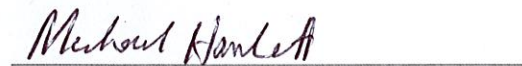
Mathew Dickerson
Mayor
27 October 2022



Richard Ivey
Deputy Mayor
27 October 2022



Murray Wood
Chief Executive Officer
27 October 2022



Michael Howlett
Responsible Accounting Officer
27 October 2022

Dubbo Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		40,446	37,124
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	207,335	45,322
Total items which will not be reclassified subsequently to the operating result		207,335	45,322
Total other comprehensive income for the period		207,335	45,322
Total comprehensive income for the year attributable to Council		247,781	82,446

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

Dubbo Regional Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	55,545	66,487
Investments	C1-2	88,000	54,073
Receivables	C1-4	23,489	20,627
Inventories	C1-5	4,789	2,738
Other	C1-11	713	638
Total current assets		172,536	144,563
Non-current assets			
Investments	C1-2	92,865	102,063
Receivables	C1-4	62	130
Inventories	C1-5	4,896	5,909
Infrastructure, property, plant and equipment (IPPE)	C1-8	2,684,577	2,460,616
Investments accounted for using the equity method	D2-1,D2-3	1,877	1,719
Other	C1-11	495	495
Total non-current assets		2,784,772	2,570,932
Total assets		2,957,308	2,715,495
LIABILITIES			
Current liabilities			
Payables	C3-1	12,715	15,978
Contract liabilities	C3-2	353	3,375
Borrowings	C3-3	5,984	5,829
Employee benefit provisions	C3-4	12,200	12,511
Total current liabilities		31,252	37,693
Non-current liabilities			
Payables	C3-1	3	3
Borrowings	C3-3	39,866	45,850
Employee benefit provisions	C3-4	868	873
Provisions	C3-5	10,738	4,276
Total non-current liabilities		51,475	51,002
Total liabilities		82,727	88,695
Net assets		2,874,581	2,626,800
EQUITY			
Accumulated surplus	C4-1	2,339,013	2,298,567
IPPE revaluation reserve	C4-1	535,568	328,233
Council Interest		2,874,581	2,626,800
Total equity		2,874,581	2,626,800

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

Dubbo Regional Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		2,298,567	328,233	2,626,800	2,261,443	282,911	2,544,354
Opening balance		2,298,567	328,233	2,626,800	2,261,443	282,911	2,544,354
Net operating result for the year		40,446	–	40,446	37,124	–	37,124
Net operating result for the period		40,446	–	40,446	37,124	–	37,124
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	207,335	207,335	–	45,322	45,322
Other comprehensive income		–	207,335	207,335	–	45,322	45,322
Total comprehensive income		40,446	207,335	247,781	37,124	45,322	82,446
Closing balance at 30 June		2,339,013	535,568	2,874,581	2,298,567	328,233	2,626,800

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

Dubbo Regional Council

Statement of Cash Flows

for the year ended 30 June 2022

<i>Original unaudited budget 2022</i>	<i>\$ '000</i>	Notes	<i>Actual 2022</i>	<i>Actual 2021</i>
Cash flows from operating activities				
Receipts:				
68,305	Rates and annual charges		69,774	67,503
42,320	User charges and fees		39,741	39,335
2,811	Interest received		3,281	4,754
45,980	Grants and contributions		60,100	56,859
–	Bonds, deposits and retentions received		–	602
3,250	Other		1,064	5,086
Payments:				
(44,157)	Payments to employees		(44,317)	(45,021)
(49,516)	Payments for materials and services		(50,299)	(49,666)
(3,338)	Borrowing costs		(2,949)	(3,144)
–	Bonds, deposits and retentions refunded		(323)	–
(2,646)	Other		(2,359)	(2,481)
63,009	Net cash flows from operating activities	G1-1	73,713	73,827
Cash flows from investing activities				
Receipts:				
27,266	Sale of investments		92,022	162,914
–	Sale of real estate assets		6,695	8,777
1,250	Proceeds from sale of IPPE		1,779	10,803
–	Deferred debtors receipts		79	34
Payments:				
–	Purchase of investments		(106,122)	(196,518)
–	Acquisition of term deposits		(10,927)	61,500
(85,696)	Payments for IPPE		(58,310)	(80,229)
–	Purchase of real estate assets		(4,062)	(3,109)
–	Deferred debtors and advances made		20	18
(57,180)	Net cash flows from investing activities		(78,826)	(35,810)
Cash flows from financing activities				
Payments:				
(5,829)	Repayment of borrowings		(5,829)	(5,502)
(5,829)	Net cash flows from financing activities		(5,829)	(5,502)
–	Net change in cash and cash equivalents		(10,942)	32,515
3,000	Cash and cash equivalents at beginning of year	C1-1b,C1-1	66,487	33,972
3,000	Cash and cash equivalents at end of year	C1-1	55,545	66,487
204,150	plus: Investments on hand at end of year	C1-2	180,865	156,136
207,150	Total cash, cash equivalents and investments		236,410	222,623

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

Dubbo Regional Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 27 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2022.

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed in the Notes

Historical cost convention

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

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the Council's accounting policies

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

A1-1 Basis of preparation (continued)

Monies and other assets received by Council

The Consolidated Fund

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

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

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

- general purpose operations
- water service
- sewerage service

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by Council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

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

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period.

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

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

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

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

This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.

A1-1 Basis of preparation (continued)

This standard has an effective date for the 30 June 2024 reporting period.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 -2020 and Other Amendments

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Council does not expect any material impact from the above amendments.

This standard has an effective date for the 30 June 2023 reporting period.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Functions or activities										
Governance	31	25	1,216	604	(1,185)	(579)	–	–	–	–
Administration	2,879	2,045	9,590	1,702	(6,711)	343	–	–	180,782	179,311
Public order and safety	4,192	4,046	5,134	4,520	(942)	(474)	3,535	3,286	26,754	48,203
Health	–	–	18	89	(18)	(89)	–	–	–	–
Environment	19,272	16,641	12,657	15,403	6,615	1,238	3,842	2,651	163,404	160,809
Community services and education	3,172	3,002	4,470	5,469	(1,298)	(2,467)	2,206	2,651	1,200	1,278
Housing and community amenities	3,138	3,589	3,002	3,130	136	459	203	203	16,624	15,568
Water supplies	32,237	35,074	20,609	21,496	11,628	13,578	10,037	12,944	403,896	335,116
Sewerage services	22,496	20,816	14,366	14,134	8,130	6,682	3,071	2,078	333,709	353,096
Recreation and culture	8,070	5,473	34,017	31,118	(25,947)	(25,645)	8,616	4,531	203,872	177,548
Mining, manufacturing and construction	80	50	1,235	1,555	(1,155)	(1,505)	–	–	6,483	36
Transport and communication	32,395	31,318	38,686	39,312	(6,291)	(7,994)	27,287	27,152	1,544,644	1,368,516
Economic affairs	9,894	15,551	7,220	11,098	2,674	4,453	648	2,752	74,062	74,295
Share of gains/(losses) in associates and joint ventures (using the equity method)	158	37	–	–	158	37	–	–	1,878	1,719
General purpose income	54,652	49,275	–	–	54,652	49,275	15,868	12,071	–	–
Total functions and activities	192,666	186,942	152,220	149,630	40,446	37,312	75,313	70,319	2,957,308	2,715,495

B1-2 Components of functions or activities

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

Governance

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

Administration

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

Public order and safety

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

Health

Includes immunisation, food control, health centres etc.

Environment

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

Community services and education

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

Housing and community amenities

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

Water supplies

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

Sewerage services

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

Recreation and culture

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

Mining, manufacturing and construction

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

Transport and communication

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

Economic affairs

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

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	22,266	21,402
Farmland	6,347	6,195
Mining	1	2
Business	8,904	8,774
Less: pensioner rebates (mandatory)	(505)	(514)
Rates levied to ratepayers	37,013	35,859
Pensioner rate subsidies received	276	283
Total ordinary rates	37,289	36,142
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	8,280	7,906
Water supply services	7,785	7,409
Sewerage services	14,205	13,626
Drainage	1,592	1,583
Waste management services (non-domestic)	671	649
Less: pensioner rebates (mandatory)	(637)	(638)
Less: pensioner rebates (Council policy)	(181)	(184)
Annual charges levied	31,715	30,351
Pensioner subsidies received:		
– Water	121	122
– Sewerage	116	116
– Domestic waste management	115	114
Total annual charges	32,067	30,703
Total rates and annual charges	69,356	66,845

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services		12,434	12,802
Sewerage services		4,449	4,186
Waste management services (non-domestic)		4,978	4,441
Total specific user charges		21,861	21,429
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Regulatory/ statutory fees		3,129	3,226
Total fees and charges – statutory/regulatory		3,129	3,226
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		2,103	1,819
Caravan park		–	1,639
Cemeteries		488	436
Leaseback fees – Council vehicles		316	291
Transport for NSW works (state roads not controlled by Council)		2,322	932
Tourism		126	175
Water service connections		84	92
Caves entry fees		617	864
Western Plains Cultural Centre		370	364
Aquatic leisure centre	1	739	832
Family day care		342	362
Fodder sales 'greengrove' effluent reuse property		63	100
Old dubbo gaol		560	1,036
Private works		425	556
Public halls		1,380	1,110
Rainbow cottage long day care centre		502	540
Regional livestock markets		2,604	2,280
Showground		462	125
Sewer plan drafting fees		147	169
Sporting facilities		190	211
Other		941	1,188
Total fees and charges – other		14,781	15,121
Total other user charges and fees		17,910	18,347
Total user charges and fees		39,771	39,776
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time		–	–
User charges and fees recognised at a point in time		39,771	39,776
Total user charges and fees		39,771	39,776

Accounting policy

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

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

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

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

B2-3 Other revenues

\$ '000	2022	2021
Rental income – other council properties	1,409	962
Fines	300	279
Commissions and agency fees	11	12
Insurance claims recoveries	1,101	265
Other	1,975	832
Caves / caravan park kiosk – sales	136	148
StateCover WHS Incentive	130	130
Total other revenue	5,062	2,628
Timing of revenue recognition for other revenue		
Other revenue recognised over time	–	–
Other revenue recognised at a point in time	5,062	2,628
Total other revenue	5,062	2,628

