

Dubbo Regional Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

"Great community, great council"



Dubbo Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Great community, great council"



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

Church Street
Dubbo NSW 2830

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

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

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

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

Dubbo Regional Council

General Purpose Financial Statements for the year ended 30 June 2019

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

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

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

To the best of our knowledge and belief, these 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.

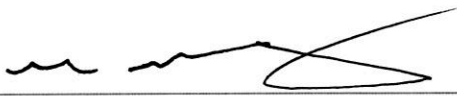
Signed in accordance with a resolution of Council made on 25 November 2019.



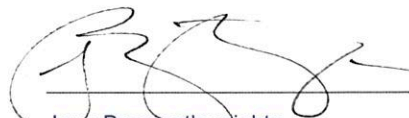
Ben Shields
Mayor
25 November 2019



Stephen Lawrence
Deputy Mayor
25 November 2019



Michael McMahon
Chief Executive Officer
25 November 2019



Jane Bassingthwaite
Responsible Accounting Officer
25 November 2019

Income Statement

for the year ended 30 June 2019

<i>Original unaudited budget 2019</i>	<i>\$ '000</i>	Notes	<i>Actual 2019</i>	<i>Restated Actual 2018 ¹</i>
Income from continuing operations				
<u>Revenue:</u>				
61,762	Rates and annual charges	3a	62,438	57,550
42,300	User charges and fees	3b	46,393	54,445
5,155	Interest and investment revenue	3c	6,834	6,494
2,236	Other revenues	3d	1,934	1,359
21,744	Grants and contributions provided for operating purposes	3e,3f	18,610	30,062
24,209	Grants and contributions provided for capital purposes	3e,3f	47,179	59,229
<u>Other income:</u>				
241	Net gains from the disposal of assets	5	703	2,762
–	Net share of interests in joint ventures and associates using the equity method	14	49	151
157,647	Total income from continuing operations		184,140	212,052
Expenses from continuing operations				
47,511	Employee benefits and on-costs	4a	40,104	37,187
4,037	Borrowing costs	4b	4,435	5,682
27,854	Materials and contracts	4c	35,017	32,936
31,529	Depreciation and amortisation	4d	39,902	36,242
14,763	Other expenses	4e	16,900	16,069
125,694	Total expenses from continuing operations		136,358	128,116
31,953	Operating result from continuing operations		47,782	83,936
31,953	Net operating result for the year		47,782	83,936
31,953	Net operating result attributable to council		47,782	83,936
7,744	Net operating result for the year before grants and contributions provided for capital purposes		603	24,707

(¹) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	<i>Restated</i> 2018 ¹
Net operating result for the year (as per Income Statement)		47,782	83,936
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	101,348	47,062
Total items which will not be reclassified subsequently to the operating result		101,348	47,062
Total other comprehensive income for the period		101,348	47,062
Total comprehensive income for the year		149,130	130,998
Total comprehensive income attributable to Council		149,130	130,998

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018 ¹	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	47,179	36,755	25,752
Investments	6(b)	81,330	89,068	45,138
Receivables	7	23,570	21,379	18,198
Inventories	8a	2,844	1,873	1,876
Other	8b	464	663	463
Total current assets		<u>155,387</u>	<u>149,738</u>	<u>91,427</u>
Non-current assets				
Investments	6(b)	104,001	108,664	117,235
Receivables	7	287	629	755
Inventories	8a	4,076	2,025	1,993
Infrastructure, property, plant and equipment	9(a)	2,396,172	2,253,503	2,172,475
Investments accounted for using the equity method	14	1,533	1,484	1,333
Other	8b	495	495	495
Total non-current assets		<u>2,506,564</u>	<u>2,366,800</u>	<u>2,294,286</u>
TOTAL ASSETS		<u>2,661,951</u>	<u>2,516,538</u>	<u>2,385,713</u>
LIABILITIES				
Current liabilities				
Payables	10	12,930	12,038	7,688
Income received in advance	10	414	328	770
Borrowings	10	5,159	4,922	4,652
Provisions	11	13,158	13,765	15,047
Total current liabilities		<u>31,661</u>	<u>31,053</u>	<u>28,157</u>
Non-current liabilities				
Payables	10	1	1	1
Borrowings	10	57,228	62,434	67,356
Provisions	11	5,327	4,446	2,593
Total non-current liabilities		<u>62,556</u>	<u>66,881</u>	<u>69,950</u>
TOTAL LIABILITIES		<u>94,217</u>	<u>97,934</u>	<u>98,107</u>
Net assets		<u>2,567,734</u>	<u>2,418,604</u>	<u>2,287,606</u>
EQUITY				
Accumulated surplus	12a	2,296,488	2,248,706	2,164,770
Revaluation reserves	12a	271,246	169,898	122,836
Council equity interest		<u>2,567,734</u>	<u>2,418,604</u>	<u>2,287,606</u>
Total equity		<u>2,567,734</u>	<u>2,418,604</u>	<u>2,287,606</u>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		2,382,880	169,898	2,552,778	2,291,534	122,836	2,414,370
Correction of prior period errors	12b	(134,174)	–	(134,174)	(126,764)	–	(126,764)
Restated opening balance		2,248,706	169,898	2,418,604	2,164,770	122,836	2,287,606
Net operating result for the year		47,782	–	47,782	91,346	–	91,346
Correction of prior period errors	12b	–	–	–	(7,410)	–	(7,410)
Restated net operating result for the period		47,782	–	47,782	83,936	–	83,936
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	101,348	101,348	–	47,062	47,062
Other comprehensive income		–	101,348	101,348	–	47,062	47,062
Total comprehensive income		47,782	101,348	149,130	83,936	47,062	130,998
Equity – balance at end of the reporting period		2,296,488	271,246	2,567,734	2,248,706	169,898	2,418,604

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

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

Statement of Cash Flows

for the year ended 30 June 2019

<i>Original unaudited budget 2019</i>	<i>\$ '000</i>	Notes	<i>Actual 2019</i>	<i>Actual 2018</i>
Cash flows from operating activities				
<u>Receipts</u>				
61,663	Rates and annual charges		61,777	56,224
42,790	User charges and fees		47,063	58,031
5,605	Investment and interest revenue received		6,837	6,404
43,463	Grants and contributions		51,515	69,391
–	Bonds, deposits and retention amounts received		67	216
2,090	Other		771	5,929
<u>Payments</u>				
(47,096)	Employee benefits and on-costs		(40,548)	(38,646)
(30,810)	Materials and contracts		(34,386)	(36,109)
(4,092)	Borrowing costs		(3,809)	(3,865)
(14,763)	Other		(16,628)	(17,825)
58,850	Net cash provided (or used in) operating activities	13b	72,659	99,750
Cash flows from investing activities				
<u>Receipts</u>				
41,646	Sale of investment securities		103,568	220,916
260	Sale of real estate assets		2,678	4,460
2,480	Sale of infrastructure, property, plant and equipment		2,645	1,672
–	Deferred debtors receipts		461	864
<u>Payments</u>				
–	Purchase of investment securities		(91,167)	(256,275)
(99,814)	Purchase of infrastructure, property, plant and equipment		(71,850)	(54,312)
–	Purchase of real estate assets		(3,515)	(1,210)
–	Deferred debtors and advances made		(86)	(210)
(55,428)	Net cash provided (or used in) investing activities		(57,266)	(84,095)
Cash flows from financing activities				
<u>Payments</u>				
(4,922)	Repayment of borrowings and advances		(4,969)	(4,652)
(4,922)	Net cash flow provided (used in) financing activities		(4,969)	(4,652)
(1,500)	Net increase/(decrease) in cash and cash equivalents		10,424	11,003
3,000	Plus: cash and cash equivalents – beginning of year	13a,6a	36,755	25,752
1,500	Cash and cash equivalents – end of the year	13a	47,179	36,755
Additional Information:				
143,288	plus: Investments on hand – end of year	6(b)	185,331	197,732
144,788	Total cash, cash equivalents and investments		232,510	234,487

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25 November 2019. Council has the power to amend and reissue these financial statements.

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

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

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board
- the *Local Government Act 1993 (NSW)* and Regulations, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 12(b).

(b) Historical cost convention

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

- the write down of any asset on the basis of impairment (if warranted), and
- certain classes of non-current assets (eg.infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

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

(c) 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) estimated fair values of infrastructure, property, plant and equipment - refer Note 9
- (ii) estimated remediation provisions - refer Note 11
- (iii) employee benefit provisions - refer Note 11

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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

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

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

Goods and Services Tax (GST)

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.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

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 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

As at the date of authorisation of these financial statements, Council does not consider that this standards is likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

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

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Council does not consider that that this standard is likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions. This standard is effective for annual reporting periods beginning on or after 1 January 2019, ie the Council's financial statements for the year ended 30 June 2020.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives. In cases where the Council enters into other transactions, the Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standards (eg AASB 116 Property, Plant and Equipment)

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Council does not consider that that this standard is likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Notes to the Financial Statements
for the year ended 30 June 2019

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

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

\$ '000	<i>Income from continuing operations</i>		<i>Expenses from continuing operations</i>		<i>Operating result from continuing operations</i>		<i>Grants included in income from continuing operations</i>		<i>Total assets held (current and non-current)</i>	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	<i>Restated</i>		<i>Restated</i>		<i>Restated</i>		<i>Restated</i>		<i>Restated</i>	
Functions or activities										
Governance	–	–	614	303	(614)	(303)	–	–	–	–
Administration	1,669	1,715	1,726	1,284	(57)	431	–	–	188,417	687,041
Public order and safety	1,170	2,757	4,051	4,021	(2,881)	(1,264)	521	1,074	32,255	10,551
Health	46	13	99	353	(53)	(340)	–	–	–	–
Environment	23,439	19,307	15,643	11,023	7,796	8,284	1,044	104	241,642	202,579
Community services and education	3,759	3,519	4,944	4,751	(1,185)	(1,232)	2,736	2,241	1,393	–
Housing and community amenities	1,333	1,445	5,400	4,157	(4,067)	(2,712)	199	–	9,975	3,356
Water supplies	29,383	30,953	19,933	18,950	9,450	12,003	587	121	320,316	307,866
Sewerage services	21,179	21,372	14,975	12,976	6,204	8,396	227	121	342,434	334,015
Recreation and culture	5,893	18,172	23,325	21,527	(17,432)	(3,355)	2,354	12,993	145,756	26,499
Mining, manufacturing and construction	1,067	1,184	1,687	2,034	(620)	(850)	–	–	1,997	1,012
Transport and communication	37,646	50,000	32,467	36,993	5,179	13,007	24,279	22,067	1,321,300	896,554
Economic affairs	9,710	15,001	11,494	9,744	(1,784)	5,257	978	2,789	54,933	45,581
Share of gains/(losses) in associates and joint ventures (using the equity method)	49	151	–	–	49	151	–	–	1,533	1,484
General purpose income	47,797	46,463	–	–	47,797	46,463	11,527	11,075	–	–
Total functions and activities	184,140	212,052	136,358	128,116	47,782	83,936	44,452	52,585	2,661,951	2,516,538

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	19,981	17,618
Farmland	5,946	5,778
Mining	2	2
Business	8,279	7,964
Less: pensioner rebates (mandatory)	(525)	(536)
Rates levied to ratepayers	33,683	30,826
Pensioner rate subsidies received	290	295
Total ordinary rates	33,973	31,121
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	7,309	6,009
Water supply services	6,882	6,585
Sewerage services	12,681	12,078
Drainage	1,465	1,393
Waste management services (non-domestic)	608	639
Less: pensioner rebates (mandatory)	(656)	(621)
Less: pensioner rebates (Council policy)	(185)	–
Annual charges levied	28,104	26,083
Pensioner subsidies received:		
– Water	125	121
– Sewerage	119	121
– Domestic waste management	117	104
Total annual charges	28,465	26,429
TOTAL RATES AND ANNUAL CHARGES	62,438	57,550

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	17,727	18,515
Sewerage services	4,622	4,642
Waste management services (non-domestic)	3,908	3,229
Total specific user charges	26,257	26,386
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Regulatory/ statutory fees	2,113	2,346
Total fees and charges – statutory/regulatory	2,113	2,346

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	3,671	3,913
Caravan park	2,081	2,251
Cemeteries	457	377
Leaseback fees – Council vehicles	333	334
RMS (formerly RTA) charges (state roads not controlled by Council)	1,911	7,360
Tourism	130	96
Water service connections	52	48
Caves entry fees	470	470
Western Plains Cultural Centre	135	107
Aquatic leisure centre	518	425
Family day care	406	341
Fodder sales 'greengrove' effluent reuse property	26	450
Old dubbo gaol	599	579
Private works	418	371
Public halls	1,462	1,672
Rainbow cottage long day care centre	520	640
Regional livestock markets	3,339	4,097
Sewer plan drafting fees	115	128
Showground	284	212
Sporting facilities	209	254
Other	887	1,588
Total fees and charges – other	18,023	25,713
<u>TOTAL USER CHARGES AND FEES</u>	<u>46,393</u>	<u>54,445</u>

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	252	214
– Cash and investments	6,538	6,147
– Deferred debtors	7	14
– Other	21	44
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	16	75
TOTAL INTEREST AND INVESTMENT REVENUE	6,834	6,494

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	115	113
General Council cash and investments	3,794	3,808

Restricted investments/funds – external:

Development contributions		
– Section 7.11	249	243
– Section 64	–	41
Water fund operations	1,193	946
Sewerage fund operations	1,483	1,343

Total interest and investment revenue

6,834	6,494
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Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Rental income – other council properties	659	479
Fines	228	182
Commissions and agency fees	7	8
Insurance claims recoveries	98	110
Caves / caravan park kiosk – sales	127	146
StateCover WHS Incentive	218	215
Other	597	219
<u>TOTAL OTHER REVENUE</u>	<u>1,934</u>	<u>1,359</u>

