



AGENDA

EXTRAORDINARY COUNCIL MEETING

29 OCTOBER 2020

MEMBERSHIP: Councillors J Diffey, V Etheridge, D Grant, D Gumley, A Jones, S Lawrence, G Mohr, K Parker, J Ryan and B Shields.

The meeting is scheduled to commence at 12.00 pm.

PRAYER:

O God, Grant that by the knowledge of thy will, all we may resolve shall work together for good, we pray through Jesus Christ our Lord. Amen!

ACKNOWLEDGEMENT OF COUNTRY:

"I would like to acknowledge the Wiradjuri People who are the Traditional Custodians of the Land. I would also like to pay respect to the Elders both past and present of the Wiradjuri Nation and extend that respect to other Aboriginal peoples from other nations who are present".

Page

CCL20/181 LEAVE OF ABSENCE (ID20/1335)

CCL20/182 PUBLIC FORUM (ID20/1336)

REPORTS FROM STAFF:

CCL20/183 PRESENTATION OF COUNCIL'S 2019/2020 FINANCIAL STATEMENTS (ID20/1331)

2

The Council had before it the report dated 19 October 2020 from the Chief Financial Officer regarding Presentation of Council's 2019/2020 Financial Statements.



DUBBO REGIONAL
COUNCIL

REPORT: Presentation of Council's 2019/2020 Financial Statements

AUTHOR: Chief Financial Officer
REPORT DATE: 19 October 2020
TRIM REFERENCE: ID20/1331

REPORT

The Local Government Act 1993 requires that Council prepare financial statements annually and must meet specific requirements in preparing and presenting the annual financial statements.

Section 413 of the Local Government Act 1993, provides as follows:

- 413 (1) *A Council must prepare financial reports for each year, and must refer them for audit as soon as practicable (having regard to the requirements of section 416(1)) after the end of that year.*
- (2) *A council's financial reports must include:*
- (a) a general purpose financial report: and*
 - (b) any other matter prescribed by the regulations, and*
 - (c) a statement in the approved form by the Council as to its opinion on the general purpose financial report.*
- (3) *The general purpose financial report must be prepared in accordance with this Act [Local Government Act 1993] and the regulations, and requirements of:*
- (a) the publications issued by the Australian Accounting Standards Board, as in force for the time being, subject to the regulations, and*
 - (b) such other standards as may be prescribed by the regulations.*

Clause 214 of the Local Government (General) Regulation 2005 imposes additional requirements for preparation of a Council's financial reports.

- (1) *For the purpose of Section 413(2)(b) of the Act, any matters required by the Code [Local Government Code of Accounting Practice and Financial Reporting] or the Manual [Local Government Asset Accounting Manual] to be included in Council's financial reports are prescribed matters.*
- (2) *For the purpose of section 413(3)(b) of the Act, the Code and the Manual are prescribed standards.*

Section 416(1) of the Local Government Act 1993 requires that: "A Council's financial reports for a year must be prepared and audited within the period of 4 months after the end of that year". Due to the COVID-19 pandemic, the Office of Local Government shifted a number of statutory deadlines for 2019/2020 that allows lodgement of Councils 2019/2020 financial statements until the 30 November 2020.

Section 419 of the Local Government Act 1993 requires that Council must present its audited financial reports, together with the Auditor's reports at a meeting of the Council held on the date fixed for the meeting and Council's Auditor may, and if so required in writing by the Council, must attend the meeting at which the Financial Reports are presented. The Audit Office will not be attending the meeting to present the 2019/2020 audited financial statements. The audit office has advised that they will provide an independent auditors report under separate cover after signing of the General Purpose and Special Purpose financial statements by Council by the Mayor, a Councillor, the Chief Executive Officer and the Responsible Accounting Officer.

FINANCIAL IMPLICATIONS

The financial statements show Council to be in a sound financial position as at 30 June 2020.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

That the General Purpose Financial Statements and the Special Purpose Financial Statements for the year ended 30 June 2020 be accepted by Council.