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)				
Financial Assistance Grant				
Relating to Current Year	6,144	5,633	–	–
Prepayment received in advance for subsequent year ¹	9,447	6,032	–	–
Amount recognised as income during current year	15,591	11,665	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Water supplies	–	–	6,500	11,133
Bushfire and emergency services	482	413	148	99
Heritage and cultural	315	186	–	–
Employment and training programs	38	13	–	–
Library	202	196	–	–
Noxious weeds	109	389	–	–
Local infrast. renewal scheme interest subsidy	–	–	170	227
Tourism	15	9	3,527	1,268
Street lighting	203	203	–	–
Community services	181	175	–	–
Family day care	1,173	1,256	–	–
Rainbow cottage long day care centre	793	725	–	–
Paid parental leave	–	111	–	–
Sporting facilities	8	–	1,001	565
Stormwater	79	–	–	–
Other specific grants	1,552	417	2,658	4,443
Transport (roads to recovery)	2,146	3,220	–	–
Transport (other roads and bridges funding)	43	33	13,696	9,785
Previously contributions:				
Transport for NSW contributions (regional roads, block grant)	2,437	2,432	–	69
Other contributions	686	611	1,375	858
Sporting facilities	–	–	247	–
Total special purpose grants and non-developer contributions – cash	10,462	10,389	29,322	28,447
Non-cash contributions				
Bushfire services	–	–	1,958	2,268
Drainage	–	–	3,240	1,670
Paving	–	–	320	738
Roads and bridges	–	–	4,455	8,334
Sewerage (excl. section 64 contributions)	–	–	1,555	862
Water supplies (excl. section 64 contributions)	–	–	1,645	351
Land under roads	–	–	111	187
Total other contributions – non-cash	–	–	13,284	14,410
Total special purpose grants and non-developer contributions (tied)	10,462	10,389	42,606	42,857
Total grants and non-developer contributions	26,053	22,054	42,606	42,857
Comprising:				
– Commonwealth funding	18,883	15,353	5,416	5,796
– State funding	6,098	6,357	22,336	21,721
– Other funding	1,072	344	14,854	15,340
	26,053	22,054	42,606	42,857

(1) Amount was received by Council in June 2022 and hence is reported as 2021 – 2022 income although relates to 2022-2023 Financial Year

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 64 – water supply contributions	G4	–	–	1,846	1,402
S 64 – sewerage service contributions		–	–	1,399	1,061
S 7.11 – open space		–	–	738	699
S 7.11 – drainage		–	–	297	389
S 7.11 – roadworks		–	–	2,274	1,759
Voluntary planning agreements		–	–	100	98
Total developer contributions – cash		–	–	6,654	5,408
Total developer contributions		–	–	6,654	5,408
Total contributions		–	–	6,654	5,408
Total grants and contributions		26,053	22,054	49,260	48,265
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		–	–	–	–
Grants and contributions recognised at a point in time		26,053	22,054	49,260	48,265
Total grants and contributions		26,053	22,054	49,260	48,265

Unspent grants and contributions

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

\$ '000	Capital 2022	Capital 2021
Unspent grants and contributions		
Unspent funds at 1 July	23,496	24,336
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	9,133	9,501
Add: Funds received and not recognised as revenue in the current year	–	–
Less: grants recognised as income in a previous reporting period now spent	(5,214)	(10,341)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,939)	–
Unspent funds at 30 June	25,476	23,496

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

B2-4 Grants and contributions (continued)

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	236	146
– Cash and investments	3,037	3,574
– Other	11	6
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	20	18
– Financial assets at amortised cost	(298)	(41)
Total interest and investment income (losses)	3,006	3,703

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		158	37
Total net share of interests in joint ventures and associates using the equity method		158	37
	D2-1		
Total other income		158	37

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	40,520	39,595
Travel expenses	104	77
Employee leave entitlements (ELE)	4,027	4,636
Superannuation	4,506	4,528
Workers' compensation insurance	2,664	2,423
Fringe benefit tax (FBT)	111	89
Payroll tax	190	140
Training costs (other than salaries and wages)	309	570
Other	231	163
Total employee costs	52,662	52,221
Less: capitalised costs	(8,177)	(7,289)
Total employee costs expensed	44,485	44,932
Number of 'full-time equivalent' employees (FTE) at year end	469	492

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		32,134	42,139
Contractor and consultancy costs		14,455	11,291
Audit Fees	F2-1	143	128
Councillor and Mayoral fees and associated expenses	F1-2	391	377
Advertising		442	543
Election expenses		494	–
Electricity and heating		3,617	3,768
Insurance		2,047	1,657
Postage		130	171
Printing and stationery		268	267
Street lighting		760	737
Telephone and communications		250	279
Valuation fees		187	183
Other expenses		1,216	954
Vehicle registration		198	202
Water resource charge		460	431
Contributions to emergency services		1,262	1,605
Credit card merchant fees		19	17
Family day care – fee relief		1,153	1,142
Property rental		49	74
Subscription shires association		56	50
Legal expenses:			
Expenses from leases of low value assets		41	82
– Legal expenses: planning and development		6	6
– Legal expenses: debt recovery		–	1
– Legal expenses: other		327	234
Total materials and services		60,105	66,338
Less: capitalised costs		(13,395)	(12,642)
Total materials and services		46,710	53,696

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on loans		3,080	3,407
Total interest bearing liability costs		3,080	3,407
Total interest bearing liability costs expensed		3,080	3,407
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	(99)	(312)
Total other borrowing costs		(99)	(312)
Total borrowing costs expensed		2,981	3,095

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		4,338	4,051
Office equipment		1,023	715
Furniture and fittings		226	348
Land improvements (depreciable)		323	367
Infrastructure:	C1-8		
– Buildings – non-specialised		1,495	1,248
– Buildings – specialised		5,980	4,377
– Other structures		6,665	5,009
– Roads		16,450	15,954
– Airport runways		914	945
– Stormwater drainage		2,178	2,102
– Water supply network		4,960	5,063
– Sewerage network		4,233	4,414
– Swimming pools		233	74
Other assets:			
– Other		57	46
Reinstatement, rehabilitation and restoration assets:			
– Quarry assets	C1-8,C3-5	23	90
Total gross depreciation and amortisation costs		49,098	44,803
Less: capitalised costs		(1,193)	(1,249)
Total depreciation and amortisation costs		47,905	43,554
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-8		
– Swimming pools		552	–
– Quarry assets		–	1,997
Total gross IPPE impairment / revaluation decrement costs		552	1,997
Total IPPE impairment / revaluation decrement costs charged to Income Statement		552	1,997
Total depreciation, amortisation and impairment for non-financial assets		48,457	45,551

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

Other non-financial assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
Other		32	(6)
Total impairment of receivables	C1-4	32	(6)
Other			
Donations, contributions and assistance to other organisations (Section 356)		2,406	2,362
Total other		2,406	2,362
Total other expenses		2,438	2,356

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of plant and equipment	C1-8		
Proceeds from disposal – plant and equipment		1,779	10,803
Less: carrying amount of plant and equipment assets sold/written off		<u>(1,644)</u>	<u>(10,165)</u>
Gain (or loss) on disposal		<u>135</u>	<u>638</u>
Gain (or loss) on disposal of infrastructure	C1-8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		<u>(11,126)</u>	<u>(2,571)</u>
Gain (or loss) on disposal		<u>(11,126)</u>	<u>(2,571)</u>
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		6,695	8,777
Less: carrying amount of real estate assets sold/written off		<u>(2,853)</u>	<u>(3,398)</u>
Gain (or loss) on disposal		<u>3,842</u>	<u>5,379</u>
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		92,022	162,914
Less: carrying amount of investments sold/redeemed/matured		<u>(92,022)</u>	<u>(162,914)</u>
Gain (or loss) on disposal		<u>–</u>	<u>–</u>
Net gain (or loss) from disposal of assets		<u>(7,149)</u>	<u>3,446</u>

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
Revenues					
Rates and annual charges	68,303	69,356	1,053	2%	F
User charges and fees	43,878	39,771	(4,107)	(9)%	U
Other revenues	2,544	5,062	2,518	99%	F
Council received a reimbursement for COVID-19 costs incurred as a result of our involvement in the emergency response from Western NSW Local Health District and higher than anticipated income from insurance recoveries.					
Operating grants and contributions	21,279	26,053	4,774	22%	F
Council received an additional 25% portion of the 2022/2023 Financial Assistance Grant during the 2022 financial year as a prepayment and COVID-19 support grants relating to the Dubbo Regional Airport operating costs.					
Capital grants and contributions	18,387	49,260	30,873	168%	F
Grant funding tied to projects that were not finalised in the 2021 financial year were rolled into the 2022 financial year, mainly related to the Drought Funding Commitment and Destination Dubbo.					
Council also received higher than anticipated developer contributions.					
Interest and investment revenue	2,485	3,006	521	21%	F
Interest rates received on investments was higher than originally estimated during the later stages in the 2022 financial year when the Reserve Bank of Australia increased the cash rate.					
Net gains from disposal of assets	2,600	-	(2,600)	(100)%	U
Other income	-	158	158	∞	F
Expenses					
Employee benefits and on-costs	45,506	44,485	1,021	2%	F
Materials and services	53,267	46,710	6,557	12%	F
Borrowing costs	3,130	2,981	149	5%	F
Depreciation, amortisation and impairment of non-financial assets	44,135	48,457	(4,322)	(10)%	U
Other expenses	2,646	2,438	208	8%	F
Statement of cash flows					
Cash flows from operating activities	63,009	73,713	10,704	17%	F
Cash flows from investing activities	(57,180)	(78,826)	(21,646)	38%	U

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Council's increased cash balance allowed for higher than anticipated investments to be placed.				
Cash flows from financing activities	(5,829)	(5,829)	-	0% F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	3	3
Cash equivalent assets		
– Deposits at call	55,542	66,484
Total cash and cash equivalents	55,545	66,487

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	55,545	66,487
Balance as per the Statement of Cash Flows	55,545	66,487

Accounting policy

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

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Debt securities at amortised cost				
Term deposits	88,000	35,000	53,073	59,000
NCD's, FRN's (with maturities > 3 months)	–	57,865	1,000	43,063
Total	88,000	92,865	54,073	102,063
Total financial investments	88,000	92,865	54,073	102,063
Total cash assets, cash equivalents and investments	143,545	92,865	120,560	102,063

Accounting policy

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in the Other Comprehensive Income Statement.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

C1-3 Restricted and allocated cash, cash equivalents and investments

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	236,410	222,623
Less: Externally restricted cash, cash equivalents and investments	(167,633)	(160,241)
Cash, cash equivalents and investments not subject to external restrictions	68,777	62,382

External restrictions

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

Developer contributions – general	11,698	13,356
Unexpended grants	25,476	23,471
Water fund	59,502	53,881
Sewer fund	62,761	60,861
Stormwater management	4,047	5,002
Domestic waste management	4,149	3,670
Total external restrictions	167,633	160,241

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

\$ '000	2022	2021
(b) Internal allocations		

Internal allocations

At 30 June, Council has internally allocated funds to the following:

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

\$ '000	2022	2021
Employees leave entitlement	3,446	4,028
Property development	1,577	6,551
Dubbo city regional airport	2,827	2,129
Livestock markets	2,771	3,127
Other waste management services	17,904	14,711
Road network – state roads	1,431	378
Fleet management services	9,991	8,960
Future Asset Renewal	29,017	22,498
Total internal allocations	68,964	62,382

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

C1-4 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	3,393	–	3,426	–
Interest and extra charges	375	–	363	–
User charges and fees	7,084	–	7,446	–
Accrued revenues				
– Interest on investments	754	–	763	–
Deferred debtors	81	62	92	130
Government grants and subsidies	5,304	–	6,375	–
Net GST receivable	1,457	–	1,556	–
Due from other levels of government	10	–	23	–
Other debtors	5,402	–	1,324	–
Total	23,860	62	21,368	130
Less: provision for impairment				
User charges and fees	(371)	–	(741)	–
Total provision for impairment – receivables	(371)	–	(741)	–
Total net receivables	23,489	62	20,627	130