Accounting policy for other revenue

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018 <i>Restated</i>
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	9,829	9,736	–	–
Financial assistance – local roads component	1,659	1,685	–	–
Total general purpose	11,488	11,421	–	–
Specific purpose				
Water supplies	–	–	504	–
Sewerage services	379	–	–	–
Bushfire and emergency services	503	16	15,075	4,933
Employment and training programs	15	–	–	–
Storm/flood damage	–	839	–	–
Heritage and cultural	120	114	–	–
Library	142	164	–	–
Noxious weeds	95	100	–	–
Street lighting	199	196	–	–
Transport (roads to recovery)	629	2,855	–	–
Transport (other roads and bridges funding)	79	84	8,599	10,865
Local infrast. renewal scheme interest subsidy	–	–	335	397
Tourism	35	–	240	2,789
Community services	194	262	–	216
Family day care	1,444	1,392	–	–
Paid parental leave	110	72	–	–
Rainbow cottage long day care centre	631	515	–	–
Sporting facilities	50	–	1,342	12,715
Stormwater	21	–	–	–
Other	250	27	1,973	2,613
Total specific purpose	4,896	6,636	28,068	34,528
Total grants	16,384	18,057	28,068	34,528
Grant revenue is attributable to:				
– Commonwealth funding	11,924	13,701	21,816	10,574
– State funding	4,399	4,356	6,252	23,954
– Other funding	61	–	–	–
	16,384	18,057	28,068	34,528

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018 <i>Restated</i>
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 64 – water supply contributions		–	–	1,104	2,257
S 64 – sewerage service contributions		–	–	1,111	1,575
S 7.11 – open space		–	–	711	865
S 7.11 – drainage		–	–	595	166
S 7.11 – roadworks		–	–	1,678	1,476
Voluntary planning agreements		–	–	198	136
Total developer contributions – cash		–	–	5,397	6,475
Total developer contributions	22	–	–	5,397	6,475
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		2,118	11,903	–	–
Other		108	102	371	59
Sporting facilities		–	–	56	25
Total other contributions – cash		2,226	12,005	427	84
Non-cash contributions					
Drainage		–	–	8,935	6,464
Paving		–	–	638	–
Roads and bridges		–	–	1,904	8,641
Sewerage (excl. section 64 contributions)		–	–	943	1,851
Water supplies (excl. section 64 contributions)		–	–	792	1,011
Land under roads		–	–	75	175
Total other contributions – non-cash		–	–	13,287	18,142
Total other contributions		2,226	12,005	13,714	18,226
Total contributions		2,226	12,005	19,111	24,701
TOTAL GRANTS AND CONTRIBUTIONS		18,610	30,062	47,179	59,229

Accounting policy for grants and contributions

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

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

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*.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Grants

Unexpended at the close of the previous reporting period	52,103	33,385
Add: grants recognised as income in the current period but not yet spent	8,848	29,585
Less: grants recognised as income in a previous reporting period now spent	(19,789)	(10,867)
Unexpended and held as restricted assets	<u>41,162</u>	<u>52,103</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	35,560	33,630
Travel expenses	310	300
Employee leave entitlements (ELE)	4,337	3,830
Superannuation	3,992	3,770
Workers' compensation insurance	1,286	937
Fringe benefit tax (FBT)	169	167
Payroll tax	233	220
Training costs (other than salaries and wages)	302	516
Other	316	237
Total employee costs	46,505	43,607
Less: capitalised costs	(6,401)	(6,420)
TOTAL EMPLOYEE COSTS EXPENSED	40,104	37,187
Number of 'full-time equivalent' employees (FTE) at year end	459	453

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,948	4,268
Total interest bearing liability costs expensed		3,948	4,268
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	11	487	1,414
Total other borrowing costs		487	1,414
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>4,435</u>	<u>5,682</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	25,544	25,739
Contractor and consultancy costs	15,804	13,420
– contractor and consultancy costs (internal audit BDO alliance)	38	65
Auditors remuneration ²	134	105
Legal expenses:		
– Legal expenses: planning and development	6	31
– Legal expenses: debt recovery	–	9
– Legal expenses: other	118	70
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	196	311
Total materials and contracts	<u>41,840</u>	<u>39,750</u>
Less: capitalised costs	(6,823)	(6,814)
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>35,017</u>	<u>32,936</u>

Accounting policy for operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	196	311
	<u>196</u>	<u>311</u>

2. Auditor remuneration

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

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

Audit and review of financial statements	134	105
Remuneration for audit and other assurance services	<u>134</u>	<u>105</u>
Total Auditor-General remuneration	<u>134</u>	<u>105</u>
Non NSW Auditor-General audit firms		
Total remuneration of non NSW Auditor-General audit firms	<u>–</u>	<u>–</u>
Total Auditor remuneration	<u>134</u>	<u>105</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018 <i>Restated</i>
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		4,104	3,792
Office equipment		430	296
Furniture and fittings		227	271
Land improvements (depreciable)		329	305
Infrastructure:			
– Buildings – non-specialised		1,162	429
– Buildings – specialised		3,724	2,202
– Other structures		3,842	3,434
– Roads		15,490	15,196
– Airport runways		430	429
– Stormwater drainage		1,046	987
– Water supply network		5,123	5,067
– Sewerage network		4,804	4,902
– Swimming pools		107	100
Other assets:			
– Other		41	44
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9(a),11	201	156
– Quarry assets	9(a),11	60	13
Total gross depreciation and amortisation costs		41,120	37,623
Less: capitalised costs		(1,218)	(1,381)
Total depreciation and amortisation costs		39,902	36,242
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>39,902</u>	<u>36,242</u>

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E

Depreciation and amortisation

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

Depreciation is capitalised where in-house assets have contributed to new assets.

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 no longer required to be tested for impairment under AASB 136. This is because 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 that have an indefinite useful life, or are 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 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). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	606	683
Bad and doubtful debts	296	418
Councillor expenses – councillors' fees/committee fees	261	244
Councillors' and committee expenses (incl. mayor) – other (excluding fees above)	97	147
Donations, contributions and assistance to other organisations (Section 356)	2,911	2,858
Election expenses	–	303
Electricity and heating	4,492	3,380
Insurance	1,661	1,814
Postage	152	136
Printing and stationery	304	459
Street lighting	1,756	1,200
Telephone and communications	293	410
Valuation fees	166	158
Vehicle registration	196	201
Water resource charge	362	376
Contributions to emergency services	1,021	1,056
Credit card merchant fees	21	18
Family day care – fee relief	1,428	1,228
Property rental	64	48
Subscription shires association	48	49
Other	765	883
Total other expenses	16,900	16,069
TOTAL OTHER EXPENSES	16,900	16,069

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		2,645	1,672
Less: carrying amount of plant and equipment assets sold/written off		(2,602)	(1,417)
Net gain/(loss) on disposal		<u>43</u>	<u>255</u>
Infrastructure	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(1,333)	(838)
Net gain/(loss) on disposal		<u>(1,333)</u>	<u>(838)</u>
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		2,678	4,460
Less: carrying amount of real estate assets sold/written off		(685)	(1,115)
Net gain/(loss) on disposal		<u>1,993</u>	<u>3,345</u>
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		103,568	220,916
Less: carrying amount of investments sold/redeemed/matured		(103,568)	(220,916)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>703</u>	<u>2,762</u>

Accounting policy for disposal of assets

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	77	216
Cash-equivalent assets		
– Deposits at call	47,102	36,539
Total cash and cash equivalents	47,179	36,755

Accounting policy for cash and cash equivalents

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.

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at amortised cost' / 'held to maturity' (2018)	81,330	104,001	89,068	108,664
Total Investments	81,330	104,001	89,068	108,664
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	128,509	104,001	125,823	108,664
Financial assets at amortised cost / held to maturity (2018)				
Term deposits	77,830	93,500	85,818	94,663
NCD's, FRN's (with maturities > 3 months)	3,500	10,501	3,250	14,001
Total	81,330	104,001	89,068	108,664

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, investments and cash and cash equivalents in the Statement of Financial Position.

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.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

(c) Loans and receivables

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

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

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Impairment of available for sale investments

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

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	128,509	104,001	125,823	108,664
attributable to:				
External restrictions	58,549	104,001	36,282	108,664
Internal restrictions	66,960	–	86,541	–
Unrestricted	3,000	–	3,000	–
	128,509	104,001	125,823	108,664

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	14,237	13,622
Unexpended grants	41,162	38,481
Water supplies	50,958	39,548
Sewerage services	51,849	48,036
Domestic waste management	1,347	2,429
Stormwater management	2,997	2,830

External restrictions – other

	162,550	144,946
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Total external restrictions

	162,550	144,946
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Internal restrictions

Employees leave entitlement	2,397	3,931
Governance	–	2,300
Federal financial assistance grant (advance receipt)	–	5,769
Dubbo city holiday park	748	673
Property development	6,600	5,394
Dubbo city regional airport	410	20
Livestock markets	4,210	3,973
Other waste management services	8,696	3,737
Road network – state roads	2,145	2,756
Fleet management services	7,519	10,781
Future Asset Renewal	34,235	47,207

Total internal restrictions

	66,960	86,541
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TOTAL RESTRICTIONS

	229,510	231,487
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	3,197	–	2,536	–
Interest and extra charges	360	–	360	–
User charges and fees	9,544	–	9,833	–
Accrued revenues				
– Interest on investments	2,007	–	2,026	–
Deferred debtors	417	287	434	629
Government grants and subsidies	4,932	–	3,945	–
Net GST receivable	2,767	–	912	–
Due from other levels of government	39	–	29	–
Other debtors	1,035	–	1,737	–
Total	24,298	287	21,812	629
Less: provision for impairment				
User charges and fees	(728)	–	(433)	–
Total provision for impairment – receivables	(728)	–	(433)	–
TOTAL NET RECEIVABLES	23,570	287	21,379	629
Externally restricted receivables				
Water supply				
– Rates and availability charges	382	–	309	–
– Other	6,396	–	6,770	–
Sewerage services				
– Rates and availability charges	2,168	–	1,926	–
– Other	760	–	542	–
Total external restrictions	9,706	–	9,547	–
Unrestricted receivables	13,864	287	11,832	629
TOTAL NET RECEIVABLES	23,570	287	21,379	629

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	433	46
+ new provisions recognised during the year	295	419
– amounts already provided for and written off this year	–	(32)
Balance at the end of the period	728	433

Accounting policy for receivables

Recognition and measurement

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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.

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 12 months past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

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.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	1,195	–	1,029	–
Trading stock	118	–	71	–
Real estate for resale	1,531	4,076	773	2,025
Total inventories at cost	2,844	4,076	1,873	2,025
TOTAL INVENTORIES	2,844	4,076	1,873	2,025

(b) Other assets

Prepayments	464	–	663	–
Shares in unlisted companies – StateCover	–	495	–	495
TOTAL OTHER ASSETS	464	495	663	495

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Water				
Stores and materials	167	–	168	–
Prepayments	8	44	38	44
Total water	175	44	206	44
Sewerage				
Prepayments	–	–	12	–
Total sewerage	–	–	12	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	175	44	218	44
Total unrestricted assets	3,133	4,527	2,318	2,476
TOTAL INVENTORIES AND OTHER ASSETS	3,308	4,571	2,536	2,520

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		512	1,091	690	1,247
Industrial/commercial		1,019	2,985	83	778
Total real estate for resale		1,531	4,076	773	2,025

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		1,019	2,181	–	119
Development costs		512	1,895	773	1,906
Total costs		1,531	4,076	773	2,025
Total real estate for resale		1,531	4,076	773	2,025
Movements:					
Real estate assets at beginning of the year		773	2,025	719	1,993
– Purchases and other costs		1,334	2,181	1,210	–
– Transfers in from (out to) Note 9		–	(21)	–	(9)
– WDV of sales (expense)	5	(685)	–	(1,115)	–
– Transfer between current/non-current		109	(109)	(41)	41
Total real estate for resale		1,531	4,076	773	2,025

Accounting policy for inventories and other assets

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.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019			
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Remeasurement adjustment (via P/L)	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	15,587	–	15,587	–	10,861	–	–	(4,929)	1,646	–	–	–	23,165	–	23,165
Plant and equipment	52,934	(25,622)	27,312	75	8,985	(2,602)	(4,104)	–	12	–	–	–	53,878	(24,200)	29,678
Office equipment	3,818	(2,124)	1,694	–	880	(7)	(430)	–	(5)	–	–	–	4,657	(2,524)	2,133
Furniture and fittings	4,398	(2,755)	1,643	17	118	(20)	(227)	–	(21)	–	–	–	4,373	(2,863)	1,510
Land:															
– Operational land	35,545	–	35,545	–	1,104	–	–	–	–	–	–	–	36,649	–	36,649
– Community land	35,691	–	35,691	–	–	(7)	–	–	–	–	–	–	35,684	–	35,684
– Land under roads (post 30/6/08) ²	1,096	–	1,096	–	110	(26)	–	–	–	–	21	–	1,201	–	1,201
Land improvements – non-depreciable	1,801	–	1,801	–	–	–	–	–	–	–	–	–	1,801	–	1,801
Land improvements – depreciable	6,505	(4,037)	2,468	25	218	(7)	(329)	–	1	–	–	–	6,712	(4,336)	2,376
Infrastructure:															
– Airport runways	42,580	(17,793)	24,787	3,851	1,376	–	(430)	–	–	–	–	–	47,805	(18,223)	29,582
– Buildings – non-specialised	47,360	(22,753)	24,607	1,692	–	–	(1,162)	–	(958)	–	–	–	46,050	(21,871)	24,179
– Buildings – specialised	151,224	(58,200)	93,024	19,367	1,207	(395)	(3,724)	–	960	–	–	–	173,736	(63,296)	110,440
– Other structures	131,967	(60,532)	71,435	2,346	4,331	(215)	(3,842)	–	(639)	–	–	–	135,466	(62,050)	73,416
– Roads ²	1,208,279	(315,063)	893,216	902	12,402	–	(15,490)	2,302	(391)	–	–	–	1,223,558	(330,617)	892,941
– Bulk earthworks (non-depreciable) ²	308,302	–	308,302	–	914	–	–	–	417	–	–	93,316	402,948	–	402,948
– Stormwater drainage	226,935	(31,524)	195,411	–	9,044	(166)	(1,046)	709	–	–	–	–	236,522	(32,570)	203,952
– Water supply network	356,343	(109,154)	247,189	160	1,191	–	(5,123)	1,915	616	–	–	3,886	365,940	(116,106)	249,834
– Sewerage network	322,766	(57,276)	265,490	81	941	–	(4,804)	3	(1,638)	–	–	4,146	327,282	(63,063)	264,219
– Swimming pools	6,933	(3,829)	3,104	3,753	–	(490)	(107)	–	–	–	–	–	8,633	(2,373)	6,260
– Quarry assets	1,997	–	1,997	–	–	–	–	–	–	–	–	–	1,997	–	1,997
Other assets:															
– Heritage collections	33	(5)	28	–	–	–	–	–	–	–	–	–	33	(5)	28
– Library books	13	(13)	–	–	–	–	–	–	–	–	–	–	–	–	–
– Other	2,395	(1,201)	1,194	33	114	–	(41)	–	–	–	–	–	2,542	(1,242)	1,300
Reinstatement, rehabilitation and restoration assets (refer Note 11):															
– Tip assets	897	(831)	66	–	249	–	(201)	–	–	(112)	–	–	1,034	(1,030)	4
– Quarry assets	1,056	(240)	816	–	119	–	(60)	–	–	–	–	–	1,175	(300)	875
Total Infrastructure, property, plant and equipment	2,966,455	(712,952)	2,253,503	32,302	54,164	(3,935)	(41,120)	–	–	(112)	21	101,348	3,142,841	(746,669)	2,396,172

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

(2) The balances as at 30 June 2017 and 30 June 2018 have been restated.