Michael Howlett
Chief Financial Officer

Appendices:

- 1 [↓](#) Annual Financial Statements - General Purpose Financial Statements 2019/2020
- 2 [↓](#) Annual Financial Statements - Special Purpose Financial Statements 2019/2020

Dubbo Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

"Great community, great council"



Dubbo Regional Council

Financial Statements 2020

General Purpose Financial Statements
for the year ended 30 June 2020

Contents	Page
1. Statement by Councillors & Management	3
2. Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
3. Notes to the Financial Statements	9
4. Independent Auditor's Reports:	

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

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

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 29 October 2020.

Ben Shields
Mayor
29 October 2020

Stephen Lawrence
Deputy Mayor
29 October 2020

Michael McMahon
Chief Executive Officer
29 October 2020

Michael Howlett
Responsible Accounting Officer
29 October 2020

Dubbo Regional Council

Financial Statements 2020

Income Statement

for the year ended 30 June 2020

<i>Original unaudited budget</i>			<i>Actual</i>	<i>Restated Actual</i>
2020	\$ '000	Notes	2020	2019
	Income from continuing operations			
65,331	Rates and annual charges	3a	64,587	62,438
45,546	User charges and fees	3b	42,455	46,393
2,891	Other revenues	3c	1,986	1,934
21,184	Grants and contributions provided for operating purposes	3d,3e	21,858	18,610
33,207	Grants and contributions provided for capital purposes	3d,3e	33,077	47,179
5,652	Interest and investment income	4	5,716	6,834
247	Net gains from the disposal of assets	6	—	703
—	Net share of interests in joint ventures and associates using the equity method	16	149	49
174,058	Total income from continuing operations		169,828	184,140
	Expenses from continuing operations			
42,947	Employee benefits and on-costs	5a	45,200	40,104
3,755	Borrowing costs	5b	3,691	4,435
50,760	Materials and contracts	5c	36,364	35,017
35,121	Depreciation and amortisation	5d	42,261	41,348
13,594	Other expenses	5e	15,075	16,900
—	Net losses from the disposal of assets	6	2,493	—
146,177	Total expenses from continuing operations		145,084	137,804
27,881	Operating result from continuing operations		24,744	46,336
27,881	Net operating result for the year		24,744	46,336
22,229	Net operating result attributable to council		24,744	46,336
(10,978)	Net operating result for the year before grants and contributions provided for capital purposes		(8,333)	(843)

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Dubbo Regional Council

Financial Statements 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019
Net operating result for the year (as per Income Statement)		24,744	46,336
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	11,665	101,348
Total items which will not be reclassified subsequently to the operating result		11,665	101,348
Total other comprehensive income for the period		11,665	101,348
Total comprehensive income for the year		36,409	147,684
 Total comprehensive income attributable to Council		 36,409	 147,684

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Dubbo Regional Council

Financial Statements 2020

Statement of Financial Position
as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	33,972	47,179	36,755
Investments	7(b)	111,573	81,330	89,068
Receivables	8	21,054	23,570	21,379
Inventories	9a	4,058	2,844	1,873
Other	9b	881	464	663
Total current assets		171,538	155,387	149,738
Non-current assets				
Investments	7(b)	72,500	104,001	108,664
Receivables	8	77	287	629
Inventories	9a	4,880	4,076	2,025
Infrastructure, property, plant and equipment	10(a)	2,381,210	2,336,383	2,195,160
Investments accounted for using the equity method	16	1,682	1,533	1,484
Other	9b	495	495	495
Total non-current assets		2,460,844	2,446,775	2,308,457
Total assets		2,632,382	2,602,162	2,458,195
LIABILITIES				
Current liabilities				
Payables	12	10,731	12,930	12,038
Income received in advance	12	438	414	328
Contract liabilities	11	1,500	—	—
Borrowings	12	5,159	5,159	4,922
Provisions	13	12,780	13,158	13,765
Total current liabilities		30,608	31,661	31,053
Non-current liabilities				
Payables	12	2	1	1
Borrowings	12	52,022	57,228	62,434
Provisions	13	5,396	5,327	4,446
Total non-current liabilities		57,420	62,556	66,881
Total liabilities		88,028	94,217	97,934
Net assets		2,544,354	2,507,945	2,360,261
EQUITY				
Accumulated surplus	14	2,261,443	2,236,699	2,190,363
Revaluation reserves	14	282,911	271,246	169,898
Council Interest		2,544,354	2,507,945	2,360,261
Total equity		2,544,354	2,507,945	2,360,261