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 9)	741	767
+ new provisions recognised during the year	(369)	20
– amounts already provided for and written off this year	–	(46)
Balance at the end of the year	372	741

Accounting policy

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Impairment

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

C1-4 Receivables (continued)

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	1,013	–	1,128	–
Trading stock	114	–	170	–
Real estate for resale	3,662	4,896	1,440	5,909
Total inventories at cost	4,789	4,896	2,738	5,909
Total inventories	4,789	4,896	2,738	5,909

(i) Other disclosures

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(a) Details for real estate development					
Residential		3,662	4,896	–	2,119
Industrial/commercial		–	–	1,440	3,790
Total real estate for resale		3,662	4,896	1,440	5,909

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

Represented by:

Acquisition costs		3,662	4,896	1,440	3,200
Development costs		–	–	–	2,709
Total costs		3,662	4,896	1,440	5,909
Total real estate for resale		3,662	4,896	1,440	5,909

Movements:

Real estate assets at beginning of the year		1,440	5,909	2,758	4,880
– Purchases and other costs		5,075	(1,013)	2,080	1,029
– WDV of sales (expense)	B4-1	(2,853)	–	(3,398)	–
Total real estate for resale		3,662	4,896	1,440	5,909

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

Council does not have Contract assets to report

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

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

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period								At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	WIP transfers	Adjustments and transfers	Remeasurement adjustment (via P/L)	Revaluation increments/(decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	88,717	–	88,717	41,448	(2,258)	–	–	(20,261)	(25,922)	–	–	81,724	–	81,724
Plant and equipment	65,170	(30,167)	35,003	6,364	(1,644)	(4,338)	–	–	94	–	–	66,437	(30,958)	35,479
Office equipment	4,703	(2,546)	2,157	349	(2)	(1,023)	–	–	1,408	–	–	6,427	(3,538)	2,889
Furniture and fittings	4,777	(3,337)	1,440	219	(17)	(226)	–	–	1	–	–	4,967	(3,550)	1,417
Land:														
– Operational land	36,844	–	36,844	85	–	–	–	–	–	–	7,521	44,451	–	44,451
– Community land	43,946	–	43,946	–	–	–	–	–	–	–	4,264	48,211	–	48,211
– Land under roads (post 30/6/08)	1,449	–	1,449	111	–	–	–	–	–	–	–	1,560	–	1,560
Land improvements – non-depreciable	1,393	–	1,393	–	–	–	–	–	–	–	–	1,393	–	1,393
Land improvements – depreciable	7,572	(4,971)	2,601	26	(34)	(323)	–	–	99	–	–	7,651	(5,282)	2,369
Infrastructure:														
– Airport runways	44,558	(8,765)	35,793	414	–	(914)	–	–	16,771	–	6,071	67,815	(9,678)	58,137
– Buildings – non-specialised	51,323	(24,186)	27,137	1,822	–	(1,495)	–	–	(1,098)	–	4,318	56,365	(25,681)	30,684
– Buildings – specialised	188,058	(70,037)	118,021	6,461	(1,375)	(5,980)	–	–	(1,958)	–	19,883	209,940	(74,889)	135,051
– Other structures	173,919	(61,701)	112,218	3,106	(5,681)	(6,665)	–	–	1,781	–	10,162	180,552	(65,631)	114,921
– Roads	1,223,914	(343,551)	880,363	3,584	–	(16,450)	–	17,941	1,415	–	92,522	1,339,129	(359,754)	979,375
– Bulk earthworks (non-depreciable)	418,030	–	418,030	2,046	–	–	–	–	(16,273)	–	42,127	445,930	–	445,930
– Stormwater drainage	178,154	(45,355)	132,799	3,241	–	(2,178)	–	–	(1)	–	–	181,394	(47,533)	133,861
– Water supply network	373,618	(128,730)	244,888	1,644	(295)	(4,960)	–	727	20,800	–	52,613	448,894	(133,477)	315,417
– Sewerage network	336,618	(72,563)	264,055	1,555	(59)	(4,233)	–	1,593	6,622	–	(32,146)	314,161	(76,774)	237,387
– Swimming pools	14,387	(2,509)	11,878	–	(1,405)	(233)	(552)	–	(3,925)	–	–	9,003	(3,240)	5,763
Other assets:														
– Heritage collections	33	(5)	28	–	–	–	–	–	–	–	–	33	(5)	28
– Other	2,096	(859)	1,237	–	–	(57)	–	–	186	–	–	2,282	(916)	1,366
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	880	(880)	–	–	–	–	–	–	–	6,445	–	7,325	(880)	6,445
– Quarry assets	1,082	(463)	619	–	–	(23)	–	–	–	123	–	1,182	(463)	719
Total infrastructure, property, plant and equipment	3,261,241	(800,625)	2,460,616	72,475	(12,770)	(49,098)	(552)	–	–	6,568	207,335	3,526,826	(842,249)	2,684,577

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Remeasurement adjustment (via P/L)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	48,885	–	48,885	10,256	40,162	–	–	(10,586)	–	–	–	88,717	–	88,717
Plant and equipment	54,895	(25,643)	29,252	–	6,757	(2,491)	(4,051)	–	(26)	–	3,294	65,170	(30,167)	35,003
Office equipment	3,837	(1,867)	1,970	345	544	(5)	(715)	–	18	–	–	4,703	(2,546)	2,157
Furniture and fittings	4,701	(3,075)	1,626	–	162	(6)	(348)	–	6	–	–	4,777	(3,337)	1,440
Land:														
– Operational land	36,822	–	36,822	–	22	–	–	–	–	–	–	36,844	–	36,844
– Community land	35,684	–	35,684	–	–	–	–	–	–	–	8,262	43,946	–	43,946
– Land under roads (post 30/6/08)	1,262	–	1,262	–	187	–	–	–	–	–	–	1,449	–	1,449
Land improvements – non-depreciable	1,801	–	1,801	–	–	(98)	–	–	(310)	–	–	1,393	–	1,393
Land improvements – depreciable	8,224	(4,669)	3,555	157	545	(1,282)	(367)	–	(7)	–	–	7,572	(4,971)	2,601
Infrastructure:														
– Buildings – non-specialised	50,396	(22,938)	27,458	732	195	–	(1,248)	–	–	–	–	51,323	(24,186)	27,137
– Buildings – specialised	183,028	(66,760)	116,268	5,371	5,205	(4,446)	(4,377)	–	–	–	–	188,058	(70,037)	118,021
– Other structures	149,108	(65,651)	83,457	1,093	6,881	(3,689)	(5,009)	–	327	–	29,158	173,919	(61,701)	112,218
– Roads	1,211,233	(327,597)	883,636	1,009	6,317	–	(15,954)	5,363	(8)	–	–	1,223,914	(343,551)	880,363
– Airport runways	44,445	(7,819)	36,626	112	–	–	(945)	–	–	–	–	44,558	(8,765)	35,793
– Bulk earthworks (non-depreciable)	418,030	–	418,030	–	–	–	–	–	–	–	–	418,030	–	418,030
– Stormwater drainage	170,966	(43,332)	127,634	–	3,255	(61)	(2,102)	4,073	–	–	–	178,154	(45,355)	132,799
– Water supply network	369,701	(122,500)	247,201	–	520	–	(5,063)	11	–	–	2,219	373,618	(128,730)	244,888
– Sewerage network	331,511	(67,502)	264,009	70	1,476	(614)	(4,414)	1,139	–	–	2,389	336,618	(72,563)	264,055
– Swimming pools	14,396	(2,449)	11,947	16	–	(11)	(74)	–	–	–	–	14,387	(2,509)	11,878
– Quarry assets	1,997	–	1,997	–	–	–	–	–	–	(1,997)	–	–	–	–
Other assets:														
– Heritage collections	33	(5)	28	–	–	–	–	–	–	–	–	33	(5)	28
– Other	2,353	(1,070)	1,283	–	–	–	(46)	–	–	–	–	2,096	(859)	1,237
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	1,034	(1,034)	–	–	–	–	–	–	–	–	–	880	(880)	–
– Quarry assets	1,152	(373)	779	–	–	–	(90)	–	–	(70)	–	1,082	(463)	619
Total infrastructure, property, plant and equipment	3,145,494	(764,284)	2,381,210	19,161	72,228	(12,703)	(44,803)	–	–	(2,067)	45,322	3,261,241	(800,625)	2,460,616

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

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

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

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

Revaluation model

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

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

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

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

C1-9 Investment properties

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

C1-10 Intangible assets

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

C1-11 Other

Other assets

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Prepayments	713	–	638	–
Shares in unlisted companies – StateCover	–	495	–	495
Total other assets	713	495	638	495

C2 Leasing activities

C2-1 Council as a lessee

Council does not have any Leases.

C2-2 Council as a lessor

Council does not have any Leases.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Prepaid rates	3,781	–	3,396	–
Goods and services – operating expenditure	4,670	–	8,430	–
Accrued expenses:				
– Borrowings	405	–	454	–
– Salaries and wages	1,931	–	1,447	–
Security bonds, deposits and retentions	1,928	–	2,251	–
Other	–	3	–	3
Total payables	12,715	3	15,978	3

Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022		2021	
		Current	Non-current	Current	Non-current
Grants and contributions received in advance:					
Unexpended grants (received prior to performance obligation being satisfied)	(i)	–	–	3,000	–
Total grants received in advance		–	–	3,000	–
User fees and charges received in advance:					
Payments Received in Advance		353	–	375	–
Total user fees and charges received in advance		353	–	375	–
Total contract liabilities		353	–	3,375	–

Notes

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

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

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

C3-3 Borrowings

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Loans – secured	5,984	39,866	5,829	45,850
Total borrowings	5,984	39,866	5,829	45,850

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	51,679	(5,829)	–	–	–	–	45,850
Total liabilities from financing activities	51,679	(5,829)	–	–	–	–	45,850

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

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Credit cards/purchase cards	600	600
Bank Guarantee	200	200
Total financing arrangements	800	800
Drawn facilities		
– Credit cards/purchase cards	154	130
– Bank Guarantee	40	60
Total drawn financing arrangements	194	190
Undrawn facilities		
– Credit cards/purchase cards	446	470
– Bank Guarantee	160	140
Total undrawn financing arrangements	606	610

Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

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

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

C3-4 Employee benefit provisions

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Annual leave	4,776	–	4,785	–
Sick leave	548	–	603	–
Long service leave	6,742	868	6,991	873
Other leave	134	–	132	–
Total employee benefit provisions	12,200	868	12,511	873

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employee benefits	4,814	5,124
	4,814	5,124

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

C3-5 Provisions

\$ '000	2022		2021	
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	10,738	–	4,276
Sub-total – asset remediation/restoration	–	10,738	–	4,276
Total provisions	–	10,738	–	4,276

C3-5 Provisions (continued)

Description of and movements in provisions

\$ '000	Other provisions			Total
	Self insurance	Asset remediation	Other	
2022				
At beginning of year	–	4,276	–	4,276
Changes to provision:				
– Revised costs	–	6,340	–	6,340
Additional provisions	–	41	–	41
Unwinding of discount	–	81	–	81
Total other provisions at end of year	–	10,738	–	10,738
2021				
At beginning of year	–	4,639	–	4,639
Additional provisions	–	27	–	27
Unwinding of discount	–	390	–	390
Other	–	(780)	–	(780)
Total other provisions at end of year	–	4,276	–	4,276

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

Council recognises an obligation for the remediation of the Whylandra Landfill but cannot determine a reasonable estimate to the costs due to the useful life ranging from 50-100 years. Council declares a contingent liability for the Whylandra Landfill which currently undergoes remediation on an on-going basis when required.