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Remeasurement adjustment (via P/L)	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated
\$ '000															
Capital work in progress	26,917	–	26,917	–	134	–	–	(11,328)	(136)	–	–	–	15,587	–	15,587
Plant and equipment	50,387	(23,962)	26,425	42	6,009	(1,417)	(3,792)	–	45	–	–	–	52,934	(25,622)	27,312
Office equipment	3,084	(1,774)	1,310	–	680	–	(296)	–	–	–	–	–	3,818	(2,124)	1,694
Furniture and fittings	3,866	(2,471)	1,395	–	519	–	(271)	–	–	–	–	–	4,398	(2,755)	1,643
Land:															
– Operational land	32,258	–	32,258	2	–	–	–	–	148	–	–	3,137	35,545	–	35,545
– Community land	35,840	–	35,840	–	–	–	–	–	(149)	–	–	–	35,691	–	35,691
– Land under roads (post 30/6/08)	913	–	913	–	175	–	–	–	(1)	–	9	–	1,096	–	1,096
Land improvements – non-depreciable	1,801	–	1,801	–	–	–	–	–	–	–	–	–	1,801	–	1,801
Land improvements – depreciable	8,296	(4,875)	3,421	340	106	–	(305)	–	(1,094)	–	–	–	6,505	(4,037)	2,468
Infrastructure:															
– Buildings – non-specialised	47,822	(32,189)	15,633	245	–	–	(429)	–	(1,069)	–	–	10,227	47,360	(22,753)	24,607
– Buildings – specialised	132,729	(66,937)	65,792	1,473	3,395	–	(2,202)	–	1,062	–	–	23,504	151,224	(58,200)	93,024
– Other structures	109,723	(52,674)	57,049	10,930	3,932	–	(3,434)	–	2,958	–	–	–	131,967	(60,532)	71,435
– Roads	1,186,361	(299,867)	886,494	2,482	15,228	–	(15,196)	3,833	374	–	–	–	1,208,279	(315,063)	893,216
– Airport runways	32,743	(16,804)	15,939	8,314	572	–	(429)	–	391	–	–	–	42,580	(17,793)	24,787
– Bulk earthworks (non-depreciable)	307,792	–	307,792	263	274	–	–	–	(27)	–	–	–	308,302	–	308,302
– Stormwater drainage	219,427	(30,536)	188,891	639	6,868	–	(987)	–	–	–	–	–	226,935	(31,524)	195,411
– Water supply network	336,801	(101,967)	234,834	869	4,281	(56)	(5,067)	7,495	(1)	–	–	4,834	356,343	(109,154)	247,189
– Sewerage network	312,092	(51,496)	260,596	416	4,800	(782)	(4,902)	–	2	–	–	5,360	322,766	(57,276)	265,490
– Swimming pools	6,964	(4,077)	2,887	–	402	–	(100)	–	(85)	–	–	–	6,933	(3,829)	3,104
– Other open space assets	6,174	(3,756)	2,418	–	–	–	–	–	(2,418)	–	–	–	–	–	–
– Quarry assets	1,997	–	1,997	–	–	–	–	–	–	–	–	–	1,997	–	1,997
Other assets:															
– Heritage collections	33	(5)	28	–	–	–	–	–	–	–	–	–	33	(5)	28
– Library books	13	(13)	–	–	–	–	–	–	–	–	–	–	13	(13)	–
– Other	2,395	(1,157)	1,238	–	–	–	(44)	–	–	–	–	–	2,395	(1,201)	1,194
Reinstatement, rehabilitation and restoration assets (refer Note 11):															
– Tip assets	1,044	(675)	369	–	436	–	(156)	–	–	(583)	–	–	897	(831)	66
– Quarry assets	465	(227)	238	–	591	–	(13)	–	–	–	–	–	1,056	(240)	816
Total Infrastructure, property, plant and equipment	2,867,937	(695,462)	2,172,475	26,015	48,402	(2,255)	(37,623)	–	–	(583)	9	47,062	2,966,455	(712,952)	2,253,503

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five 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 Industry (DoI) – Water.

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

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

When infrastructure, property, plant and equipment are acquired by council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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

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

Land under roads

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount Restated	Accumulated depn. and impairment	Net carrying amount Restated
\$ '000						
Water supply						
WIP	4,681	–	4,681	5,065	–	5,065
Plant and equipment	2,423	1,185	1,238	2,220	1,052	1,168
Office equipment	41	41	–	41	40	1
Furniture and fittings	21	18	3	21	18	3
Land						
– Operational land	2,908	–	2,908	2,908	–	2,908
– Community land	39	–	39	39	–	39
Buildings	801	423	378	801	400	401
Other structures	716	224	492	716	197	519
Infrastructure	364,401	115,525	248,876	355,450	108,624	246,826
Roads	3,378	1,176	2,202	3,447	558	2,889
Bulk earthworks	1,120	–	1,120	746	–	746
Other assets	425	1	424	425	1	424
Total water supply	380,954	118,593	262,361	371,879	110,890	260,989
Sewerage services						
WIP	13,064	–	13,064	8,452	–	8,452
Plant and equipment	2,064	993	1,071	2,072	1,030	1,042
Office equipment	99	69	30	99	67	32
Furniture and fittings	13	10	3	13	9	4
Land						
– Operational land	7,179	–	7,179	6,757	–	6,757
Buildings	1,336	951	385	1,336	926	410
Other structures	606	439	167	590	418	172
Infrastructure	325,077	61,573	263,504	318,975	55,858	263,117
Roads	2,301	438	1,863	3,695	1,012	2,683
Bulk earthworks	391	–	391	830	–	830
Total sewerage services	352,130	64,473	287,657	342,819	59,320	283,499
Domestic waste management						
Plant and equipment	1,964	710	1,254	2,366	1,084	1,282
Land						
Other structures	733	349	384	395	342	53
Roads	–	–	–	54	25	29
Bulk earthworks	–	–	–	49	–	49
Total DWM	2,697	1,059	1,638	2,864	1,451	1,413
Other restricted assets						
WIP	1,544	–	1,544	1,014	–	1,014
Plant and equipment	55	31	24	55	27	28
– Operational land	1,217	–	1,217	1,217	–	1,217
– Community land	76	–	76	49	–	49
Infrastructure	236,184	32,472	203,712	229,003	31,435	197,568
Bulk earthworks	2,217	–	2,217	2,405	–	2,405
Total other restrictions	241,293	32,503	208,790	233,743	31,462	202,281
TOTAL RESTRICTED I,PP&E	977,074	216,628	760,446	951,305	203,123	748,182

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	9,663	–	8,819	–
Accrued expenses:				
– Borrowings	545	–	586	–
– Salaries and wages	974	–	952	–
Security bonds, deposits and retentions	1,748	–	1,681	–
Other	–	1	–	1
Total payables	12,930	1	12,038	1
Income received in advance				
Payments received in advance	414	–	328	–
Total income received in advance	414	–	328	–
Borrowings				
Loans – secured ¹	5,159	57,228	4,922	62,434
Total borrowings	5,159	57,228	4,922	62,434
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>18,503</u>	<u>57,229</u>	<u>17,288</u>	<u>62,435</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	1,554	23,735	1,713	24,865
Sewer	2,277	15,463	2,169	17,490
Payables and borrowings relating to externally restricted assets	3,831	39,198	3,882	42,355
Total payables and borrowings relating to restricted assets	3,831	39,198	3,882	42,355
Total payables and borrowings relating to unrestricted assets	14,672	18,031	13,406	20,080
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>18,503</u>	<u>57,229</u>	<u>17,288</u>	<u>62,435</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2019	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	67,356	(4,969)	–	–	–	62,387	
TOTAL	67,356	(4,969)	–	–	–	62,387	

\$ '000	2019	2018
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(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	600	600
Bank Guarantee	50	10
Total financing arrangements	850	810

Drawn facilities as at balance date:

– Credit cards/purchase cards	105	58
– Bank Guarantee	10	10
Total drawn financing arrangements	115	68

Undrawn facilities as at balance date:

– Bank overdraft facilities	200	200
– Credit cards/purchase cards	495	542
– Bank Guarantee	40	–
Total undrawn financing arrangements	735	742

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

Accounting policy for payables and borrowings

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

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

Finance leases

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	3,773	–	3,729	–
Sick leave	832	–	1,069	–
Long service leave	8,392	614	8,806	473
Other leave	161	–	161	–
Sub-total – aggregate employee benefits	13,158	614	13,765	473
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,713	–	3,973
Sub-total – asset remediation/restoration	–	4,713	–	3,973
TOTAL PROVISIONS	13,158	5,327	13,765	4,446

(a) Provisions relating to restricted assets

Externally restricted assets				
Water	1,212	65	1,180	50
Provisions relating to externally restricted assets	1,212	65	1,180	50
Total provisions relating to restricted assets	1,212	65	1,180	50
Total provisions relating to unrestricted assets	11,946	5,262	12,585	4,396
TOTAL PROVISIONS	13,158	5,327	13,765	4,446

\$ '000	2019	2018
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	6,630	7,211
	6,630	7,211

(c) Description of and movements in provisions

\$ '000	<i>ELE provisions</i>				<i>Total</i>
	<i>Annual leave</i>	<i>Sick leave</i>	<i>Long service leave</i>	<i>Other employee benefits</i>	
2019					
At beginning of year	3,729	1,069	9,279	161	14,238
Additional provisions	2,371	23	956	217	3,567
Amounts used (payments)	(2,797)	(273)	(1,753)	(238)	(5,061)
Remeasurement effects	470	13	524	21	1,028
Total ELE provisions at end of period	3,773	832	9,006	161	13,772

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

\$ '000	<i>ELE provisions</i>				<i>Total</i>
	<i>Annual leave</i>	<i>Sick leave</i>	<i>Long service leave</i>	<i>Other employee benefits</i>	
2018					
At beginning of year	3,937	1,303	10,227	56	15,523
Additional provisions	2,047	4	141	621	2,813
Amounts used (payments)	(2,642)	(242)	(1,474)	(536)	(4,894)
Remeasurement effects	387	4	385	20	796
Total ELE provisions at end of period	3,729	1,069	9,279	161	14,238

\$ '000	<i>Other provisions</i>	
	<i>Asset remediation</i>	<i>Total</i>
2019		
At beginning of year	3,973	3,973
Additional provisions	73	73
Unwinding of discount	667	667
Total other provisions at end of period	4,713	4,713
2018		
At beginning of year	2,117	2,117
– Revised costs	443	443
Additional provisions	1,381	1,381
Unwinding of discount	32	32
Total other provisions at end of period	3,973	3,973

Nature and purpose of non-employee benefit provisions**Asset remediation**

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

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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.

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

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

Restoration

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

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

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

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

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Self-insurance

Council does not self-insure.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

Roads Infrastructure (depreciable)

During the current financial year, Dubbo Regional Council undertook a comprehensive revaluation of its road assets. The revaluation identified a significant decline in the unit rates adopted for road assets amounting to a net decrement of \$118.479 million (revaluation increment on road base and revaluation decrement on road sub-base) in IPP&E balance that should have been reflected in previous years and an understatement in the 2018 depreciation expense of \$5.835 million.

The last valuation exercise was performed in June 2015. The Council did not perform fair value assessments of its IPP&E on 12 May 2016 upon amalgamation of Dubbo City Council and Wellington Council, and subsequently thereafter.

The decline in the unit rate of road assets were due to the following:

- Incorrect rates adopted by the Council on 12 May 2016 upon amalgamation of the former councils. The rates adopted for road assets were based on the 2015 Rawlinsons Construction Handbook and no assessment was made on amalgamation to evaluate the reasonableness of these rates in comparison to actual road construction costs. There has been no significant change in road construction costs between financial years 2017 and 2019.
- Inconsistent depreciation methodology applied in the 2015 revaluation (modified straight line method), adopted on 12 May 2016, instead of straight line valuation methodology.
- Inconsistent condition assessments performed between 2015 and 2019, incorporated in the fair values adopted on 12 May 2016.

The increase in depreciation expense for the year ended 30 June 2018 arose from the revaluation exercise whereby road base components have increased in value and are depreciated for shorter periods compared to road sub-base components which have decrease in value and are depreciated for a long period.

The Council has corrected these errors by:

- restating the balance of its Infrastructure, property, plant and equipment as at the beginning of the earliest period presented (1 July 2017) to reflect the impact of the revaluation decrement in road assets and
- restating its income statement and total comprehensive income for the financial year 30 June 2018 for the effect of the additional depreciation charges

Land Under Roads (non-depreciable)

Dubbo Regional Council valued Land under roads based on the Valuer General average unit rate for Crown Land. AASB 13 'Fair Value Measurement' paragraph 11(b) requires when measuring the fair value of an asset, the entity shall take into account restrictions, if any, on the sale or use of the asset. Therefore discounting factors must be applied to reflect the restrictions placed on land under roads (as opposed to the adjoining land which is not restricted).