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Dubbo Regional Council

Financial Statements 2020

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		2,296,488	271,246	2,567,734	2,248,706	169,898	2,418,604
Correction of prior period errors	14b	(59,789)	–	(59,789)	(58,343)	–	(58,343)
Restated opening balance		2,236,699	271,246	2,507,945	2,190,363	169,898	2,360,261
Net operating result for the year		24,744	–	24,744	47,782	–	47,782
Correction of prior period errors	14b	–	–	–	(1,446)	–	(1,446)
Restated net operating result for the period		24,744	–	24,744	46,336	–	46,336
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	11,665	11,665	–	101,348	101,348
Other comprehensive income		–	11,665	11,665	–	101,348	101,348
Total comprehensive income		24,744	11,665	36,409	46,336	101,348	147,684
Equity – balance at end of the reporting period		2,261,443	282,911	2,544,354	2,236,699	271,246	2,507,945

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Dubbo Regional Council

Financial Statements 2020

Statement of Cash Flows

for the year ended 30 June 2020

<i>Original unaudited budget</i> 2020	\$ '000	Notes	<i>Actual</i> 2020	<i>Actual</i> 2019
Cash flows from operating activities				
Receipts:				
65,213	Rates and annual charges		64,792	61,777
45,468	User charges and fees		44,968	47,063
6,052	Investment and interest revenue received		5,907	6,837
50,697	Grants and contributions		46,230	51,515
–	Bonds, deposits and retention amounts received		–	67
3,104	Other		472	771
Payments:				
(42,456)	Employee benefits and on-costs		(45,026)	(40,548)
(49,585)	Materials and contracts		(39,308)	(34,386)
(3,815)	Borrowing costs		(3,733)	(3,809)
–	Bonds, deposits and retention amounts refunded		(99)	–
(13,594)	Other		(15,565)	(16,628)
	Net cash provided (or used in) operating activities	15b	58,638	72,659
61,084				
Cash flows from investing activities				
Receipts:				
42,697	Sale of investment securities		136,078	103,568
494	Sale of real estate assets		760	2,678
2,077	Sale of infrastructure, property, plant and equipment		3,200	2,645
–	Deferred debtors receipts		470	461
Payments:				
–	Purchase of investment securities		(134,820)	(91,167)
(102,153)	Purchase of infrastructure, property, plant and equipment		(70,238)	(71,850)
–	Purchase of real estate assets		(2,089)	(3,515)
–	Deferred debtors and advances made		–	(86)
(56,885)	Net cash provided (or used in) investing activities		(66,639)	(57,266)
Cash flows from financing activities				
Payments:				
(5,199)	Repayment of borrowings and advances		(5,206)	(4,969)
(5,199)	Net cash flow provided (used in) financing activities		(5,206)	(4,969)
(1,000)	Net increase/(decrease) in cash and cash equivalents		(13,207)	10,424
2,500	Plus: cash and cash equivalents – beginning of year	15a,7(a)	47,179	36,755
1,500	Cash and cash equivalents – end of the year	15a	33,972	47,179
158,470	plus: Investments on hand – end of year	7(b)	184,073	185,331
159,970	Total cash, cash equivalents and investments		218,045	232,510

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Revenue from continuing operations	15
4	Interest and investment income	21
5	Expenses from continuing operations	22
6	Gain or loss from disposal of assets	27
7(a)	Cash and cash equivalents	28
7(b)	Investments	28
7(c)	Restricted cash, cash equivalents and investments	29
8	Receivables	30
9	Inventories and other assets	32
10(a)	Infrastructure, property, plant and equipment	34
10(b)	Externally restricted infrastructure, property, plant and equipment	38
11	Contract assets and liabilities	39
12	Payables and borrowings	40
13	Provisions	42
14	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	45
15	Statement of cash flow information	51
16	Interests in other entities	52
17	Commitments	54
18	Contingencies	55
19	Financial risk management	58
20	Material budget variations	61
21	Fair Value Measurement	63
22	Related party disclosures	70
23	Events occurring after the reporting date	71
24	Statement of developer contributions	72
25	Result by fund	75
26(a)	Statement of performance measures – consolidated results	77
26(b)	Statement of performance measures – by fund	78
	Additional Council disclosures (unaudited)	
26(c)	Statement of performance measures – consolidated results (graphs)	79
27	Council information and contact details	81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

Council is a not for-profit entity.