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	46,903	8,438	14,015
User charges and fees	22,048	12,990	4,733
Interest and investment income	1,716	687	603
Other revenues	4,902	86	74
Grants and contributions provided for operating purposes	26,053	–	–
Grants and contributions provided for capital purposes	36,154	10,036	3,070
Other income	158	–	–
Total income from continuing operations	137,934	32,237	22,495
Expenses from continuing operations			
Employee benefits and on-costs	35,285	5,285	3,915
Materials and services	35,129	7,753	3,828
Borrowing costs	964	1,379	638
Depreciation, amortisation and impairment of non-financial assets	38,868	5,248	4,341
Other expenses	2,438	–	–
Net losses from the disposal of assets	4,560	944	1,645
Total expenses from continuing operations	117,244	20,609	14,367
Operating result from continuing operations	20,690	11,628	8,128
Net operating result for the year	20,690	11,628	8,128
Net operating result attributable to each council fund	20,690	11,628	8,128
Net operating result for the year before grants and contributions provided for capital purposes	(15,464)	1,592	5,058

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
ASSETS			
Current assets			
Cash and cash equivalents	42,672	6,502	6,371
Investments	51,000	34,000	3,000
Receivables	16,554	4,624	2,311
Inventories	4,599	190	–
Other	640	40	33
Total current assets	115,465	45,356	11,715
Non-current assets			
Investments	20,475	19,000	53,390
Receivables	62	–	–
Inventories	4,896	–	–
Infrastructure, property, plant and equipment	2,076,478	339,496	268,603
Investments accounted for using the equity method	1,877	–	–
Other	451	44	–
Total non-current assets	2,104,239	358,540	321,993
Total assets	2,219,704	403,896	333,708
LIABILITIES			
Current liabilities			
Payables	12,074	414	227
Contract liabilities	351	1	1
Borrowings	2,325	1,335	2,324
Employee benefit provision	10,969	1,231	–
Total current liabilities	25,719	2,981	2,552
Non-current liabilities			
Payables	3	–	–
Borrowings	11,172	19,902	8,792
Employee benefit provision	799	69	–
Provisions	10,738	–	–
Total non-current liabilities	22,712	19,971	8,792
Total liabilities	48,431	22,952	11,344
Net assets	2,171,273	380,944	322,364
EQUITY			
Accumulated surplus	1,808,928	259,880	270,205
Revaluation reserves	362,345	121,064	52,159
Council equity interest	2,171,273	380,944	322,364
Total equity	2,171,273	380,944	322,364

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

D2 Interests in other entities

\$ '000	<i>Council's share of net assets</i>	
	2022	2021
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	1,877	1,719
Total net share of interests in joint ventures and associates using the equity method – assets	1,877	1,719
Total Council's share of net assets	1,877	1,719

D2-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	<i>Place of business</i>	<i>Nature of relationship</i>	<i>Interest in ownership</i>			
			2022	2021	2022	2021
Macquarie Regional Library	Branches in Dubbo, Narromine and Warrumbungle Council area	Joint Venture	71.3%	71.7%	1,877	1,719
Total carrying amounts – material joint ventures					1,877	1,719

Material joint ventures

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

Details

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

Relevant interests and fair values

	<i>Interest in outputs</i>		<i>Proportion of voting power</i>	
	2022	2021	2022	2021
Macquarie Regional Library	67.2%	68.6%	33.0%	33.0%

Summarised financial information for joint ventures

\$ '000	<i>Macquarie Regional Library</i>	
	2022	2021
Statement of financial position		
Current assets		
Cash and cash equivalents	2,166	1,987
Other current assets	82	86
Non-current assets	1,258	1,186

continued on next page ...

D2-1 Interests in joint arrangements (continued)

\$ '000	<i>Macquarie Regional Library</i>	
	2022	2021
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	841	829
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	33	31
Net assets	2,632	2,399
Statement of comprehensive income		
Income	3,253	3,129
Interest income	7	14
Depreciation and amortisation	(170)	(400)
Other expenses	(2,855)	(2,688)
Profit/(loss) from continuing operations	235	55
Profit/(loss) for the period	235	55
Total comprehensive income	235	55
Share of income – Council (%)	67.2%	68.6%
Profit/(loss) – Council (\$)	158	37
Total comprehensive income – Council (\$)	158	37
Reconciliation of the carrying amount		
Opening net assets (1 July)	2,399	2,344
Profit/(loss) for the period	235	55
Closing net assets	2,634	2,399
Council's share of net assets (%)	71.3%	71.7%
Council's share of net assets (\$)	1,877	1,719

Accounting policy

Council has determined that it has only joint ventures

Joint ventures

Interests in joint ventures are accounted for using the equity method where the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

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

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

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers before placing any cash and investments.

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	2,364	2,226

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

Credit risk profile

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

Receivables – rates and annual charges

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

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
2022				
Gross carrying amount	2,391	1,002	–	3,393
2021				
Gross carrying amount	3,204	222	–	3,426

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	16,586	2,604	222	133	984	20,529
Expected loss rate (%)	5.00%	5.00%	5.00%	5.00%	100.00%	9.55%
2021						
Gross carrying amount	15,455	620	453	256	1,288	18,072
Expected loss rate (%)	5.00%	5.00%	5.00%	5.00%	100.00%	11.77%

(c) Liquidity risk

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

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

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

The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total contractual cash flows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	1,928	10,791	–	–	12,719	12,718
Borrowings	5.98%	–	8,959	34,664	28,608	72,231	45,850
Total financial liabilities		1,928	19,750	34,664	28,608	84,950	58,568

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:		Total contractu al cash flows	Actual carrying values	
			≤ 1 Year	1 - 5 Years	> 5 Years		
2021							
Payables	0.00%	2,251	13,730	–	–	15,981	15,981
Borrowings	6.26%	–	8,959	38,849	33,381	81,189	51,679
Total financial liabilities		2,251	22,689	38,849	33,381	97,170	67,660

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

Fair Value Hierarchy

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

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

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

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

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs 2022	2021	Level 3 Significant unobservable inputs 2022	2021	2022	2021
Recurring fair value measurements							
Infrastructure, property, plant and equipment	C1-8						
Capital Works in Progress		–	–	81,724	88,717	81,724	88,717
Plant and equipment		35,479	35,003	–	–	35,479	35,003
Office equipment		2,889	2,157	–	–	2,889	2,157
Furniture and fittings		1,417	1,440	–	–	1,417	1,440
Operational land		44,451	36,844	–	–	44,451	36,844
Community land		–	–	48,211	43,946	48,211	43,946
Land under roads (post 30/06/2008)		–	–	1,560	1,449	1,560	1,449
Land improvements – non-depreciable		–	–	1,393	1,393	1,393	1,393
Land improvement – depreciable		–	–	2,369	2,601	2,369	2,601
Airport runways/taxiways		–	–	58,137	35,793	58,137	35,793
Buildings – non-specialised		–	–	30,684	27,137	30,684	27,137
Buildings – specialised		–	–	135,051	118,021	135,051	118,021
Other structures		–	–	114,921	112,218	114,921	112,218
Roads		–	–	979,375	880,363	979,375	880,363
Bulk earthworks		–	–	445,930	418,030	445,930	418,030
Stormwater drainage		–	–	133,861	132,799	133,861	132,799
Water supply network		–	–	315,417	244,888	315,417	244,888
Sewerage network		–	–	237,387	264,055	237,387	264,055
Swimming pools		–	–	5,763	11,878	5,763	11,878
Quarry assets		–	–	–	–	–	–
Heritage collections		–	–	28	28	28	28
Other assets		–	–	1,366	1,237	1,366	1,237
Tip restoration assets		–	–	6,445	–	6,445	–
Quarry restoration assets		–	–	719	619	719	619
Total infrastructure, property, plant and equipment		84,236	75,444	2,600,341	2,385,172	2,684,577	2,460,616

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

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Level 2 inputs

Plant & equipment

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

Office equipment and furniture & fittings

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

Operational land

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

Level 3 inputs

Buildings - specialised and non-specialised and other structures

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

Quarry assets

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

Community land

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

Land under roads

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

E2-1 Fair value measurement (continued)

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

Airport runways/taxiways

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

Infrastructure roads, bridges and footpaths

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

Bulk earthworks (non-depreciable)

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

Stormwater, water and sewer infrastructure assets

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

Heritage collection assets

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

Library books

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

Tip and quarry restoration assets

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

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

There were no changes in valuation techniques from prior years.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

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

\$ '000	<i>Capital works in progress</i>		<i>Community Land</i>		<i>Land under Roads</i>		<i>Land improvement non-dep</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Opening balance	88,717	48,885	43,946	35,684	1,449	1,262	1,393	1,801
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	4,264	8,262	–	–	–	–
Other movements								
Transfers from/(to) another asset class	(46,183)	(10,586)	–	–	–	–	–	(310)
Purchases (GBV)	41,448	50,418	–	–	111	187	–	–
Disposals (WDV)	(2,258)	–	–	–	–	–	–	(98)
Closing balance	81,724	88,717	48,210	43,946	1,560	1,449	1,393	1,393

E2-1 Fair value measurement (continued)

\$ '000	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	2,601	3,555	27,137	27,458	118,021	116,269	112,218	83,197
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	4,318	–	19,883	–	10,162	29,380
Other movements								
Transfers from/(to) another asset class	99	(7)	(1,098)	–	(1,958)	–	1,781	364
Purchases (GBV)	26	702	1,822	927	6,461	10,576	3,106	7,975
Disposals (WDV)	(34)	(1,282)	–	–	(1,375)	(4,446)	(5,681)	(3,689)
Depreciation and impairment	(323)	(367)	(1,495)	(1,248)	(5,981)	(4,378)	(6,665)	(5,009)
Closing balance	2,369	2,601	30,684	27,137	135,051	118,021	114,921	112,218

\$ '000	Roads		Airports, runways, taxiways		Bulk earthworks		Stormwater drainage	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	880,363	883,636	35,792	36,625	418,030	418,030	132,799	127,634
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	92,522	–	6,071	–	42,127	–	–	–
Other movements								
Transfers from/(to) another asset class	19,356	5,355	16,773	–	(16,273)	–	(1)	4,073
Purchases (GBV)	3,584	7,326	415	112	2,046	–	3,241	3,255
Disposals (WDV)	–	–	–	–	–	–	–	(61)
Depreciation and impairment	(16,450)	(15,954)	(914)	(945)	–	–	(2,178)	(2,102)
Closing balance	979,375	880,363	58,137	35,792	445,930	418,030	133,861	132,799

\$ '000	Water supply network		Sewerage network		Swimming pools		Heritage collections	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	244,888	247,201	264,055	264,009	11,878	11,946	28	28
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	52,613	2,219	(32,146)	2,389	–	–	–	–
Other movements								
Transfers from/(to) another asset class	21,527	11	8,215	1,139	(3,925)	–	–	–
Purchases (GBV)	1,644	520	1,555	1,546	–	17	–	–
Disposals (WDV)	(295)	–	(59)	(614)	(1,405)	(11)	–	–
Depreciation and impairment	(4,960)	(5,063)	(4,233)	(4,414)	(785)	(74)	–	–
Closing balance	315,417	244,888	237,387	264,055	5,763	11,878	28	28

\$ '000	Other assets		Tip restoration assets		Quarry restoration assets		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	1,237	1,283	–	–	619	780	2,385,171	2,311,280
Recognised in other comprehensive income – revaluation surplus	–	–	6,445	–	100	–	206,359	42,250
Transfers from/(to) another asset class	186	–	–	–	–	–	(1,501)	39
Purchases (GBV)	–	–	–	–	–	–	65,459	83,561
Disposals (WDV)	(57)	–	–	–	–	–	(11,164)	(10,201)
Depreciation and impairment	–	(46)	–	–	–	(161)	(43,984)	(41,758)

continued on next page ...