This correction resulted in a \$9.589 million decrement to the land under roads (non-depreciable) asset class in Infrastructure, Property, Plant and Equipment. Represented by a \$8.284 million decrement to the land under roads (non-depreciable) asset class in 2016/2017, along with a decrease in income from contributed assets of \$1.575 million in 2017/2018.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Statement of Financial Position

\$ '000	<i>Original Balance 1 July, 2017</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 1 July, 2017</i>
Changes to the opening Statement of Financial Position at 1 July 2017			
Infrastructure, property, plant and equipment	2,299,239	(126,764)	2,172,475
Total assets	2,512,477	(126,764)	2,385,713
Accumulated Surplus	2,291,534	(126,764)	2,164,770
Total equity	2,414,370	(126,764)	2,287,606

Adjustments to the comparative figures for the year ended 30 June 2018

Statement of Financial Position

\$ '000	<i>Original Balance 30 June, 2018</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2018</i>
Infrastructure, property, plant and equipment	2,387,677	(134,174)	2,253,503
Total assets	2,650,712	(134,174)	2,516,538
Accumulated Surplus	2,382,880	(134,174)	2,248,706
Total equity	2,552,778	(134,174)	2,418,604

Income Statement

\$ '000	<i>Original Balance 30 June, 2018</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2018</i>
Infrastructure contributions (non-cash) – land under roads	1,750	(1,575)	175
Total income from continuing operations	213,627	(1,575)	212,052
Depreciation and amortisation	30,407	5,835	36,242
Total expenses from continuing operations	122,281	5,835	128,116
Net operating result for the year	91,346	(7,410)	83,936

Statement of Comprehensive Income

\$ '000	<i>Original Balance 30 June, 2018</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2018</i>
Net operating result for the year	91,346	(7,410)	83,936
Other comprehensive income	47,062	–	47,062
Total comprehensive income for the year	138,408	(7,410)	130,998

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(c) Changes in accounting policies due to adoption of new accounting standards**

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Classification of financial assets and financial liabilities

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	<i>Classific- ation under AASB 139</i>	<i>Classific- ation under AASB 9</i>	<i>Carrying amount under AASB 139</i>	<i>Reclassi- fication</i>	<i>Remeasu- rements</i>	<i>Carrying amount under AASB 9</i>
Financial assets						
Trade and other receivables*	Loans and receivables	Amortised cost	21,096	–	–	21,096
Cash and cash equivalents	Loans and receivables	Amortised cost	36,755	–	–	36,755
Term deposits	Held to maturity	Amortised cost	197,732	–	–	197,732
* Excludes statutory receivables						
Total financial assets under AASB 9 at 1 July 2018			255,583	–	–	255,583
Financial liabilities						
Secured bank loans	Other financial liabilities	Other financial liabilities	67,356	–	–	67,356

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	<i>Classific- ation under AASB 139</i>	<i>Classific- ation under AASB 9</i>	<i>Carrying amount under AASB 139</i>	<i>Reclassi- fication</i>	<i>Remeasu- rements</i>	<i>Carrying amount under AASB 9</i>
Trade payables	Other financial liabilities	Other financial liabilities	12,038	–	–	12,038
Total financial liabilities under AASB 9 at 1 July 2018			79,394	–	–	79,394

Notes to the table above**Reclassification from 'held to maturity' to 'amortised cost'**

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	47,179	36,755
Balance as per the Statement of Cash Flows		47,179	36,755
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		47,782	83,936
Adjust for non-cash items:			
Depreciation and amortisation		39,902	36,242
Net losses/(gains) on disposal of assets		(703)	(2,762)
Non-cash capital grants and contributions		(13,287)	(18,142)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(16)	(75)
Unwinding of discount rates on reinstatement provisions		667	1,856
Share of net (profits)/losses of associates/joint ventures using the equity method		(49)	(151)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,503)	(4,021)
Increase/(decrease) in provision for impairment of receivables		295	387
Decrease/(increase) in inventories		(213)	57
Decrease/(increase) in other current assets		199	(200)
Increase/(decrease) in payables		844	4,253
Increase/(decrease) in accrued interest payable		(41)	(39)
Increase/(decrease) in other accrued expenses payable		22	(80)
Increase/(decrease) in other liabilities		153	(226)
Increase/(decrease) in provision for employee benefits		(466)	(1,285)
Increase/(decrease) in other provisions		73	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		72,659	99,750
(c) Non-cash investing and financing activities			
Infrastructure contributions		14,280	19,717
Total non-cash investing and financing activities		14,280	19,717

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

\$ '000	<i>Council's share of net income</i>		<i>Council's share of net assets</i>	
	2019	2018	2019	2018
Joint ventures	49	151	1,533	1,484
Total	49	151	1,533	1,484

Joint arrangements

(i) 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.

(a) Net carrying amounts – Council's share

\$ '000	<i>Nature of relationship</i>	<i>Measurement method</i>	2019	2018
Macquarie Regional Library	Joint Venture	Equity	1,533	1,484
Total carrying amounts – material joint ventures			1,533	1,484

(b) Details

<i>Principal activity</i>		<i>Place of business</i>
Macquarie Regional Library	Public library services	Branches in Dubbo, Narromine and Warrumbungle Council area

(c) Relevant interests and fair values

\$ '000	<i>Interest in outputs</i>		<i>Interest in ownership</i>		<i>Proportion of voting power</i>	
	2019	2018	2019	2018	2019	2018
Macquarie Regional Library	66.5%	69.0%	72.2%	72.9%	33.0%	33.0%

(d) Summarised financial information for joint ventures

\$ '000	<i>Macquarie Regional Library</i>	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	1,595	1,930
Other current assets	69	71
Non-current assets	1,202	1,089
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	694	1,009

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

\$ '000	Macquarie Regional Library	
	2019	2018
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	49	32
Net assets	2,123	2,049
Reconciliation of the carrying amount		
Opening net assets (1 July)	2,049	1,829
Profit/(loss) for the period	74	220
Closing net assets	2,123	2,049
Council's share of net assets (%)	72.2%	72.9%
Council's share of net assets (\$)	1,533	1,484
Statement of comprehensive income		
Income	2,960	2,883
Interest income	45	45
Depreciation and amortisation	(339)	(331)
Other expenses	(2,592)	(2,376)
Profit/(loss) from continuing operations	74	221
Profit/(loss) for the period	74	221
Total comprehensive income	74	221
Share of income – Council (%)	66.5%	68.5%
Profit/(loss) – Council (\$)	49	151
Total comprehensive income – Council (\$)	49	151

Accounting policy for joint arrangements

The council has determined that it has only joint ventures

Joint ventures:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
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(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Road Infrastructure	544	8,532
Other structures	22,381	5,593
Water infrastructure	217	2,259
Sewer infrastructure	1,545	233
Total commitments	24,687	16,617

Sources for funding of capital commitments:

Unrestricted general funds	4,961	9,639
Externally restricted reserves	19,726	6,978
Total sources of funding	24,687	16,617

Details of capital commitments

Dubbo Regional Council has committed to the following:

- Construction of the Wellington Pool
- Construction of the Rural Fire Service Training Academy
- Construction of the Dubbo Cycling Facility
- Development of Keswick Stage 5, Release 1

(b) Operating lease commitments (non-cancellable)

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

Within the next year	93	132
Later than one year and not later than 5 years	85	173
Total non-cancellable operating lease commitments	178	305

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

- Computer equipment

Conditions relating to finance and operating leases:

- All lease agreements are secured only against the leased asset.

- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit 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 standard employer contributions and additional lump sum contributions to the fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

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.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$525,000.00. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Council's expected contribution to the plan for the next annual reporting period is \$527,100.00.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

(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 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities**(i) Third party claims**

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

\$ '000	<i>Carrying value 2019</i>	<i>Carrying value 2018</i>	<i>Fair value 2019</i>	<i>Fair value 2018</i>
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	47,179	36,755	47,179	36,755
Receivables	21,090	21,096	21,090	21,096
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	185,331	197,732	185,331	197,732
Other financial assets	495	495	495	495
Total financial assets	254,095	256,078	254,095	256,078
Financial liabilities				
Measured at amortised cost				
Payables	12,931	12,039	12,931	12,039
Loans/advances	62,387	67,356	62,387	67,356
Total financial liabilities	75,318	79,395	75,318	79,395

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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

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

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

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

The 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.

\$ '000	<i>Increase of values/rates</i>		<i>Decrease of values/rates</i>	
	<i>Profit</i>	<i>Equity</i>	<i>Profit</i>	<i>Equity</i>
2019				
Possible impact of a 1% movement in interest rates	2,325	2,325	(2,326)	(2,326)
2018				
Possible impact of a 1% movement in interest rates	2,345	2,345	(2,345)	(2,345)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	2,547	650	–	–	–	3,197
2018						
Gross carrying amount	1,804	732	–	–	–	2,536

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	16,837	827	76	42	839	18,621
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2018						
Gross carrying amount	17,276	531	481	114	591	18,993
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	1,748	11,183	–	–	12,931	12,931
Loans and advances	6.10%	–	8,881	35,375	45,814	90,070	62,387
Total financial liabilities		1,748	20,064	35,375	45,814	103,001	75,318

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000	<i>Weighted average interest rate</i>	<i>Subject to no maturity</i>	<i>payable in: ≤ 1 Year</i>	<i>1 - 5 Years</i>	<i>> 5 Years</i>	<i>Total cash outflows</i>	<i>Actual carrying values</i>
2018							
Trade/other payables	0.00%	1,681	10,358	–	–	12,039	12,039
Loans and advances	6.10%	–	8,958	35,653	54,495	99,106	67,356
Total financial liabilities		<u>1,681</u>	<u>19,316</u>	<u>35,653</u>	<u>54,495</u>	<u>111,145</u>	<u>79,395</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 25/06/2018 and is unaudited.

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

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

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

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

\$ '000	2019 <i>Budget</i>	2019 <i>Actual</i>	2019 <i>Variance</i>	
REVENUES				
Rates and annual charges	61,762	62,438	676	1% F
User charges and fees	42,300	46,393	4,093	10% F
Additional income from water, sewer and waste charges was received than originally budgeted for.				
Interest and investment revenue	5,155	6,834	1,679	33% F
Council's investment portfolio has continued to exceed benchmarks set. Additional unbudgeted grant income was invested until the funds needed to be remitted.				
Other revenues	2,236	1,934	(302)	(14)% U
Sundry income items budgeted were not received.				
Operating grants and contributions	21,744	18,610	(3,134)	(14)% U
\$2.5m of grant money from the Roads to Recovery Program was budgeted but not received.				
Capital grants and contributions	24,209	47,179	22,970	95% F
Additional grant money was received for the below projects: - \$6m relating to the construction at the Dubbo Aerodrome. - \$1.5m relating to Tourism and Sporting Facilities. - \$2.5m for roads and drought funding. An additional \$13m from cash and non-cash contributions was received than originally budgeted for.				
Net gains from disposal of assets	241	703	462	192% F
Council received more revenue from land sales than originally estimated.				
Joint ventures and associates – net profits	–	49	49	∞ F
EXPENSES				
Employee benefits and on-costs	47,511	40,104	7,407	16% F
The number of job vacancies and wage capitalisation was higher than anticipated, which resulted in a lower employee cost.				
Borrowing costs	4,037	4,435	(398)	(10)% U
Council's provision for quarry and tip restoration was higher than originally budgeted.				
Materials and contracts	27,854	35,017	(7,163)	(26)% U
Council engaged additional contractors and consultants to finalise many ongoing projects.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 <i>Budget</i>	2019 <i>Actual</i>	2019 <i>----- Variance -----</i>	
Depreciation and amortisation	31,529	39,902	(8,373)	(27)% U
Additional depreciation incurred due to asset revaluation.				
Other expenses	14,763	16,900	(2,137)	(14)% U
Council had increased expenses in relation to advertising, bad and doubtful debts, street lighting and donations and contributions to local organisations than originally budgeted.				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	58,850	72,659	13,809	23% F
This variation has occurred due to a significant amount in capital grant funding either being originally budgeted but was received earlier than anticipated or grant funding that was not originally budgeted.				
Net cash provided from (used in) investing activities	(55,428)	(57,266)	(1,838)	3% U
Net cash provided from (used in) financing activities	(4,922)	(4,969)	(47)	1% U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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.

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

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

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

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

(1) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Fair value measurement hierarchy			Total	
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
Capital works in progress		30/06/18	–	–	23,165	23,165
Plant and equipment		30/06/14	–	29,678	–	29,678
Office equipment		30/06/14	–	2,133	–	2,133
Furniture and fittings		30/06/14	–	1,510	–	1,510
Operational land		30/06/18	–	36,649	–	36,649
Community land		12/05/16	–	–	35,684	35,684
Land under roads (post 30/06/2008)		30/06/19	–	–	1,201	1,201
Land improvements – non-depreciable		30/06/10	–	–	1,801	1,801
Land improvement – depreciable		30/06/08	–	–	2,376	2,376
Airport runways/taxiways		30/06/15	–	–	29,582	29,582
Buildings – non-specialised		30/06/18	–	–	24,179	24,179
Buildings – specialised		30/06/18	–	–	110,440	110,440
Other structures		30/06/13	–	–	73,416	73,416
Roads		30/06/19	–	–	892,941	892,941
Bulk earthworks		30/06/19	–	–	402,948	402,948
Stormwater drainage		30/06/15	–	–	203,952	203,952
Water supply network		30/06/17	–	–	249,834	249,834
Sewerage network		30/06/17	–	–	264,219	264,219
Swimming pools		12/05/16	–	–	6,260	6,260
Other open space/recreational assets		12/05/16	–	–	–	–
Quarry assets		30/06/14	–	–	1,997	1,997
Heritage collections		30/06/07	–	–	28	28
Other assets		30/06/07	–	–	1,300	1,300
Tip restoration assets		30/06/19	–	–	4	4
Quarry restoration assets		30/06/19	–	–	875	875
Total infrastructure, property, plant and equipment			–	69,970	2,326,202	2,396,172