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

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 14.

(a) Historical cost convention

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

(b) 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 10 and 21
- (ii) estimated tip remediation provisions – refer Note 13
- (iii) employee benefit provisions – refer Note 13

COVID-19 Impacts

COVID-19 has caused a disruption to council's business practices with a number of staff working remotely from home or at other council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost. No costs have been incurred for additional equipment or staff salaries for employees required to isolate.

continued on next page ...

Page 10 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Council has provided some rent relief to the lessee's to compensate for lost income due to the compulsory lockdown and some additional costs have been incurred in cleaning of council facilities.

Rate collections are marginally less than the previous year's however it is not known if this is a consequence of COVID-19 or attributable to the prolonged drought. Other receivables have not been impacted.

Council is of the view that physical non-current assets will not experience substantial declines in value due to COVID-19. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to COVID-19.

Overall the financial impact has been approximately \$2.045M. It is anticipated to increase in future years.

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 8 and 19.

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 has been included in the financial statements of NSW Council.

Cash and other assets of 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.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

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

continued on next page ...

Page 11 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

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

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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).

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
\$ '000				Restated		Restated				Restated
Functions or activities										
Governance	5	–	477	614	(472)	(614)	–	–	–	–
Administration	1,332	1,669	1,650	1,726	(318)	(57)	–	–	161,696	188,417
Public order and safety	3,840	1,170	4,710	4,051	(870)	(2,881)	7,594	521	39,489	32,255
Health	1	46	79	99	(78)	(53)	–	–	–	–
Environment	16,580	23,439	13,797	17,089	2,783	6,350	393	1,044	169,930	165,082
Community services and education	3,452	3,759	5,222	4,944	(1,770)	(1,185)	2,569	2,736	1,294	1,393
Housing and community amenities	2,449	1,333	5,570	5,400	(3,121)	(4,067)	203	199	11,254	9,975
Water supplies	25,544	29,383	21,951	19,933	3,593	9,450	1,956	587	325,237	320,316
Sewerage services	22,415	21,179	13,539	14,975	8,876	6,204	192	227	351,793	342,434
Recreation and culture	5,807	5,893	27,214	23,325	(21,407)	(17,432)	2,518	2,354	159,287	145,756
Mining, manufacturing and construction	–	1,067	1,570	1,687	(1,570)	(620)	–	–	7	1,997
Transport and communication	31,352	37,646	36,139	32,467	(4,787)	5,179	6,624	24,279	1,350,799	1,338,071
Economic affairs	9,633	9,710	13,166	11,494	(3,533)	(1,784)	1,292	978	59,914	54,933
Share of gains/(losses) in associates and joint ventures (using the equity method)	149	49	–	–	149	49	–	–	1,682	1,533
General purpose income	47,269	47,797	–	–	47,269	47,797	11,801	11,527	–	–
Total functions and activities	169,828	184,140	145,084	137,804	24,744	46,336	35,142	44,452	2,632,382	2,602,162

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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.

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	2020	2019
(a) Rates and annual charges		
Ordinary rates		
Residential	20,610	19,981
Farmland	6,088	5,946
Mining	2	2
Business	8,558	8,279
Less: pensioner rebates (mandatory)	(522)	(525)
Rates levied to ratepayers	34,736	33,683
Pensioner rate subsidies received	287	290
Total ordinary rates	35,023	33,973
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	7,609	7,309
Water supply services	7,329	6,882
Sewerage services	13,078	12,681
Drainage	1,434	1,465
Waste management services (non-domestic)	594	608
Less: pensioner rebates (mandatory)	(651)	(656)
Less: pensioner rebates (Council policy)	(188)	(185)
Annual charges levied	29,205	28,104
Pensioner subsidies received:		
– Water	124	125
– Sewerage	118	119
– Domestic waste management	117	117
Total annual charges	29,564	28,465
TOTAL RATES AND ANNUAL CHARGES	64,587	62,438

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 which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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.

continued on next page ...