E2-1 Fair value measurement (continued)

\$ '000	<i>Other assets</i>		<i>Tip restoration assets</i>		<i>Quarry restoration assets</i>		<i>Total</i>	
	2022	2021	2022	2021	2022	2021	2022	2021
Closing balance	1,366	1,237	6,445	–	719	619	2,600,340	2,385,171

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit plans

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

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

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum for 1 July 2019 to 31 December 2021 and \$20.0 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2022 was \$468,846.84. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2021.

Council's expected contribution to the plan for the next annual reporting period is \$359,133.84.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

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

The share of any funding surplus or deficit that can be attributed to Council is 1.32%

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

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

Investment return	5.5% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2022.

(ii) CivicRisk Mutual Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

2. Other liabilities

E3-1 Contingencies (continued)

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	2,330	1,875
Other long-term benefits	209	287
Total	2,539	2,162

Other transactions with KMP and their related parties

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

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Councillor expenses – councillors' fees/committee fees	285	297
Councillors' and committee expenses (incl. mayor) – other (excluding fees above)	106	80
Total	391	377

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
Audit and Review of Financial Statements	-	-
(i) Audit and other assurance services		
Audit and review of financial statements	136	128
Remuneration for audit and other assurance services	136	128
Total Auditor-General remuneration	136	128
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other assurance services	7	-
Remuneration for audit and other assurance services	7	-
Total remuneration of non NSW Auditor-General audit firms	7	-
Total audit fees	143	128

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	40,446	37,124
Add / (less) non-cash items:		
Depreciation and amortisation	47,905	43,554
(Gain) / loss on disposal of assets	7,149	(3,446)
Non-cash capital grants and contributions	(13,284)	(12,142)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	552	1,997
Amortisation of premiums, discounts and prior period fair valuations		
– Financial assets at amortised cost / held to maturity (2021)	298	41
– Interest on all fair value adjusted interest free advances made by Council	(20)	(18)
Unwinding of discount rates on reinstatement provisions	81	–
Share of net (profits)/losses of associates/joint ventures using the equity method	(158)	(37)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(2,503)	366
Increase / (decrease) in provision for impairment of receivables	(370)	(26)
(Increase) / decrease of inventories	171	2
(Increase) / decrease of other current assets	(75)	243
Increase / (decrease) in payables	(3,760)	4,028
Increase / (decrease) in accrued interest payable	(49)	(49)
Increase / (decrease) in other accrued expenses payable	484	64
Increase / (decrease) in other liabilities	62	1,205
Increase / (decrease) in contract liabilities	(3,022)	1,437
Increase / (decrease) in employee benefit provision	(316)	(153)
Increase / (decrease) in other provisions	6,381	(363)
Net cash flows from operating activities	79,972	73,827

(b) Non-cash investing and financing activities

Infrastructure contributions	13,284	12,142
Total non-cash investing and financing activities	13,284	12,142

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Road Infrastructure	3,559	3,294
Other structures	11,014	4,451
Water infrastructure	5,242	3,467
Sewer infrastructure	334	2,711
Total commitments	20,149	13,923

Details of capital commitments

Dubbo Regional Council has committed to the following:

- Development of Keswick Stage 5, Release 2
- Design and construction of the non potable pipeline and Drought Relief ancillary works
- Construction of Boothenba Road Intersection Upgrade
- Construction of Rural Fire Service Centre of Excellence

G3-1 Events occurring after the reporting date

The Council has been significantly impacted by the recent flood events after the reporting period. The flood damages are currently being assessed and management plan to bring forward the comprehensive revaluation for those assets impacted.

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	1,086	297	–	6	(12)	–	1,377	–
Roads	9,271	2,274	–	45	(4,097)	–	7,493	–
Parking	99	–	–	1	(2)	–	98	–
Open space	2,600	737	–	17	(925)	–	2,429	–
Voluntary planning agreements	229	–	–	–	(18)	–	211	–
S7.11 contributions – under a plan	13,285	3,308	–	69	(5,054)	–	11,608	–
S7.12 levies – under a plan	71	–	–	19	–	–	90	–
Total S7.11 and S7.12 revenue under plans	13,356	3,308	–	88	(5,054)	–	11,698	–
S64 contributions	–	–	–	–	–	–	–	–
Total contributions	13,356	3,308	–	88	(5,054)	–	11,698	–

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

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN (former Dubbo)								
Drainage	1,086	297	–	6	(12)	–	1,377	–
Roads	9,271	2,274	–	45	(4,097)	–	7,493	–
Parking	99	–	–	1	(2)	–	98	–
Open space	2,600	737	–	17	(925)	–	2,429	–
Voluntary planning agreements	229	–	–	–	(18)	–	211	–
Total	13,285	3,308	–	69	(5,054)	–	11,608	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER 2012 (former Wellington)

Public order and safety	10	–	–	2	–	–	12	–
Community services and education	10	–	–	2	–	–	12	–
Household and community amenities	10	–	–	2	–	–	12	–
Recreation and culture	13	–	–	4	–	–	17	–
Transport and communication	12	–	–	3	–	–	15	–
Economic affairs	16	–	–	6	–	–	22	–
Total	71	–	–	19	–	–	90	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021	Indicators 2020	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1,239)	(0.86)%	(9.36)%	(4.32)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	143,248				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	117,195	60.88%	61.63%	67.62%	> 60.00%
Total continuing operating revenue ¹	192,508				
3. Unrestricted current ratio					
Current assets less all external restrictions	90,570	4.33x	2.93x	4.11x	> 1.50x
Current liabilities less specific purpose liabilities	20,907				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	49,647	5.64x	3.96x	4.50x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,810				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,768	5.13%	5.35%	5.63%	< 10.00%
Rates and annual charges collectable	73,381				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	178,545	20.20	20.25	22.86	> 3.00
Monthly payments from cash flow of operating and financing activities	8,840	months	months	months	months

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(7.76)%	(20.58)%	7.17%	5.57%	26.04%	29.37%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	54.85%	56.59%	68.87%	63.08%	86.35%	90.02%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.33x	2.93x	15.22x	13.60x	4.59x	8.94x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.67x	2.40x	5.85x	5.54x	15.40x	14.35x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.40%	7.66%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	18.74 months	17.51 months	∞	∞	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G5-1 above.

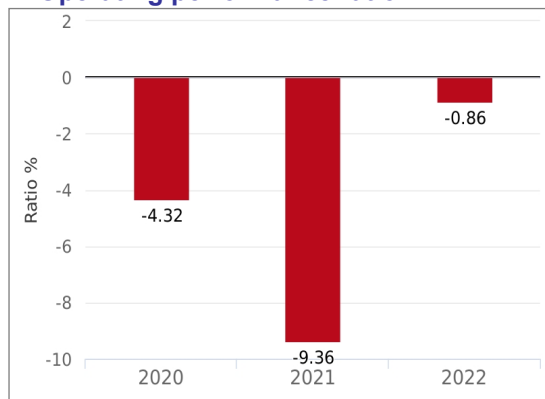
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio (0.86)%

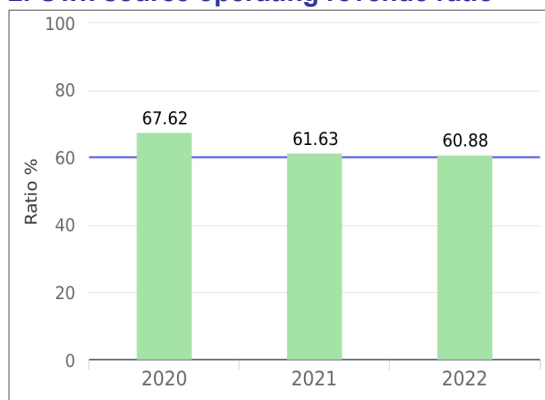
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2021/22 result

2021/22 ratio 60.88%

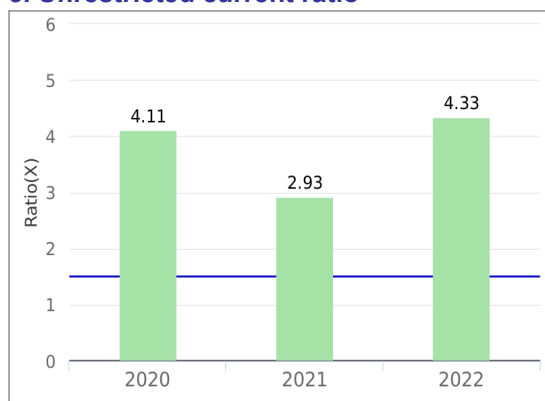
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio 4.33x

Benchmark: — > 1.50x

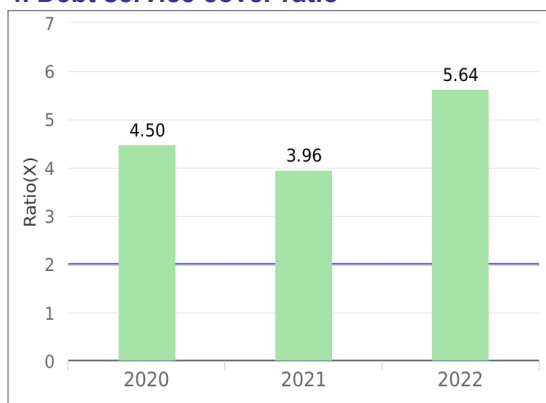
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result	
2021/22 ratio	5.64x