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy			Total Restated	
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs Restated
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
Capital works in progress		30/06/17	–	–	15,587	15,587
Plant and equipment		30/06/14	–	27,312	–	27,312
Office equipment		30/06/14	–	1,694	–	1,694
Furniture and fittings		30/06/14	–	1,643	–	1,643
Operational land		30/06/18	–	35,545	–	35,545
Community land		30/06/11	–	–	35,691	35,691
Land under roads (post 30/06/2008)		At cost	–	–	1,096	1,096
Land improvements – non-depreciable		30/06/10	–	–	1,801	1,801
Land improvement – depreciable		30/06/08	–	–	2,468	2,468
Airport runways/taxiways		30/06/15	–	–	24,787	24,787
Buildings – non-specialised		30/06/18	–	–	24,607	24,607
Buildings – specialised		30/06/18	–	–	93,024	93,024
Other structures		30/06/13	–	–	71,435	71,435
Roads		30/06/15	–	–	893,216	893,216
Bulk earthworks		30/06/15	–	–	308,302	308,302
Stormwater drainage		30/06/15	–	–	195,411	195,411
Water supply network		30/06/17	–	–	247,189	247,189
Sewerage network		30/06/17	–	–	265,490	265,490
Swimming pools		12/05/16	–	–	3,104	3,104
Other open space/recreational assets		12/05/16	–	–	–	–
Quarry assets		30/06/14	–	–	1,997	1,997
Heritage collections		30/06/07	–	–	29	29
Other assets		30/06/07	–	–	1,193	1,193
Tip restoration assets		30/06/18	–	–	66	66
Quarry restoration assets		30/06/18	–	–	816	816
Total infrastructure, property, plant and equipment			–	66,194	2,187,309	2,253,503

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

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

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

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

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

Level 2 inputs

Plant & equipment

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Office equipment and furniture & fittings

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

Operational land

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

Level 3 inputs

Buildings - specialised and non-specialised and other structures

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

Quarry assets

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

Capital works in progress

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

Community land

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

Land under roads

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

Land improvements depreciable and non-depreciable

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

Airport runways/taxiways

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

<i>\$ '000</i>	<i>Capital works in progress</i>	<i>Community Land</i>	<i>Land under Roads Restated</i>	<i>Land improvement non-dep</i>	<i>Land improvement dep</i>
2018					
Opening balance	26,917	35,840	913	1,801	3,421
Transfers from/(to) another asset class	(11,464)	(149)	8	–	(1,094)
Purchases (GBV)	134	–	175	–	447
Depreciation and impairment	–	–	–	–	(305)
Closing balance	15,587	35,691	1,096	1,801	2,469
2019					
Opening balance	15,587	35,691	1,096	1,801	2,469
Transfers from/(to) another asset class	(3,283)	–	–	–	–
Purchases (GBV)	10,861	–	131	–	243
Disposals (WDV)	–	(7)	(26)	–	(7)
Depreciation and impairment	–	–	–	–	(329)
Closing balance	23,165	35,684	1,201	1,801	2,376

<i>\$ '000</i>	<i>Buildings non specialised</i>	<i>Building specialised</i>	<i>Other structures</i>	<i>Roads Restated</i>	<i>Airports, runways, taxiways</i>
2018					
Opening balance	15,633	65,792	57,049	886,496	15,939
Transfers from/(to) another asset class	(1,069)	1,062	2,958	4,206	391
Purchases (GBV)	245	4,869	14,863	17,710	8,886
Depreciation and impairment	(429)	(2,202)	(3,434)	(15,196)	(429)
FV gains – other comprehensive income	10,227	23,504	–	–	–
Closing balance	24,607	93,025	71,436	893,216	24,787
2019					
Opening balance	24,607	93,025	71,436	893,216	24,787
Transfers from/(to) another asset class	(958)	960	(640)	1,911	–
Purchases (GBV)	1,692	20,574	6,677	13,304	5,225
Disposals (WDV)	–	(395)	(215)	–	–
Depreciation and impairment	(1,162)	(3,724)	(3,842)	(15,490)	(430)
Closing balance	24,179	110,440	73,416	892,941	29,582

<i>\$ '000</i>	<i>Bulk earthworks</i>	<i>Stormwater drainage</i>	<i>Water supply network</i>	<i>Sewerage network</i>	<i>Swimming pools</i>
2018					
Opening balance	307,792	188,891	234,834	260,596	2,887

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	<i>Bulk earthworks</i>	<i>Stormwater drainage</i>	<i>Water supply network</i>	<i>Sewerage network</i>	<i>Swimming pools</i>
Transfers from/(to) another asset class	(27)	–	7,494	(254)	(85)
Purchases (GBV)	537	7,506	5,149	5,217	402
Disposals (WDV)	–	–	(56)	(527)	–
Depreciation and impairment	–	(987)	(5,067)	(4,902)	(100)
FV gains – other comprehensive income	–	–	4,834	5,360	–
Closing balance	308,302	195,410	247,188	265,490	3,104
2019					
Opening balance	308,302	195,410	247,188	265,490	3,104
Transfers from/(to) another asset class	417	710	2,531	(1,635)	–
Purchases (GBV)	913	9,044	1,352	1,022	3,753
Disposals (WDV)	–	(166)	–	–	(490)
Depreciation and impairment	–	(1,046)	(5,123)	(4,804)	(107)
FV gains – other comprehensive income	93,316	–	3,886	4,146	–
Closing balance	402,948	203,952	249,834	264,219	6,260

\$ '000	<i>Other open space recreational</i>	<i>Quarry assets</i>	<i>Heritage collections</i>	<i>Other assets</i>	<i>Tip restoration assets</i>
2018					
Opening balance	2,418	1,997	28	1,238	369
Transfers from/(to) another asset class	(2,418)	–	–	–	–
Purchases (GBV)	–	–	–	–	436
Disposals (WDV)	–	–	–	–	(583)
Depreciation and impairment	–	–	–	(45)	(156)
Closing balance	–	1,997	28	1,193	66
2019					
Opening balance	–	1,997	28	1,193	66
Purchases (GBV)	–	–	–	148	251
Depreciation and impairment	–	–	–	(41)	(313)
Closing balance	–	1,997	28	1,300	4

\$ '000	<i>Quarry restoration assets</i>	<i>Total</i>
2018		
Opening balance	238	2,111,089
Transfers from/(to) another asset class	–	(441)
Purchases (GBV)	591	67,167
Disposals (WDV)	–	(1,166)
Depreciation and impairment	(13)	(33,265)
FV gains – other comprehensive income	–	43,925
Closing balance	816	2,187,309
2019		

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	<i>Quarry restoration assets</i>	<i>Total</i>
Opening balance	816	2,187,309
Transfers from/(to) another asset class	–	13
Purchases (GBV)	119	75,309
Disposals (WDV)	–	(1,306)
Depreciation and impairment	(60)	(36,471)
FV gains – other comprehensive income	–	101,348
Closing balance	875	2,326,202

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

\$ '000	<i>Fair value (30/6/19)</i>	<i>Valuation technique/s</i>	<i>Unobservable inputs</i>
Infrastructure, property, plant and equipment			
Capital works in progress	23,165	Cost approach	Gross replacement cost
Community Land	35,684	NSW Valuer General land valuation	Land value, land area
Land under Roads	1,201	NSW Valuer General land valuation	Land value, land area
Land improvements non-depreciable	1,801	Cost approach	Asset condition, remaining lives, residual value
Land improvements depreciable	2,376	Cost approach	Asset condition, remaining lives, residual value
Buildings non specialised	24,179	Cost approach	Gross replacement cost
Building specialised	110,440	Cost approach	Gross replacement cost
Other structures	73,416	Cost approach	Asset condition, remaining lives, residual value
Roads	892,941	Cost approach	Asset condition, remaining lives, residual value
Airports, runways, taxiways	29,582	Cost approach	Asset condition, remaining lives, residual value
Bulk earthworks	402,948	Cost approach	Asset condition, remaining lives, residual value
Stormwater drainage	203,952	Cost approach	Asset condition, remaining lives, residual value
Water supply network	249,834	Cost approach	Asset condition, remaining lives, residual value
Sewerage network	264,219	Cost approach	Asset condition, remaining lives, residual value
Swimming pools	6,260	Cost approach	Asset condition, remaining lives, residual value
Other open space recreational	–	Cost approach	Asset condition, remaining lives, residual value
Quarry assets	1,997	Cost approach	Gross replacement cost
Heritage collections	28	Cost approach	Gross replacement cost
Library books	–	Cost approach	Gross replacement cost
Other assets	1,300	Cost approach	Gross replacement cost
Tip restoration assets	4	Cost estimate of future liability	
Quarry restoration assets	875	Cost estimate of future liability	

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,903	2,522
Other long-term benefits	502	842
Termination benefits	–	608
Total	2,405	3,972

(b) Other transactions with KMP and their related parties

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

There are no other disclosures to be made by KMP.

(c) Other related party transactions

Nil

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Drainage	1,789	595	–	35	(845)	–	1,574	–
Roads	9,105	1,678	–	170	(1,223)	–	9,730	–
Parking	95	–	–	1	–	–	96	–
Open space	2,100	711	–	43	(750)	–	2,104	–
Voluntary planning agreements	228	198	–	–	–	–	426	–
S7.11 contributions – under a plan	13,317	3,182	–	249	(2,818)	–	13,930	–
S7.12 levies – under a plan	31	33	–	–	(31)	–	33	–
Total S7.11 and S7.12 revenue under plans	13,348	3,215	–	249	(2,849)	–	13,963	–
S7.11 not under plans	274	–	–	–	–	–	274	–
S64 contributions	–	2,215	–	21	(2,236)	–	–	–
Total contributions	13,622	5,430	–	270	(5,085)	–	14,237	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN (former Dubbo)								
Drainage	1,789	595	–	35	(845)	–	1,574	–
Roads	9,105	1,678	–	170	(1,223)	–	9,730	–
Parking	95	–	–	1	–	–	96	–
Open space	2,100	711	–	43	(750)	–	2,104	–
Voluntary planning agreements	228	198	–	–	–	–	426	–
Total	13,317	3,182	–	249	(2,818)	–	13,930	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER 2012 (former Wellington)

Public order and safety	5	5	–	–	(5)	–	5	–
Community services and education	5	5	–	–	(5)	–	5	–
Household and community amenities	5	5	–	–	(5)	–	5	–
Recreation and culture	6	6	–	–	(6)	–	6	–
Transport and communication	4	5	–	–	(4)	–	5	–
Economic affairs	6	7	–	–	(6)	–	7	–
Total	31	33	–	–	(31)	–	33	–

Notes to the Financial Statements
for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

	<i>as at 30/6/2018</i>			<i>Interest earned in year</i>	<i>Expenditure during year</i>	<i>Internal borrowing (to)/from</i>	<i>as at 30/6/2019</i>	
	<i>Opening Balance</i>	<i>Contributions received during the year</i>					<i>Held as restricted asset</i>	<i>Cumulative internal borrowings due/(payable)</i>
<i>\$ '000</i>		<i>Cash</i>	<i>Non-cash</i>					
S7.11 Contributions – not under a plan								
(former Wellington)								
Drainage	75	–	–	–	–	–	75	–
Roads	118	–	–	–	–	–	118	–
Open space	35	–	–	–	–	–	35	–
Community facilities	10	–	–	–	–	–	10	–
Emergency services	36	–	–	–	–	–	36	–
Total	274	–	–	–	–	–	274	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	42,830	7,283	12,325
User charges and fees	23,268	18,235	4,890
Interest and investment revenue	4,158	1,193	1,483
Other revenues	1,808	63	63
Grants and contributions provided for operating purposes	18,364	127	119
Grants and contributions provided for capital purposes	42,417	2,480	2,282
Other income			
Net gains from disposal of assets	703	–	–
Share of interests in joint ventures and associates using the equity method	49	–	–
Total income from continuing operations	133,597	29,381	21,162
Expenses from continuing operations			
Employee benefits and on-costs	31,092	5,014	3,998
Borrowing costs	1,985	1,534	916
Materials and contracts	28,642	4,154	2,221
Depreciation and amortisation	29,269	5,560	5,073
Other expenses	12,347	3,012	1,541
Net losses from the disposal of assets	19	(2)	(17)
Total expenses from continuing operations	103,354	19,272	13,732
Operating result from continuing operations	30,243	10,109	7,430
Net operating result for the year	30,243	10,109	7,430
Net operating result attributable to each council fund	30,243	10,109	7,430
Net operating result for the year before grants and contributions provided for capital purposes	(12,174)	7,629	5,148

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	26,702	10,128	10,349
Investments	43,000	23,330	15,000
Receivables	13,864	6,778	2,928
Inventories	2,677	167	–
Other	456	8	–
Total current assets	86,699	40,411	28,277
Non-current assets			
Investments	60,001	17,500	26,500
Receivables	287	–	–
Inventories	4,076	–	–
Infrastructure, property, plant and equipment	1,846,154	262,361	287,657
Investments accounted for using the equity method	1,533	–	–
Other	451	44	–
Total non-current assets	1,912,502	279,905	314,157
TOTAL ASSETS	1,999,201	320,316	342,434
LIABILITIES			
Current liabilities			
Payables	12,209	465	256
Income received in advance	414	–	–
Borrowings	2,049	1,089	2,021
Provisions	11,946	1,212	–
Total current liabilities	26,618	2,766	2,277
Non-current liabilities			
Payables	1	–	–
Borrowings	18,030	23,735	15,463
Provisions	5,262	65	–
Total non-current liabilities	23,293	23,800	15,463
TOTAL LIABILITIES	49,911	26,566	17,740
Net assets	1,949,290	293,750	324,694
EQUITY			
Accumulated surplus	1,820,530	230,339	245,619
Revaluation reserves	128,760	63,411	79,075
Council equity interest	1,949,290	293,750	324,694
Total equity	1,949,290	293,750	324,694

NB. All amounts disclosed above are gross – that is, they include 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.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – consolidated results

	Amounts	Indicator	Prior periods		Benchmark
	2019	2019	2018	2017	
\$ '000			<i>Restated</i>		
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(149)	(0.11)%	14.54%	13.15%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	136,209				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	116,948	63.77%	57.00%	62.54%	>60.00%
Total continuing operating revenue ¹	183,388				
3. Unrestricted current ratio					
Current assets less all external restrictions	86,957	4.35x	5.52x	3.63x	>1.50x
Current liabilities less specific purpose liabilities	19,988				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	44,188	4.70x	6.17x	5.79x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	9,404				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	3,557	5.48%	4.88%	3.27%	<10.00%
Rates, annual and extra charges collectible	64,935				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	218,509	26.13 mths	25.79 mths	16.60 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	8,362				

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(14.29)%	9.78%	28.36%	28.65%	27.27%	19.80%	>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	53.76%	46.71%	91.13%	89.07%	88.65%	84.17%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.35x	5.52x	14.61x	9.22x	12.42x	14.07x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.69x	4.87x	9.51x	9.39x	11.90x	10.81x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	2.22%	1.63%	5.25%	4.39%	17.59%	16.35%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	17.81	19.63	44.60	34.38	71.85	71.82	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

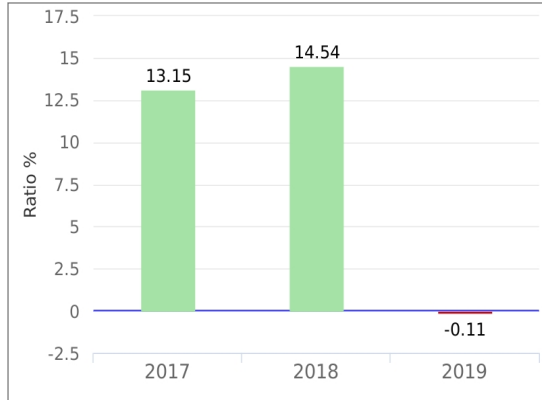
(1) - (2) Refer to Notes at Note 28a above.