Page 15 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	12,849	17,727
Sewerage services	4,160	4,622
Waste management services (non-domestic)	5,092	3,908
Total specific user charges	22,101	26,257
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Regulatory/ statutory fees	1,976	2,113
Total fees and charges – statutory/regulatory	1,976	2,113
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	3,390	3,671
Caravan park	1,207	2,081
Cemeteries	351	457
Leaseback fees – Council vehicles	315	333
RMS (formerly RTA) charges (state roads not controlled by Council)	3,371	1,911
Tourism	129	130
Water service connections	60	52
Caves entry fees	526	470
Western Plains Cultural Centre	104	135
Aquatic leisure centre	685	518
Family day care	344	406
Fodder sales 'greengrove' effluent reuse property	193	26
Old dubbo gaol	439	599
Private works	509	418
Public halls	1,258	1,462
Rainbow cottage long day care centre	390	520
Regional livestock markets	2,699	3,339
Showground	183	284
Sewer plan drafting fees	103	115
Other	1,884	887
Sporting facilities	238	209
Total fees and charges – other	18,378	18,023
TOTAL USER CHARGES AND FEES	42,455	46,393

Accounting policy for user charges and fees

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

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

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

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

continued on next page ...

Page 16 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

2019 accounting policy

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

\$ '000	2020	2019
(c) Other revenues		
Rental income – other council properties	719	659
Fines	348	228
Commissions and agency fees	14	7
Insurance claims recoveries	10	98
Other	671	597
StateCover WHS Incentive	130	218
Caves / caravan park kiosk – sales	94	127
TOTAL OTHER REVENUE	1,986	1,934

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy:

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.

continued on next page ...

Page 17 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	8,339	9,829	–	–
Financial assistance – local roads component	3,407	1,659	–	–
Total general purpose	11,746	11,488	–	–
Specific purpose				
Water supplies	–	–	1,887	504
Sewerage services	–	379	–	–
Bushfire and emergency services	435	503	7,156	15,075
Employment and training programs	5	15	–	–
Library	189	142	–	–
Heritage and cultural	137	120	–	–
Noxious weeds	95	95	–	–
Street lighting	203	199	–	–
Transport (roads to recovery)	3,220	629	–	–
Transport (other roads and bridges funding)	101	79	3,271	8,599
Local infrast. renewal scheme interest subsidy	–	–	282	335
Tourism	3	35	168	240
Community services	179	194	–	–
Family day care	1,384	1,444	–	–
Rainbow cottage long day care centre	825	631	–	–
Paid parental leave	81	110	–	–
Sporting facilities	21	50	1,374	1,342
Stormwater	33	21	–	–
Other	440	250	1,907	1,973
Total specific purpose	7,351	4,896	16,045	28,068
Total grants	19,097	16,384	16,045	28,068
Grant revenue is attributable to:				
– Commonwealth funding	15,034	11,924	9,184	21,816
– State funding	3,850	4,399	6,808	6,252
– Other funding	213	61	53	–
	19,097	16,384	16,045	28,068

continued on next page ...

Page 18 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 64 – water supply contributions		–	–	943	1,104
S 64 – sewerage service contributions		–	–	965	1,111
S 7.11 – open space		–	–	530	711
S 7.11 – drainage		–	–	217	595
S 7.11 – roadworks		–	–	1,355	1,678
Voluntary planning agreements		–	–	109	198
Total developer contributions – cash		–	–	4,119	5,397
Total developer contributions	24	–	–	4,119	5,397
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		2,455	2,118	–	–
Other		306	108	1,312	371
Sporting facilities		–	–	21	56
Total other contributions – cash		2,761	2,226	1,333	427
Non-cash contributions					
Bushfire services		–	–	1,376	–
Drainage		–	–	1,244	8,935
Paving		–	–	560	638
Roads and bridges		–	–	5,184	1,904
Sewerage (excl. section 64 contributions)		–	–	2,543	943
Water supplies (excl. section 64 contributions)		–	–	612	792
Land under roads		–	–	61	75
Total other contributions – non-cash		–	–	11,580	13,287
Total other contributions		2,761	2,226	12,913	13,714
Total contributions		2,761	2,226	17,032	19,111
TOTAL GRANTS AND CONTRIBUTIONS		21,858	18,610	33,077	47,179

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

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

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

continued on next page ...