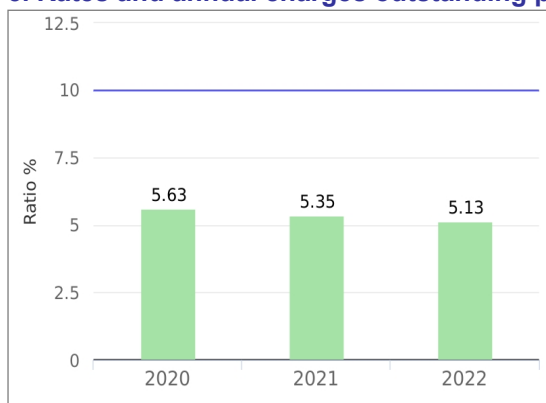
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result	
2021/22 ratio	5.13%

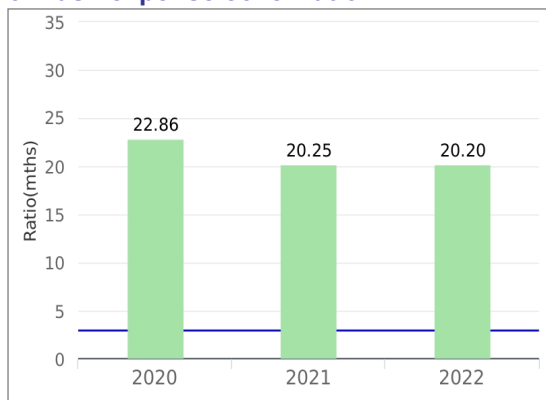
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result	
2021/22 ratio	20.20 months

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

Church Street
Dubbo NSW 2830

Contact details

Mailing Address:

PO Box 81
Dubbo NSW 2830

Telephone: 02 6801 4000

Facsimile: 02 6801 4259

Opening hours:

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

Internet: www.dubbo.nsw.gov.au

Email: council@dubbo.nsw.gov.au

Officers

Chief Executive Officer

Murray Wood

Responsible Accounting Officer

Michael Howlett

Public Officer

Dean Frost

Auditors

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

Elected members

Mayor

Mathew Dickerson

Councillors

Richard Ivey
Joshua Black
Lewis Burns
Shibli Chowdhury
Vicki Etheridge
Jessica Gough
Damien Mahon
Pamella Wells
Matthew Wright

Other information

ABN: 53 539 070 928



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Dubbo Regional Council

To the Councillors of Dubbo Regional Council

Opinion

I have audited the accompanying financial statements of Dubbo Regional Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



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

28 October 2022
SYDNEY



Mathew Dickerson
Mayor
Dubbo Regional Council
PO Box 81
DUBBO NSW 2830

Contact: Min Lee
Phone no: 02 9275 7151
Our ref: D2221981/1807

28 October 2022

Dear Mayor

Report on the Conduct of the Audit

for the year ended 30 June 2022

Dubbo Regional Council

I have audited the general purpose financial statements (GPFS) of the Dubbo Regional Council (the Council) for the year ended 30 June 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Access to programs and data (repeat)

I have identified the following:

- activity (audit) logs of privileged account activity within Civica Authority can be amended or deleted
- management could not provide evidence of the monitoring of privileged user activity.





Asset management (repeat)

I have identified the following:

- comprehensive revaluation of Land improvement depreciable and non- depreciable and other assets has not been done since amalgamation of the Council.
- management's fair value assessment require further improvements and the robustness of oversight.
- all asset classes include capital work in progress (CWIP) balance with the exception of water and sewer network. Manual intervention is required to disaggregate, reconcile and review asset movements for example revaluation movements, disposals, additions and transfers to completed projects. OLG code requires capital WIP to be separately disclosed.

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	69.4	66.8	 3.9
Grants and contributions revenue	75.3	70.3	 7.1
Operating result from continuing operations	40.4	37.1	 8.9
Net operating result before capital grants and contributions	(8.8)	(11.1)	 20.7

Rates and annual charges revenue (\$69.4 million) increased by \$2.6 million (3.9 per cent) in 2021–22 due to increase in domestic waste management and water supply service charges, and rate peg increase of 2.0 per cent.

Grants and contributions revenue (\$75.3 million) increased by \$5.0 million (7.1 per cent) in 2021–22 mainly due to \$3.9 million increase in the 2022-23 financial year prepayment of financial assistance grant.

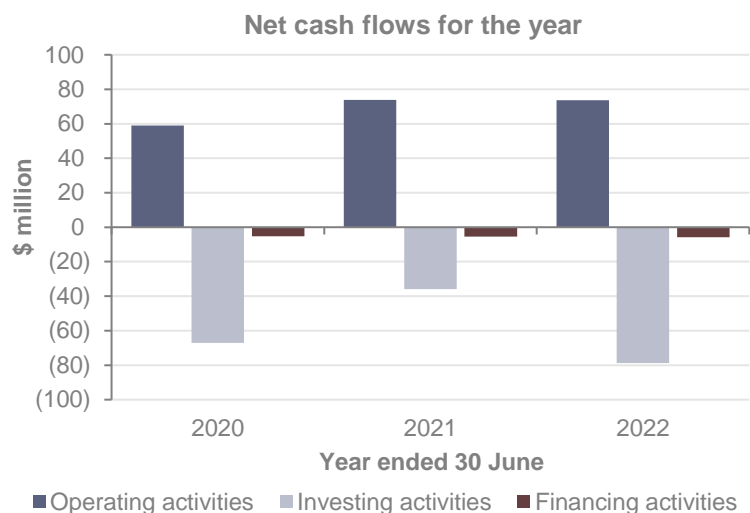
The Council's operating result from continuing operations of \$40.4 million (including depreciation and amortisation expense of \$48.5 million) was \$3.3 million higher than the 2020–21 result. This was mainly due to revenue increases outlined above offset with increase in expenses by \$2.5 million.

The net operating result before capital grants and contributions (loss of \$8.8 million) improved by \$2.3 million than the 2020–21 result.

STATEMENT OF CASH FLOWS

Net operating cash flows remained steady. This was offset by higher cash outflows from investing activities.

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



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	236.4	222.6	<ul style="list-style-type: none"> Externally restricted balances include cash reserves earmarked for specific purposes such as developer contributions, water and sewerage services. Balances are internally restricted due to Council policy or decisions for forward plans including works program.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	167.6	160.2	
• Internal allocations	68.8	62.4	

Debt

Total debt during 2021–22 amounted to \$45.9 million (2020–21: \$51.7 million). The decrease is mainly due to net payments made during the year.

PERFORMANCE

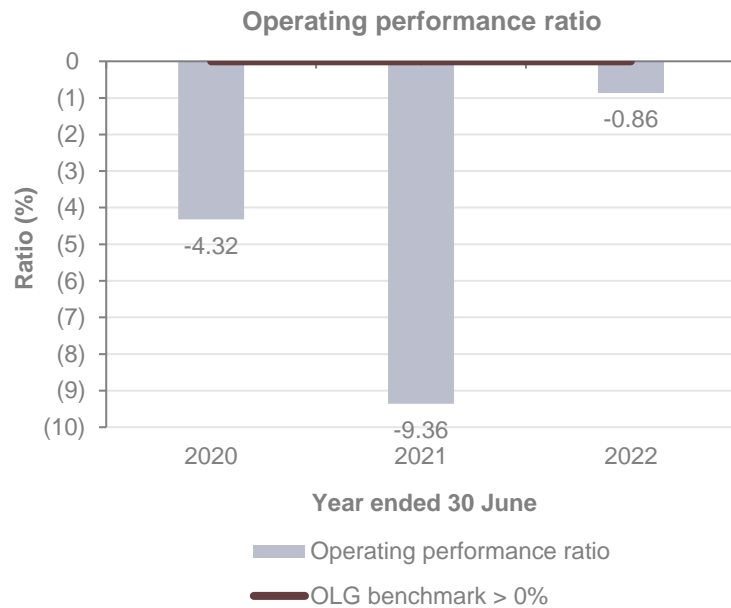
Performance measures

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

Operating performance ratio

Whilst the ratio has improved it remains below the benchmark.

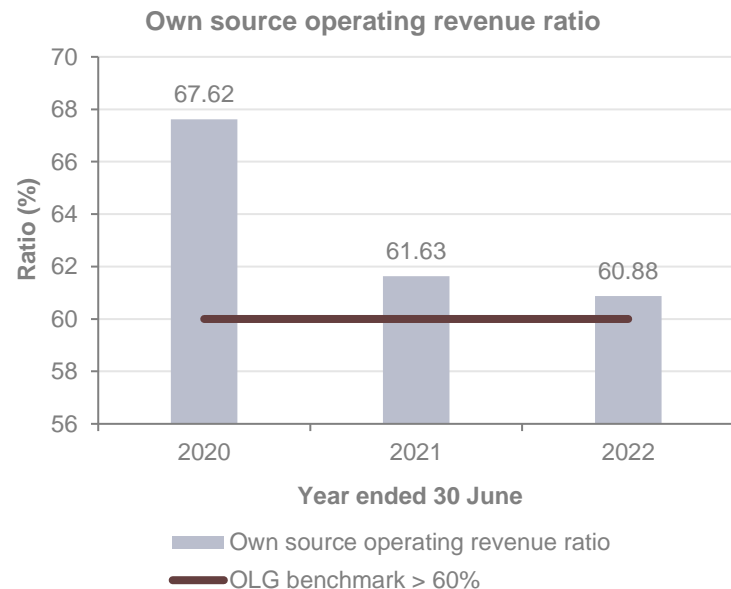
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council met the OLG benchmark for the current financial year.

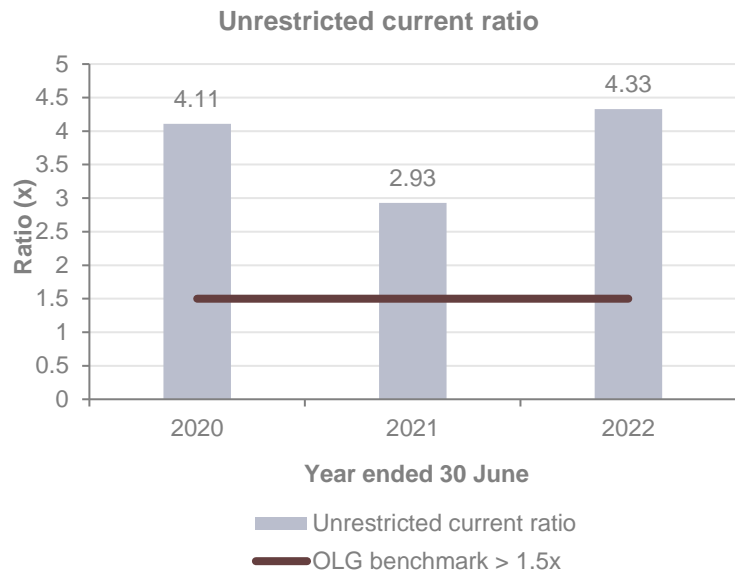
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council continues to exceed the OLG benchmark for the current financial year.