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

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24(c). 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 2018/19 result

2018/19 ratio (0.11)%

This ratio has decreased significantly from 2017/18 mainly due to a reduction in revenue from Operational Contributions and Fees from RMS State Roads projects.

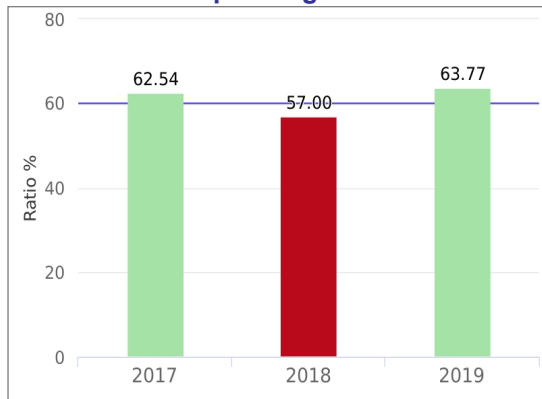
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 63.77%

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

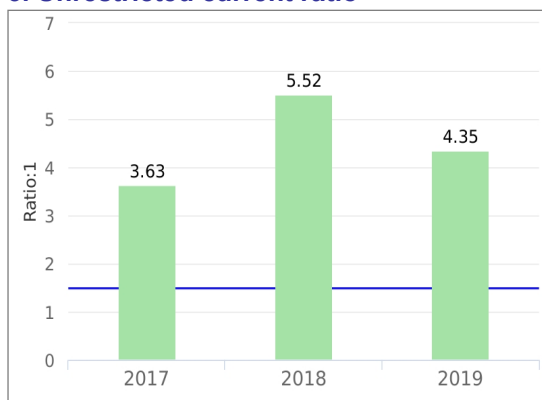
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 4.35x

The unrestricted current ratio for 2019 has remained very strong. A result above 1.5 indicates a strong ability to meet short term obligations.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

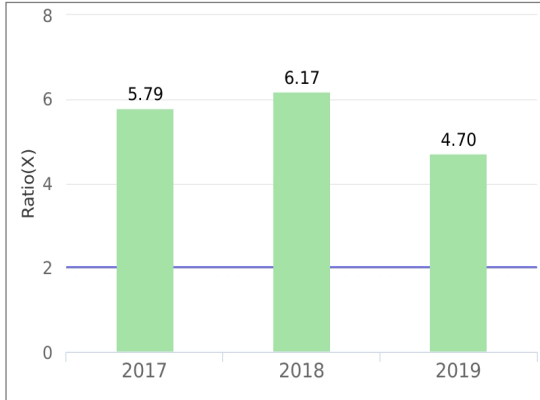
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24(c). Statement of performance measures – consolidated results (graphs)

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 2018/19 result

2018/19 ratio 4.70x

This ratio result is particularly strong indicating that there is \$4.70 of cash to meet every \$1.00 of debt. The benchmark for this ratio is 2.00.

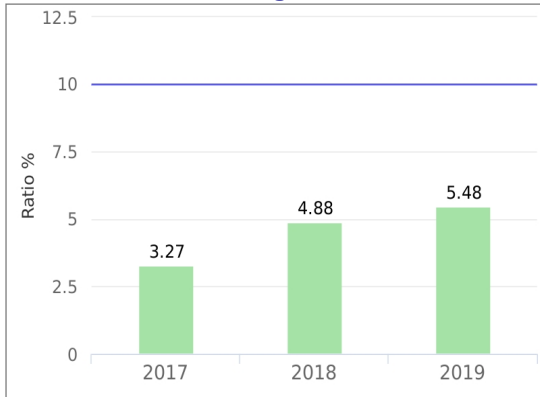
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 5.48%

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

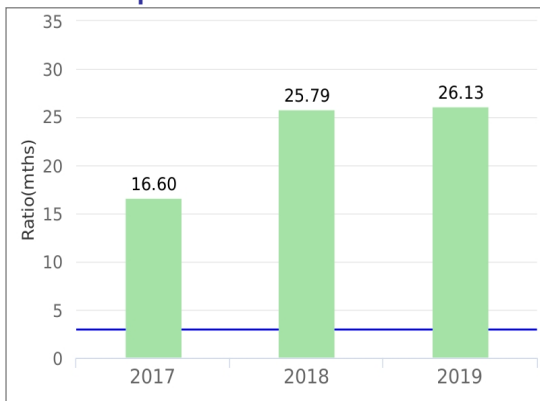
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 26.13 mths

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

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. 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

Michael McMahon

Responsible Accounting Officer

Jane Bassingthwaite

Public Officer

Craig Giffin

Auditors

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

Elected members

Mayor

Ben Shields

Councillors

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

Other information

ABN: 53 539 070 928



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Dubbo Regional Council

To the Councillors of the Dubbo Regional Council

Opinion

I have audited the accompanying financial statements of Dubbo Regional Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, 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' (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 2019 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 except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

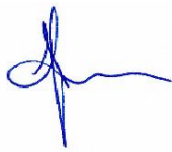
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - 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.



Aaron Green
Assistant Auditor-General, Financial Audit Services
Delegate of the Auditor-General for New South Wales

28 November 2019
SYDNEY



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

Contact: Aaron Green
 Phone no: 02 9275 7209
 Our ref: D1927834/1807

28 November 2019

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2019
 Dubbo Regional Council**

I have audited the general purpose financial statements (GPFS) of Dubbo Regional Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 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.

INCOME STATEMENT

Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	62.4	57.6	8.3
Grants and contributions revenue	65.8	89.3	26.3
Operating result for the year	47.8	83.9	43.0
Net operating result before capital grants and contributions	0.6	24.7	97.8

Rates and annual charges revenue (\$62.4 million) increased by \$4.8 million (8.3 per cent) in 2018–2019. This was mainly due to:

- annual rate peg increase applied to ordinary rates (2.3 per cent)
- slight increase in the number of rateable properties
- increase in volume of activity and Council-approved rates for domestic waste management, sewerage and water supply services

Grants and contributions revenue (\$65.8 million) decreased by \$23.5 million (26.3 per cent) in 2018–2019 due to:

- higher funding received in the prior year for the redevelopment of Wellington Pool, Rygate Park and Victoria Park
- higher RMS and capital road infrastructure contributions received in the prior year because of higher road work activity

Council's operating result (\$47.8 million including the effect of depreciation and amortisation expense of \$39.9 million) was \$36.1 million lower than the 2017–18 result. This resulted from:

- decrease in total income from continuing operations by \$28.0 million mainly due to a decrease in grants and contributions as described above
- increase in total expenses from continuing operations by \$8.3 million mainly due to increases in employee benefit and on-costs, depreciation expense and materials and contracts

The net operating result before capital grants and contributions (\$0.6 million) was \$24.1 million lower than the 2017–18 result mainly due to the net effects of:

- a decrease in RMS operating contributions by \$11.5 million
- net decrease in RMS road user charges by \$5.5 million and
- increase in total expenses by \$8.3 million as described above.

STATEMENT OF CASH FLOWS

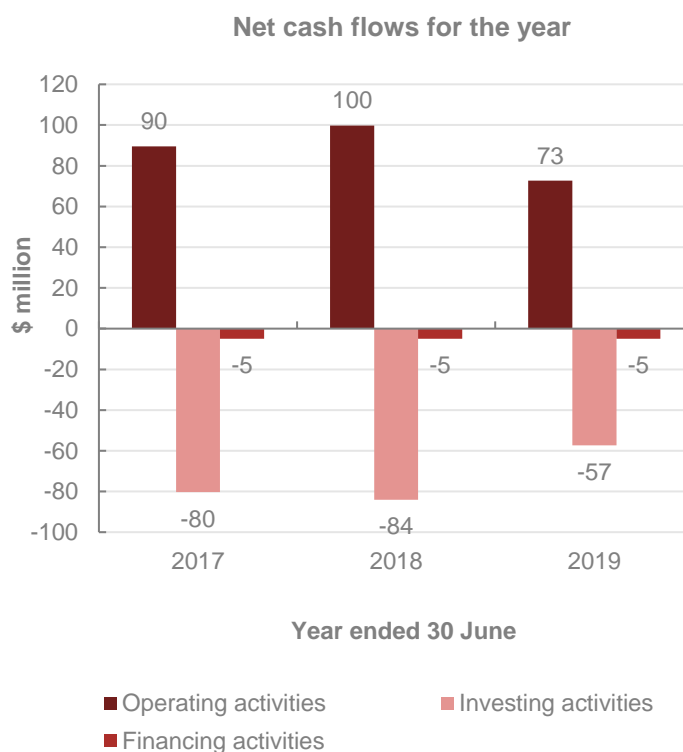
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The decrease in cash provided by operating activities is due to lower user charges and fees and grants received in the current year.

The decrease in cash used in investing activities is mainly due to a positive cash position from the Council's investments this year (i.e. higher sale activity versus acquisition of investments). In the prior year, acquisitions were higher than proceeds from sale of investments. The positive cash flow position from investments were offset by a slightly higher capital spend in the current year compared to last year.

The Council's financing activity remained stable over the last three years.

The Council's cash and cash equivalents balance as at 30 June 2019 was \$47.2 million (2018: \$36.8 million). The net cash flow for the year was a decrease of \$10.4 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	162.6	144.9	<ul style="list-style-type: none"> Externally restricted funds mainly include developer contributions, specific purpose unexpended grants, water supplies, sewerage services, domestic waste and stormwater management funds. The increase is primarily due to \$11.5 million increase in water supplies fund and \$3.8 million increase in sewerage services fund. Internally restricted funds are due to Council policy or decisions for forward plans including strategic capital projects. The main reason for the decrease in internally restricted funds is due to a decrease in future asset renewals and federal financial assistance grants. Unrestricted balances provide liquidity for day-to-day operations.
Internal restrictions	67.0	86.5	
Unrestricted	3.0	3.0	
Cash and investments	232.6	234.4	

Debt

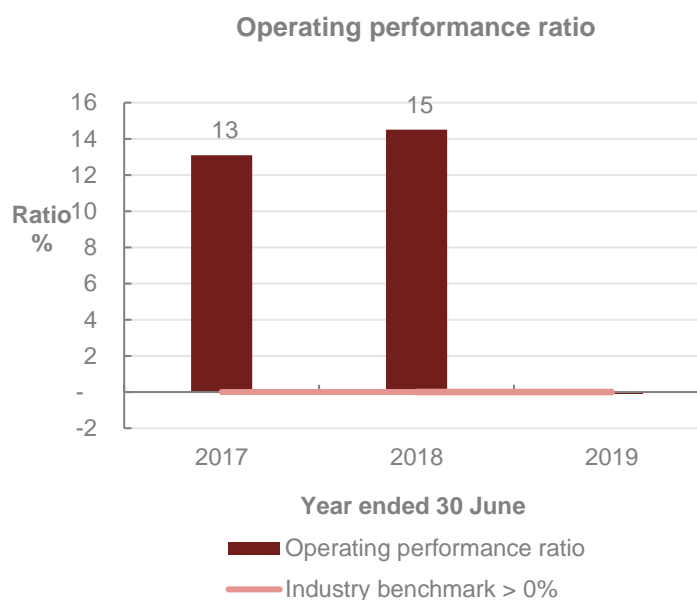
The Council has bank overdraft facilities of \$0.2 million which remain unused as at 30 June 2019.

PERFORMANCE

Operating performance ratio

The Council's operating performance ratio of -0.11 per cent is slightly below the benchmark. A decrease in operational contributions and fees from RMS State Road projects coupled by an increase in employee benefits and on-cost, materials and contracts and depreciation expenses contributed to the lower ratio in 2019.

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

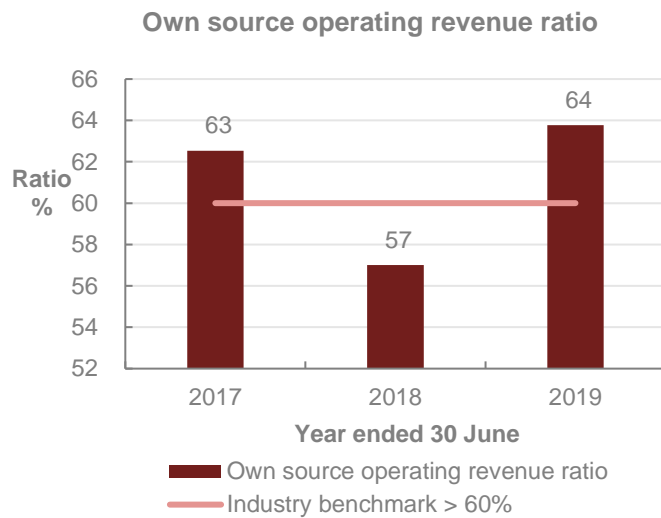


Own source operating revenue ratio

The Council's own source operating revenue ratio exceeded the OLG benchmark in the current year.

The ratio was 63.8 per cent in 2019. This indicates that the Council has a diversified source of income in the current year and is not overly reliant on grants and contributions.

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 the former OLG is greater than 60 per cent.