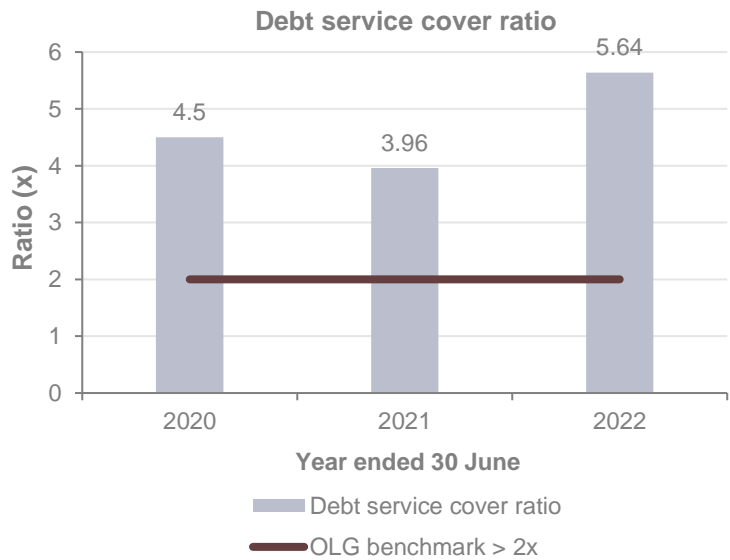
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council continues to exceed the OLG benchmark for the current financial year.

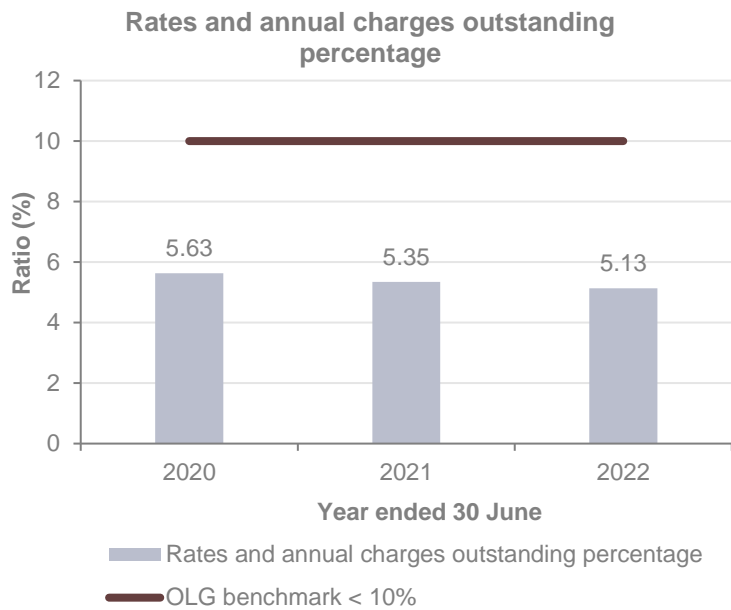
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council continues to meet the OLG benchmark for the current financial year.

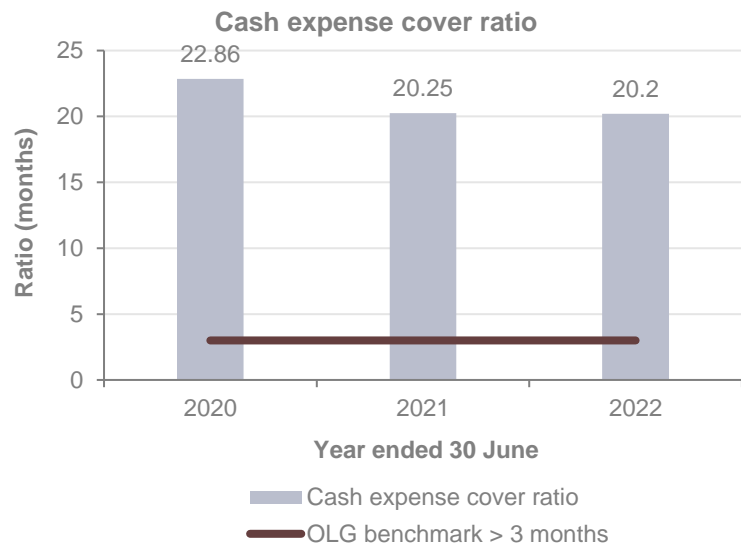
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils



Cash expense cover ratio

The Council continues to exceed the OLG benchmark for the current financial year.

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



OTHER MATTERS

Legislative compliance

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

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



Min Lee
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Murray Wood, Chief Executive Officer
Mr John Walkom, Chair of Audit and Risk Management Committee

Dubbo Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

"Great community, great council"



Dubbo Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Dubbo Regional Council

Special Purpose Financial Statements for the year ended 30 June 2022

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

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

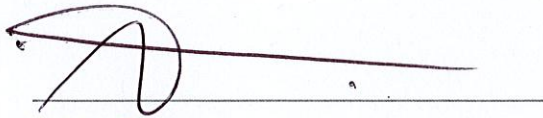
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

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

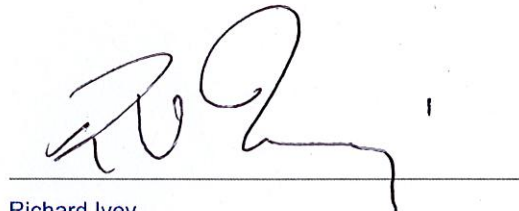
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

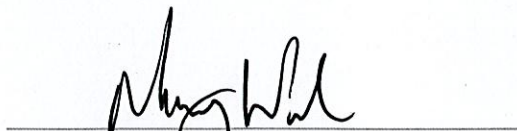
Signed in accordance with a resolution of Council made on 27 October 2022.



Mathew Dickerson
Mayor
27 October 2022



Richard Ivey
Deputy Mayor
27 October 2022



Murray Wood
Chief Executive Officer
27 October 2022



Michael Howlett
Responsible Accounting Officer
27 October 2022

Dubbo Regional Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	8,438	8,022
User charges	12,990	13,340
Interest and investment income	687	678
Grants and contributions provided for operating purposes	–	6
Other income	86	57
Gain on Sale of Asset	–	27
Total income from continuing operations	22,201	22,130
Expenses from continuing operations		
Employee benefits and on-costs	5,285	5,974
Borrowing costs	1,379	1,449
Materials and services	7,753	7,975
Depreciation, amortisation and impairment	5,248	5,499
Net loss from the disposal of assets	944	–
Calculated taxation equivalents	153	153
Total expenses from continuing operations	20,762	21,050
Surplus (deficit) from continuing operations before capital amounts	1,439	1,080
Grants and contributions provided for capital purposes	10,036	12,944
Surplus (deficit) from continuing operations after capital amounts	11,475	14,024
Surplus (deficit) from all operations before tax	11,475	14,024
Less: corporate taxation equivalent (25%) [based on result before capital]	(360)	(281)
Surplus (deficit) after tax	11,115	13,743
Plus accumulated surplus	248,109	233,932
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	153	153
– Corporate taxation equivalent	360	281
Closing accumulated surplus	259,737	248,109
Return on capital %	0.8%	0.9%
Subsidy from Council	9,608	1,666
Calculation of dividend payable:		
Surplus (deficit) after tax	11,115	13,743
Less: capital grants and contributions (excluding developer contributions)	(10,036)	(12,944)
Surplus for dividend calculation purposes	1,079	799
Dividend calculated from surplus	540	400

Dubbo Regional Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	14,015	13,365
User charges	4,472	4,204
Liquid trade waste charges	28	22
Fees	233	296
Interest and investment income	603	785
Other income	74	53
Gain on Sale of Assets	–	13
Total income from continuing operations	19,425	18,738
Expenses from continuing operations		
Employee benefits and on-costs	3,915	4,443
Borrowing costs	638	739
Materials and services	3,828	3,443
Depreciation, amortisation and impairment	4,341	4,609
Net loss from the disposal of assets	1,645	–
Calculated taxation equivalents	213	251
Total expenses from continuing operations	14,580	13,485
Surplus (deficit) from continuing operations before capital amounts	4,845	5,253
Grants and contributions provided for capital purposes	3,070	2,078
Surplus (deficit) from continuing operations after capital amounts	7,915	7,331
Surplus (deficit) from all operations before tax	7,915	7,331
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,211)	(1,366)
Surplus (deficit) after tax	6,704	5,965
Plus accumulated surplus	262,077	254,495
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	213	251
– Corporate taxation equivalent	1,211	1,366
Closing accumulated surplus	270,205	262,077
Return on capital %	2.0%	2.0%
Subsidy from Council	4,348	–
Calculation of dividend payable:		
Surplus (deficit) after tax	6,704	5,965
Less: capital grants and contributions (excluding developer contributions)	(3,070)	(2,078)
Surplus for dividend calculation purposes	3,634	3,887
Dividend calculated from surplus	1,817	1,944

Dubbo Regional Council

Income Statement of Dubbo Regional Airport

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	2,105	1,822
Grants and contributions provided for operating purposes	1,006	15
Other income	354	431
Total income from continuing operations	3,465	2,268
Expenses from continuing operations		
Employee benefits and on-costs	689	682
Borrowing costs	70	109
Materials and services	2,148	1,930
Depreciation, amortisation and impairment	3,432	1,497
Net loss from the disposal of assets	5	–
Calculated taxation equivalents	143	132
Total expenses from continuing operations	6,487	4,350
Surplus (deficit) from continuing operations before capital amounts	(3,022)	(2,082)
Grants and contributions provided for capital purposes	962	705
Surplus (deficit) from continuing operations after capital amounts	(2,060)	(1,377)
Surplus (deficit) from all operations before tax	(2,060)	(1,377)
Surplus (deficit) after tax	(2,060)	(1,377)
Plus accumulated surplus	82,524	83,769
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	143	132
Closing accumulated surplus	80,607	82,524
Return on capital %	(3.0)%	(2.7)%
Subsidy from Council	6,585	3,059

Dubbo Regional Council

Income Statement of Livestock Markets

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	2,611	2,282
Other income	38	42
Total income from continuing operations	2,649	2,324
Expenses from continuing operations		
Employee benefits and on-costs	651	675
Materials and services	1,672	1,323
Depreciation, amortisation and impairment	1,801	1,285
Net loss from the disposal of assets	67	–
Calculated taxation equivalents	30	30
Total expenses from continuing operations	4,221	3,313
Surplus (deficit) from continuing operations before capital amounts	(1,572)	(989)
Grants and contributions provided for capital purposes	–	386
Surplus (deficit) from continuing operations after capital amounts	(1,572)	(603)
Surplus (deficit) from all operations before tax	(1,572)	(603)
Surplus (deficit) after tax	(1,572)	(603)
Plus accumulated surplus	25,357	25,930
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	30	30
Closing accumulated surplus	23,815	25,357
Return on capital %	(5.6)%	(3.3)%
Subsidy from Council	2,603	1,434

Dubbo Regional Council

Income Statement of Property Development

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
Interest and investment income	31	69
Net gain from the disposal of assets	3,790	5,379
Other income	134	11
Total income from continuing operations	3,955	5,459
Expenses from continuing operations		
Employee benefits and on-costs	486	192
Materials and services	311	410
Depreciation, amortisation and impairment	27	48
Calculated taxation equivalents	162	129
Total expenses from continuing operations	986	779
Surplus (deficit) from continuing operations before capital amounts	2,969	4,680
Surplus (deficit) from continuing operations after capital amounts	2,969	4,680
Surplus (deficit) from all operations before tax	2,969	4,680
Less: corporate taxation equivalent (25%) [based on result before capital]	(742)	(1,217)
Surplus (deficit) after tax	2,227	3,463
Plus accumulated surplus	18,960	14,151
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	162	129
– Corporate taxation equivalent	742	1,217
Closing accumulated surplus	22,091	18,960
Return on capital %	489.1%	1,161.3%