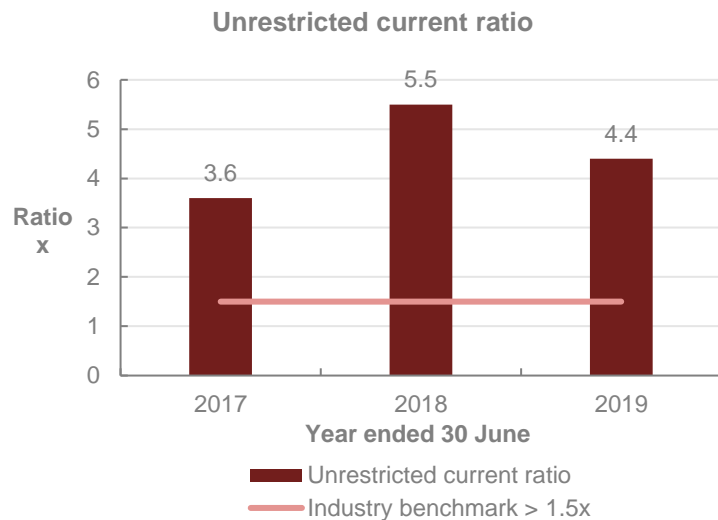


Unrestricted current ratio

The Council's liquidity ratio of 4.4 is above the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.

The Council's unrestricted current ratio has decreased from prior year mainly due to an increase in externally restricted cash.

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 the former OLG is greater than 1.5 times.

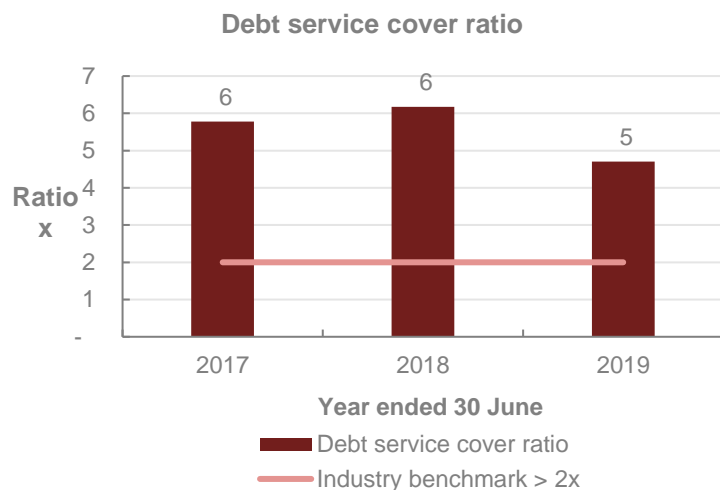


Debt service cover ratio

The Council's debt service cover ratio of 4.70 times is above the industry benchmark of greater than 2 times.

The Council's debt service cover ratio has decreased from the prior year mainly due to lower net operating result in 2018–19.

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

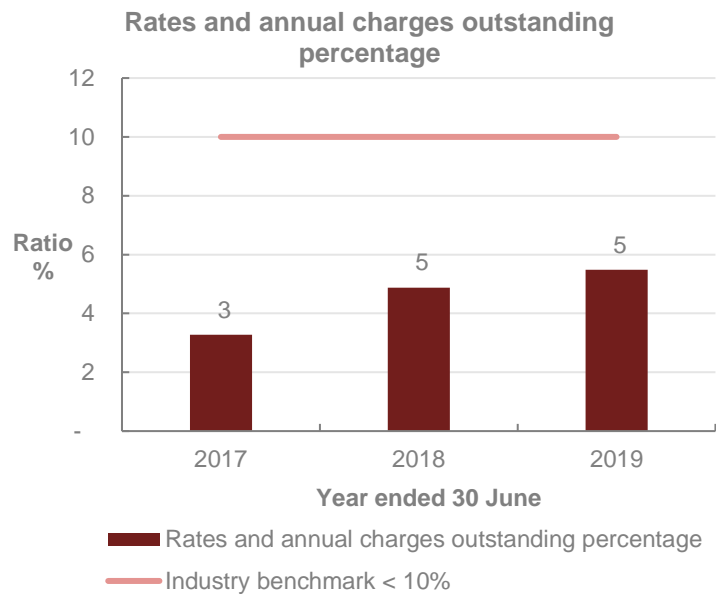


Rates and annual charges outstanding percentage

The Council's rates and annual charges outstanding percentage of 5.5% is within the benchmark of less than 10.0% for regional councils.

This ratio has been stable for the last two years.

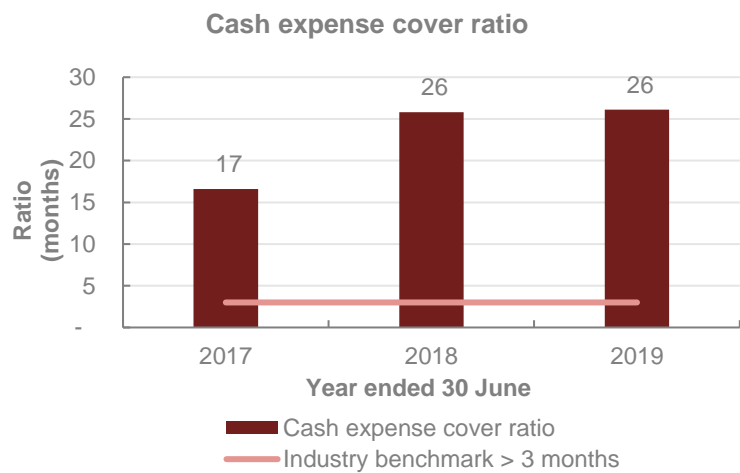
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The cash expense cover ratio of 26.1 months exceeded the industry benchmark of greater than 3 months. Council have consistently exceeded the benchmark over the past three years.

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



Infrastructure, property, plant and equipment renewals

The Council has renewed \$32.3 million of assets in the 2018–19 financial year, compared to \$26.0 million of assets in the prior year. This mainly included \$19.4 million on buildings, \$3.9 million on airport runways and \$3.8 million on swimming pools.

OTHER MATTERS

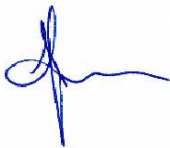
New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 12(c).</p>

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.



Aaron Green
Assistant Auditor-General

Delegate of the Auditor-General for New South Wales

cc: Michael McMahon, Chief Executive Officer
John Walkom, Chair of Audit and Risk Management Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Dubbo Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

"Great community, great council"



Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

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

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

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

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

Dubbo Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2019

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:

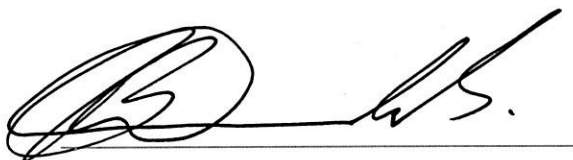
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial 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 25 November 2019.



Ben Shields
Mayor
25 November 2019



Stephen Lawrence
Deputy Mayor
25 November 2019



Michael McMahon
Chief Executive Officer
25 November 2019



Jane Bassingthwaite
Responsible Accounting Officer
25 November 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	7,283	7,043
User charges	18,235	19,460
Interest	1,193	969
Grants and contributions provided for non-capital purposes	127	121
Other income	63	41
Total income from continuing operations	26,901	27,634
Expenses from continuing operations		
Employee benefits and on-costs	5,014	4,878
Borrowing costs	1,534	1,633
Materials and contracts	4,154	4,381
Depreciation, amortisation and impairment	5,560	5,939
Loss on sale of assets	(2)	50
Calculated taxation equivalents	130	131
Other expenses	3,012	2,778
Total expenses from continuing operations	19,402	19,790
Surplus (deficit) from continuing operations before capital amounts	7,499	7,844
Grants and contributions provided for capital purposes	2,480	3,369
Surplus (deficit) from continuing operations after capital amounts	9,979	11,213
Surplus (deficit) from all operations before tax	9,979	11,213
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(2,062)	(2,157)
SURPLUS (DEFICIT) AFTER TAX	7,917	9,056
Plus accumulated surplus	220,230	208,886
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	130	131
– Corporate taxation equivalent	2,062	2,157
Closing accumulated surplus	230,339	220,230
Return on capital %	3.4%	3.6%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	7,917	9,056
Less: capital grants and contributions (excluding developer contributions)	(2,480)	(3,369)
Surplus for dividend calculation purposes	5,437	5,687
Potential dividend calculated from surplus	2,718	2,843

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	12,325	11,783
User charges	4,671	4,687
Liquid trade waste charges	20	33
Fees	199	673
Interest	1,483	1,361
Grants and contributions provided for non-capital purposes	119	121
Other income	63	55
Total income from continuing operations	18,880	18,713
Expenses from continuing operations		
Employee benefits and on-costs	3,998	3,588
Borrowing costs	916	1,012
Materials and contracts	2,221	2,017
Depreciation, amortisation and impairment	5,073	6,240
Loss on sale of assets	(17)	774
Calculated taxation equivalents	240	242
Other expenses	1,541	1,345
Total expenses from continuing operations	13,972	15,218
Surplus (deficit) from continuing operations before capital amounts	4,908	3,495
Grants and contributions provided for capital purposes	2,282	3,687
Surplus (deficit) from continuing operations after capital amounts	7,190	7,182
Surplus (deficit) from all operations before tax	7,190	7,182
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,350)	(961)
SURPLUS (DEFICIT) AFTER TAX	5,840	6,221
Plus accumulated surplus	238,189	230,765
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	240	242
– Corporate taxation equivalent	1,350	961
Closing accumulated surplus	245,619	238,189
Return on capital %	2.0%	1.6%
Subsidy from Council	–	1,808
Calculation of dividend payable:		
Surplus (deficit) after tax	5,840	6,221
Less: capital grants and contributions (excluding developer contributions)	(2,282)	(3,687)
Surplus for dividend calculation purposes	3,558	2,534
Potential dividend calculated from surplus	1,779	1,267

Income Statement – Dubbo City Regional Airport

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	3,689	3,952
Grants and contributions provided for non-capital purposes	75	–
Other income	212	136
Total income from continuing operations	3,976	4,088
Expenses from continuing operations		
Employee benefits and on-costs	534	498
Borrowing costs	126	64
Materials and contracts	1,921	1,811
Depreciation, amortisation and impairment	1,017	785
Loss on sale of assets	9	–
Calculated taxation equivalents	103	119
Other expenses	332	600
Total expenses from continuing operations	4,042	3,877
Surplus (deficit) from continuing operations before capital amounts	(66)	211
Grants and contributions provided for capital purposes	21,314	10,193
Surplus (deficit) from continuing operations after capital amounts	21,248	10,404
Surplus (deficit) from all operations before tax	21,248	10,404
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(58)
SURPLUS (DEFICIT) AFTER TAX	21,248	10,346
Plus accumulated surplus	37,806	27,283
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	103	119
– Corporate taxation equivalent	–	58
Closing accumulated surplus	59,157	37,806
Return on capital %	0.1%	0.7%
Subsidy from Council	587	833

Income Statement – Livestock Markets

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	3,342	4,098
Other income	39	28
Total income from continuing operations	3,381	4,126
Expenses from continuing operations		
Employee benefits and on-costs	671	558
Materials and contracts	1,206	1,229
Depreciation, amortisation and impairment	1,347	1,295
Loss on sale of assets	202	–
Calculated taxation equivalents	12	12
Other expenses	219	210
Total expenses from continuing operations	3,657	3,304
Surplus (deficit) from continuing operations before capital amounts	(276)	822
Grants and contributions provided for capital purposes	176	329
Surplus (deficit) from continuing operations after capital amounts	(100)	1,151
Surplus (deficit) from all operations before tax	(100)	1,151
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(226)
SURPLUS (DEFICIT) AFTER TAX	(100)	925
Plus accumulated surplus	26,213	25,050
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	12	12
– Corporate taxation equivalent	–	226
Closing accumulated surplus	26,125	26,213
Return on capital %	(1.4)%	4.0%
Subsidy from Council	535	–

Income Statement – Property Development

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Interest	168	123
Profit from the sale of assets	1,999	3,359
Other income	21	12
Total income from continuing operations	2,188	3,494
Expenses from continuing operations		
Employee benefits and on-costs	228	159
Materials and contracts	208	193
Calculated taxation equivalents	212	209
Other expenses	1	1
Total expenses from continuing operations	649	562
Surplus (deficit) from continuing operations before capital amounts	1,539	2,932
Surplus (deficit) from continuing operations after capital amounts	1,539	2,932
Surplus (deficit) from all operations before tax	1,539	2,932
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(423)	(806)
SURPLUS (DEFICIT) AFTER TAX	1,116	2,126
Plus accumulated surplus	12,340	9,199
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	212	209
– Corporate taxation equivalent	423	806
Closing accumulated surplus	14,091	12,340
Return on capital %	702.7%	0.0%

Income Statement – Dubbo City Holiday Park

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
User charges	1,769	1,909
Total income from continuing operations	1,769	1,909
Expenses from continuing operations		
Employee benefits and on-costs	47	28
Borrowing costs	9	13
Materials and contracts	1,084	1,105
Depreciation, amortisation and impairment	277	172
Calculated taxation equivalents	64	63
Other expenses	186	186
Total expenses from continuing operations	1,667	1,567
Surplus (deficit) from continuing operations before capital amounts	102	342
Surplus (deficit) from continuing operations after capital amounts	102	342
Surplus (deficit) from all operations before tax	102	342
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(28)	(94)
SURPLUS (DEFICIT) AFTER TAX	74	248
Plus accumulated surplus	5,848	5,443
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	64	63
– Corporate taxation equivalent	28	94
Closing accumulated surplus	6,014	5,848
Return on capital %	1.9%	5.7%

Income Statement – Rainbow Cottage

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
User charges	520	640
Grants and contributions provided for non-capital purposes	657	527
Total income from continuing operations	1,177	1,167
Expenses from continuing operations		
Employee benefits and on-costs	1,074	939
Materials and contracts	326	347
Depreciation, amortisation and impairment	75	33
Loss on sale of assets	1	–
Calculated taxation equivalents	7	7
Other expenses	23	26
Total expenses from continuing operations	1,506	1,352
Surplus (deficit) from continuing operations before capital amounts	(329)	(185)
Surplus (deficit) from continuing operations after capital amounts	(329)	(185)
Surplus (deficit) from all operations before tax	(329)	(185)
SURPLUS (DEFICIT) AFTER TAX	(329)	(185)
Plus accumulated surplus	452	630
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	7	7
Closing accumulated surplus	130	452
Return on capital %	(24.2)%	(13.2)%
Subsidy from Council	347	222

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	10,128	(115)
Investments	23,330	19,500
Receivables	6,778	7,079
Inventories	167	168
Other	8	38
Total current assets	40,411	26,670
Non-current assets		
Investments	17,500	20,163
Infrastructure, property, plant and equipment	262,361	260,330
Other	44	44
Total non-current assets	279,905	280,537
TOTAL ASSETS	320,316	307,207
LIABILITIES		
Current liabilities		
Payables	465	644
Borrowings	1,089	1,069
Provisions	1,212	1,180
Total current liabilities	2,766	2,893
Non-current liabilities		
Borrowings	23,735	24,865
Provisions	65	50
Total non-current liabilities	23,800	24,915
TOTAL LIABILITIES	26,566	27,808
NET ASSETS	293,750	279,399
EQUITY		
Accumulated surplus	230,339	220,230
Revaluation reserves	63,411	59,169
TOTAL EQUITY	293,750	279,399

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	10,349	(622)
Investments	15,000	28,658
Receivables	2,928	2,468
Other	–	12
Total current assets	28,277	30,516
Non-current assets		
Investments	26,500	20,000
Infrastructure, property, plant and equipment	287,657	282,273
Total non-current assets	314,157	302,273
TOTAL ASSETS	342,434	332,789
LIABILITIES		
Current liabilities		
Payables	256	231
Borrowings	2,021	1,938
Total current liabilities	2,277	2,169
Non-current liabilities		
Borrowings	15,463	17,490
Total non-current liabilities	15,463	17,490
TOTAL LIABILITIES	17,740	19,659
NET ASSETS	324,694	313,130
EQUITY		
Accumulated surplus	245,619	238,189
Revaluation reserves	79,075	74,941
TOTAL EQUITY	324,694	313,130

Statement of Financial Position – Dubbo City Regional Airport

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	1	1
Investments	17,897	2,819
Receivables	115	87
Total current assets	18,013	2,907
Non-current assets		
Infrastructure, property, plant and equipment	49,000	41,636
Total non-current assets	49,000	41,636
TOTAL ASSETS	67,013	44,543
LIABILITIES		
Current liabilities		
Payables	132	231
Borrowings	796	787
Provisions	180	197
Total current liabilities	1,108	1,215
Non-current liabilities		
Borrowings	2,682	2,226
Provisions	6	6
Total non-current liabilities	2,688	2,232
TOTAL LIABILITIES	3,796	3,447
NET ASSETS	63,217	41,096
EQUITY		
Accumulated surplus	59,157	37,806
Revaluation reserves	4,060	3,290
TOTAL EQUITY	63,217	41,096

Statement of Financial Position – Livestock Markets

as at 30 June 2019

\$ '000	2019	2018
	Category 1	Category 1
ASSETS		
Current assets		
Investments	6,700	5,551
Receivables	388	332
Total current assets	7,088	5,883
Non-current assets		
Infrastructure, property, plant and equipment	19,598	20,616
Total non-current assets	19,598	20,616
TOTAL ASSETS	26,686	26,499
LIABILITIES		
Current liabilities		
Payables	143	88
Provisions	206	180
Total current liabilities	349	268
Non-current liabilities		
Provisions	30	18
Total non-current liabilities	30	18
TOTAL LIABILITIES	379	286
NET ASSETS	26,307	26,213
EQUITY		
Accumulated surplus	26,125	26,213
Revaluation reserves	182	–
TOTAL EQUITY	26,307	26,213

Statement of Financial Position – Property Development

as at 30 June 2019

\$ '000	2019	2018
	Category 1	Category 1
ASSETS		
Current assets		
Investments	8,255	9,393
Receivables	13	–
Inventories	1,531	773
Total current assets	9,799	10,166
Non-current assets		
Inventories	4,076	2,180
Infrastructure, property, plant and equipment	219	–
Total non-current assets	4,295	2,180
TOTAL ASSETS	14,094	12,346
LIABILITIES		
Current liabilities		
Payables	3	6
Total current liabilities	3	6
TOTAL LIABILITIES	3	6
NET ASSETS	14,091	12,340
EQUITY		
Accumulated surplus	14,091	12,340
<u>TOTAL EQUITY</u>	<u>14,091</u>	<u>12,340</u>

Statement of Financial Position – Dubbo City Holiday Park

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	4	1
Investments	1,777	1,424
Total current assets	1,781	1,425
Non-current assets		
Infrastructure, property, plant and equipment	5,987	6,174
Total non-current assets	5,987	6,174
TOTAL ASSETS	7,768	7,599
LIABILITIES		
Current liabilities		
Payables	91	9
Borrowings	125	121
Total current liabilities	216	130
Non-current liabilities		
Borrowings	–	125
Total non-current liabilities	–	125
TOTAL LIABILITIES	216	255
NET ASSETS	7,552	7,344
EQUITY		
Accumulated surplus	6,014	5,848
Revaluation reserves	1,538	1,496
TOTAL EQUITY	7,552	7,344

Statement of Financial Position – Rainbow Cottage

as at 30 June 2019

\$ '000	2019	2018
	Category 2	Category 2
ASSETS		
Current assets		
Investments	–	37
Receivables	13	13
Total current assets	13	50
Non-current assets		
Infrastructure, property, plant and equipment	1,357	1,406
Total non-current assets	1,357	1,406
TOTAL ASSETS	1,370	1,456
LIABILITIES		
Current liabilities		
Payables	34	32
Provisions	240	214
Total current liabilities	274	246
Non-current liabilities		
Provisions	21	17
Borrowings	204	–
Total non-current liabilities	225	17
TOTAL LIABILITIES	499	263
NET ASSETS	871	1,193
EQUITY		
Accumulated surplus	130	452
Revaluation reserves	741	741
TOTAL EQUITY	871	1,193

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Water Supply Service

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

b. Sewerage Service

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

c. Dubbo City Regional Airport

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

d. Dubbo Regional Livestock Markets

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

e. Property Development

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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

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

Category 2

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

a. Dubbo City Holiday Park

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

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

b. Rainbow Cottage Long Day Care Centre

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

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

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

(i) Taxation equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

Since the taxation equivalent is notional – that is, it is payable to Council as the ‘owner’ of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Dubbo Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Dubbo Regional Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Water Supply
- Sewerage
- Dubbo City Regional Airport
- Livestock Markets
- Property Development
- Dubbo City Holiday Park
- Rainbow Cottage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared business activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (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' (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 Note 1 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 2019 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 Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors 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.

My opinion does not provide assurance:

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



Aaron Green
Assistant Auditor-General, Financial Audit Services
Delegate of the Auditor-General for New South Wales

28 November 2019
SYDNEY

Dubbo Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

"Great community, great council"



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates

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Report on Infrastructure Assets - Values

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Permissible income for general rates

		2019/20	2019/20	2019/20	2018/19	2018/19	2018/19
		The former Dubbo City Council	The former Wellington Council	Dubbo Regional Council	The former Dubbo City Council	The former Wellington Council	Dubbo Regional Council
\$ '000							
Notional general income calculation ¹							
Last year notional general income yield	a	29,555	6,647	36,202	28,437	6,469	34,906
Plus or minus adjustments ²	b	211	7	218	392	28	420
Notional general income	c = a + b	29,766	6,654	36,420	28,829	6,497	35,326
Permissible income calculation							
Or rate peg percentage	e	2.70%	2.70%		2.30%	2.30%	
Or plus rate peg amount	i = e x (c + g)	804	180	984	663	149	812
Sub-total	k = (c + g + h + i + j)	30,570	6,834	37,404	29,492	6,646	36,138
Plus (or minus) last year's carry forward total	l	1	–	1	28	2	30
Less valuation objections claimed in the previous year	m	(36)	–	(36)	–	–	–
Sub-total	n = (l + m)	(35)	–	(35)	28	2	30
Total permissible income	o = k + n	30,535	6,834	37,369	29,520	6,648	36,168
Less notional general income yield	p	30,512	6,822	37,334	29,555	6,647	36,202
Catch-up or (excess) result	q = o – p	23	12	35	(35)	1	(34)
Plus income lost due to valuation objections claimed	r	–	–	–	36	–	36
Less unused catch-up ⁵	s	–	–	–	–	(1)	(1)
Carry forward to next year ⁶	t = q + r + s	23	12	35	1	–	1

(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.

(5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

(6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's 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 2020.

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 – update number 27 (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' (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 2019 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 2019'.

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, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

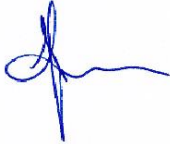
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in blue ink, consisting of a stylized 'A' followed by a horizontal line that ends in a small flourish.

Aaron Green
Assistant Auditor-General, Financial Audit Services
Delegate of the Auditor-General for New South Wales

28 November 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings	791	791	3,061	3,061	134,619	355,252	42.5%	37.1%	17.4%	2.7%	0.3%
	Sub-total	791	791	3,061	3,061	134,619	355,252	42.5%	37.1%	17.4%	2.7%	0.3%
Roads	Sealed roads	1,401	1,401	912	912	737,594	986,426	65.0%	23.0%	11.0%	1.0%	0.0%
	Unsealed roads	1,113	1,113	2,443	2,443	23,740	36,071	45.0%	24.0%	19.0%	10.0%	2.0%
	Footpaths	725	725	97	97	33,681	58,983	56.0%	20.0%	22.0%	2.0%	0.0%
	Other road assets	1,524	1,524	3,986	3,986	97,926	142,078	100.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	402,948	402,948	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	4,763	4,763	7,438	7,438	1,295,889	1,626,506	76.0%	15.2%	7.9%	0.9%	0.0%
Water supply network	Water supply network	7,199	7,199	1,107	1,107	249,834	365,939	35.3%	38.4%	18.2%	7.1%	1.0%
	Sub-total	7,199	7,199	1,107	1,107	249,834	365,939	35.3%	38.4%	18.2%	7.1%	1.0%
Sewerage network	Sewerage network	11,266	11,266	761	761	264,219	327,282	45.7%	34.7%	10.8%	8.4%	0.4%
	Sub-total	11,266	11,266	761	761	264,219	327,282	45.7%	34.7%	10.8%	8.4%	0.4%
Stormwater drainage	Stormwater drainage	2,581	2,581	358	358	203,952	236,522	43.5%	41.8%	7.6%	6.5%	0.6%
	Sub-total	2,581	2,581	358	358	203,952	236,522	43.5%	41.8%	7.6%	6.5%	0.6%
Open space / recreational assets	Swimming pools	19	19	40	40	6,260	8,633	26.9%	34.7%	21.1%	17.1%	0.2%
	Sub-total	19	19	40	40	6,260	8,633	26.9%	34.7%	21.1%	17.1%	0.2%
TOTAL - ALL ASSETS		26,619	26,619	12,765	12,765	2,228,189	2,920,134	60.6%	25.2%	10.7%	3.2%	0.3%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

	<i>Amounts</i>	<i>Indicator</i>	<i>Prior periods</i>		<i>Benchmark</i>
	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	
\$ '000			<i>Restated</i>		
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	35,713	101.18%	112.32%	108.62%	>=100.00%
Depreciation, amortisation and impairment	35,298				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	26,619	1.19%	0.38%	1.00%	<2.00%
Net carrying amount of infrastructure assets	2,228,189				
Asset maintenance ratio					
Actual asset maintenance	12,765	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance	12,765				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	26,619	0.91%	0.25%	–	
Gross replacement cost	2,920,134				

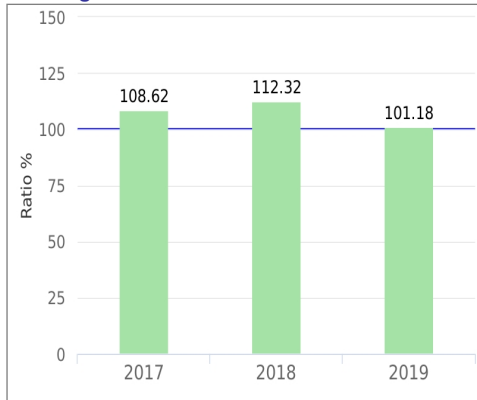
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio



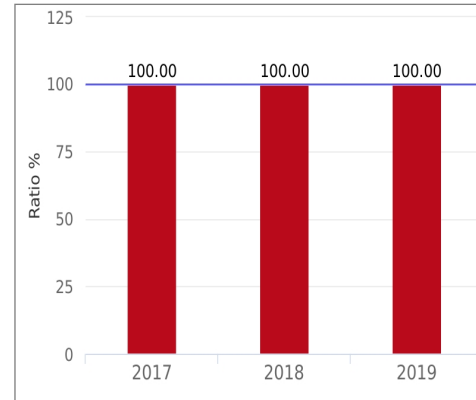
Buildings and infrastructure renewals ratio

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

Commentary on result	
18/19 ratio	101.18%

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Asset maintenance ratio



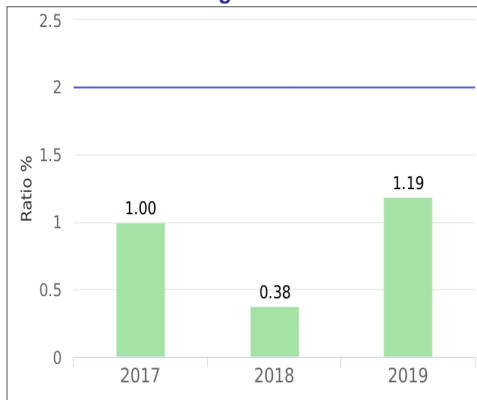
Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result	
18/19 ratio	100.00%

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Infrastructure backlog ratio



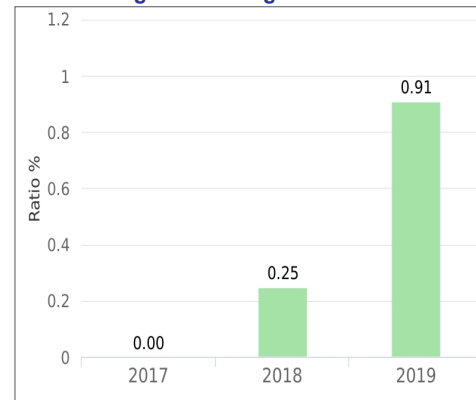
Infrastructure backlog ratio

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

Commentary on result	
18/19 ratio	1.19%

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
18/19 ratio	0.91%

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	140.76%	162.43%	–	–	–	–	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.48%	0.13%	2.88%	–	4.26%	2.23%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.37%	0.08%	1.97%	–	3.44%	1.84%	

(1) Excludes Work In Progress (WIP)

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