Dubbo Regional Council

Income Statement of Rainbow Cottage

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
User charges	502	540
Grants and contributions provided for operating purposes	793	725
Total income from continuing operations	1,295	1,265
Expenses from continuing operations		
Employee benefits and on-costs	1,239	1,153
Materials and services	289	223
Depreciation, amortisation and impairment	77	100
Calculated taxation equivalents	10	10
Total expenses from continuing operations	1,615	1,486
Surplus (deficit) from continuing operations before capital amounts	(320)	(221)
Surplus (deficit) from continuing operations after capital amounts	(320)	(221)
Surplus (deficit) from all operations before tax	(320)	(221)
Surplus (deficit) after tax	(320)	(221)
Plus accumulated surplus	(291)	(80)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	10	10
Closing accumulated surplus	(601)	(291)
Return on capital %	(27.3)%	(17.7)%
Subsidy from Council	363	240

Dubbo Regional Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	6,502	13,308
Investments	34,000	22,573
Receivables	4,624	4,675
Inventories	190	153
Other	40	36
Total current assets	45,356	40,745
Non-current assets		
Investments	19,000	18,000
Infrastructure, property, plant and equipment	339,496	281,552
Other	44	44
Total non-current assets	358,540	299,596
Total assets	403,896	340,341
LIABILITIES		
Current liabilities		
Contract liabilities	1	2
Payables	414	419
Borrowings	1,335	1,264
Employee benefit provisions	1,231	1,311
Total current liabilities	2,981	2,996
Non-current liabilities		
Borrowings	19,902	21,238
Employee benefit provisions	69	67
Total non-current liabilities	19,971	21,305
Total liabilities	22,952	24,301
Net assets	380,944	316,040
EQUITY		
Accumulated surplus	259,880	248,109
Revaluation reserves	121,064	67,931
Total equity	380,944	316,040

Dubbo Regional Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	6,371	10,848
Investments	3,000	9,500
Receivables	2,311	2,260
Other	33	–
Total current assets	11,715	22,608
Non-current assets		
Investments	53,390	40,513
Infrastructure, property, plant and equipment	268,603	296,718
Total non-current assets	321,993	337,231
Total assets	333,708	359,839
LIABILITIES		
Current liabilities		
Contract liabilities	1	2
Payables	227	306
Borrowings	2,324	2,221
Total current liabilities	2,552	2,529
Non-current liabilities		
Borrowings	8,792	11,116
Total non-current liabilities	8,792	11,116
Total liabilities	11,344	13,645
Net assets	322,364	346,194
EQUITY		
Accumulated surplus	270,205	262,077
Revaluation reserves	52,159	84,117
Total equity	322,364	346,194

Dubbo Regional Council

Statement of Financial Position of Dubbo Regional Airport

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Investments	1,237	25,622
Receivables	290	32
Total current assets	1,527	25,654
Non-current assets		
Infrastructure, property, plant and equipment	99,254	72,895
Total non-current assets	99,254	72,895
Total assets	100,781	98,549
LIABILITIES		
Current liabilities		
Payables	131	161
Borrowings	1,217	1,795
Employee benefit provisions	259	231
Total current liabilities	1,607	2,187
Non-current liabilities		
Borrowings	1,405	2,623
Employee benefit provisions	15	9
Total non-current liabilities	1,420	2,632
Total liabilities	3,027	4,819
Net assets	97,754	93,730
EQUITY		
Accumulated surplus	80,607	82,524
Revaluation reserves	17,147	11,206
Total equity	97,754	93,730

Dubbo Regional Council

Statement of Financial Position of Livestock Markets

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Investments	6,062	5,976
Receivables	149	122
Total current assets	6,211	6,098
Non-current assets		
Infrastructure, property, plant and equipment	28,167	29,885
Total non-current assets	28,167	29,885
Total assets	34,378	35,983
LIABILITIES		
Current liabilities		
Payables	93	79
Employee benefit provisions	197	203
Total current liabilities	290	282
Non-current liabilities		
Employee benefit provisions	7	19
Total non-current liabilities	7	19
Total liabilities	297	301
Net assets	34,081	35,682
EQUITY		
Accumulated surplus	23,815	25,357
Revaluation reserves	10,266	10,325
Total equity	34,081	35,682

Dubbo Regional Council

Statement of Financial Position of Property Development

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Investments	12,945	11,206
Receivables	–	14
Inventories	3,662	1,440
Total current assets	16,607	12,660
Non-current assets		
Inventories	4,896	5,909
Infrastructure, property, plant and equipment	607	403
Total non-current assets	5,503	6,312
Total assets	22,110	18,972
LIABILITIES		
Current liabilities		
Payables	19	12
Total current liabilities	19	12
Total liabilities	19	12
Net assets	22,091	18,960
EQUITY		
Accumulated surplus	22,091	18,960
Total equity	22,091	18,960

Dubbo Regional Council

Statement of Financial Position of Rainbow Cottage

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Receivables	16	16
Total current assets	16	16
Non-current assets		
Infrastructure, property, plant and equipment	1,173	1,249
Total non-current assets	1,173	1,249
Total assets	1,189	1,265
LIABILITIES		
Current liabilities		
Payables	57	52
Employee benefit provisions	285	244
Total current liabilities	342	296
Non-current liabilities		
Employee benefit provisions	15	14
Borrowings	677	490
Total non-current liabilities	692	504
Total liabilities	1,034	800
Net assets	155	465
EQUITY		
Accumulated surplus	(601)	(291)
Revaluation reserves	756	756
Total equity	155	465

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supply Service

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

b. Sewerage Service

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

c. Dubbo Regional Airport

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

d. Dubbo Regional Livestock Markets

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

e. Property Development

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

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

Category 2

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

a. Rainbow Cottage Long Day Care Centre

Note – Significant Accounting Policies (continued)

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

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

Taxation equivalent charges

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

Notional rate applied (%)

Corporate income tax rate – **25%** (20/21 26%)

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of **2.0%** applies.

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

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

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

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

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the relevant corporate income tax rate, currently 25% (20/21 26%).

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

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

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

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

(iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2022 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Dubbo Regional Council

To the Councillors of Dubbo Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Dubbo Regional Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water supply Business Activity
- Sewerage Business Activity
- Dubbo Regional Airport
- Livestock Markets
- Property Development
- Rainbow Cottage

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

Basis for Opinion

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

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils

- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Min Lee', with a stylized, cursive script.

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

28 October 2022
SYDNEY

Dubbo Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

"Great community, great council"



Dubbo Regional Council

Special Schedules

for the year ended 30 June 2022

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Dubbo Regional Council

Permissible income for general rates (Merger Councils)

\$ '000	Notes	2021/22 Dubbo Regional Council	2021/22 Dubbo Regional Council	2022/23 Dubbo Regional Council
Notional general income calculation ¹				
Last year notional general income yield	a	38,455	38,455	39,766
Plus or minus adjustments ²	b	436	436	491
Notional general income	c = a + b	38,891	38,891	40,257
Permissible income calculation				
Or rate peg percentage	e	2.00%		2.30 %
Or plus rate peg amount	i = e x (c + g)	778	778	926
Sub-total	k = (c + g + h + i + j)	39,669	39,669	41,183
Plus (or minus) last year's carry forward total	l	130	130	32
Sub-total	n = (l + m)	130	130	32
Total permissible income	o = k + n	39,799	39,799	41,215
Less notional general income yield	p	39,766	39,766	41,210
Catch-up or (excess) result	q = o - p	32	32	5
Carry forward to next year ⁶	t = q + r + s	32	32	5

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Dubbo Regional Council

To the Councillors of Dubbo Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Dubbo Regional Council (the Council) for the year ending 30 June 2023.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2022'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Min Lee', with a stylized, cursive script.

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

28 October 2022
SYDNEY

Dubbo Regional Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Other	91,903	91,903	8,509	8,509	165,735	266,305	41.5%	26.2%	24.3%	5.1%	3.0%
	Sub-total	91,903	91,903	8,509	8,509	165,735	266,305	41.5%	26.2%	24.3%	5.1%	3.0%
Other structures	Other structures	52,616	52,616	4,863	4,863	114,921	180,552	48.8%	23.1%	20.0%	8.2%	0.0%
	Sub-total	52,616	52,616	4,863	4,863	114,921	180,552	48.8%	23.1%	20.0%	8.2%	0.0%
Roads	Other	199,624	199,624	19,550	19,550	979,375	1,339,129	55.9%	29.6%	12.8%	1.7%	0.0%
	Bulk earth works	–	–	–	–	445,930	445,930	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	199,624	199,624	19,550	19,550	1,425,305	1,785,059	66.9%	22.2%	9.6%	1.2%	0.0%
Water supply network	Other	94,806	94,806	20,791	20,791	315,417	448,894	67.9%	10.9%	12.7%	4.7%	3.8%
	Sub-total	94,806	94,806	20,791	20,791	315,417	448,894	67.9%	10.9%	12.7%	4.7%	3.8%
Sewerage network	Other	106,333	106,333	12,491	12,941	237,387	314,161	41.0%	31.4%	16.9%	6.3%	4.4%
	Sub-total	106,333	106,333	12,491	12,941	237,387	314,161	41.0%	31.4%	16.9%	6.3%	4.4%
Stormwater drainage	Other	22,270	22,270	1,305	1,305	133,861	181,394	50.9%	36.8%	7.0%	4.6%	0.6%
	Sub-total	22,270	22,270	1,305	1,305	133,861	181,394	50.9%	36.8%	7.0%	4.6%	0.6%
Open space / recreational assets	Swimming pools	1,079	1,079	186	186	5,763	9,003	78.8%	8.4%	12.8%	5.2%	(5.2%)
	Sub-total	1,079	1,079	186	186	5,763	9,003	78.8%	8.4%	12.8%	5.2%	(5.2%)
Total – all assets		568,631	568,631	67,695	68,145	2,398,389	3,185,368	60.5%	22.7%	12.4%	3.2%	1.2%

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

Infrastructure asset condition assessment 'key'

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

Dubbo Regional Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	19,143	44.78%	50.11%	98.27%	>= 100.00%
Depreciation, amortisation and impairment	42,746				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	568,631	22.93%	1.20%	1.21%	< 2.00%
Net carrying amount of infrastructure assets	2,480,113				
Asset maintenance ratio					
Actual asset maintenance	68,145	100.66%	100.00%	100.00%	> 100.00%
Required asset maintenance	67,695				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	568,631	17.85%	0.99%	0.98%	
Gross replacement cost	3,185,368				

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

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

Dubbo Regional Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	57.05%	66.61%	0.00%	0.00%	0.00%	0.00%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	19.07%	0.71%	30.06%	3.63%	44.79%	2.23%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	100.00%	100.00%	100.00%	100.00%	103.60%	100.00%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	15.17%	0.61%	21.12%	2.38%	33.85%	1.75%	
Gross replacement cost							

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