Page 19 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time 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 below.

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	2020	2019
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(f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

Grants

Unexpended at the close of the previous reporting period	41,179	52,103
Add: grants recognised as income in the current period but not yet spent	5,969	8,825
Less: grants recognised as income in a previous reporting period now spent	(22,812)	(19,749)
Unexpended and held as restricted assets	24,336	41,179

Page 20 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	282	252
– Cash and investments	5,401	6,538
– Deferred debtors	–	7
– Other	11	21
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	22	16
Total Interest and investment income	5,716	6,834
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	141	115
General Council cash and investments	3,392	3,794
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	150	249
Water fund operations	976	1,193
Sewerage fund operations	1,057	1,483
Total interest and investment revenue	5,716	6,834

Accounting policy for interest and investment revenue

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

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	39,781	35,560
Travel expenses	279	310
Employee leave entitlements (ELE)	4,604	4,337
Superannuation	4,357	3,992
Workers' compensation insurance	1,783	1,286
Fringe benefit tax (FBT)	102	169
Payroll tax	215	233
Training costs (other than salaries and wages)	381	302
Other	196	316
Total employee costs	51,698	46,505
Less: capitalised costs	(6,498)	(6,401)
TOTAL EMPLOYEE COSTS EXPENSED	45,200	40,104
Number of 'full-time equivalent' employees (FTE) at year end	487	459

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 18 for more information.

continued on next page ...

Page 22 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,711	3,948
Total interest bearing liability costs		3,711	3,948
Total interest bearing liability costs expensed		3,711	3,948
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	13	(20)	487
Total other borrowing costs		(20)	487
TOTAL BORROWING COSTS EXPENSED		3,691	4,435

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 as incurred.

continued on next page ...

Page 23 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	27,703	25,544
Contractor and consultancy costs	12,709	15,804
– contractor and consultancy costs (internal audit BDO alliance)	–	38
Auditors remuneration ²	187	134
Legal expenses:		
Expenses from leases of low value assets (2020 only)	175	–
– Legal expenses: planning and development	8	6
– Legal expenses: debt recovery	2	–
– Legal expenses: other	189	118
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	196
Total materials and contracts	40,973	41,840
Less: capitalised costs	(4,609)	(6,823)
TOTAL MATERIALS AND CONTRACTS	36,364	35,017

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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
	–	196

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	156	134
Remuneration for audit and other assurance services	156	134
Total Auditor-General remuneration	156	134

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other assurance services	31	–
Remuneration for audit and other assurance services	31	–
Total remuneration of non NSW Auditor-General audit firms	31	–
Total Auditor remuneration	187	134

continued on next page ...

Page 24 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019 Restated
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		4,467	4,104
Office equipment		610	430
Furniture and fittings		244	227
Land improvements (depreciable)		354	329
Infrastructure:	10(a)		
– Buildings – non-specialised		1,126	1,162
– Buildings – specialised		3,986	3,724
– Other structures		4,043	3,842
– Roads		15,774	15,490
– Airport runways		974	430
– Stormwater drainage		1,579	2,492
– Water supply network		5,408	5,123
– Sewerage network		4,638	4,804
– Swimming pools		77	107
Other assets:			
– Other		49	41
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	13,10(a)	4	201
– Quarry assets	13,10(a)	72	60
Total gross depreciation and amortisation costs		43,405	42,566
Less: capitalised costs		(1,144)	(1,218)
Total depreciation and amortisation costs		42,261	41,348
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		42,261	41,348

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets

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 11 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.

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.

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.

continued on next page ...

Page 25 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	670	606
Bad and doubtful debts	82	296
Councillor expenses – councillors' fees/committee fees	226	261
Councillors' and committee expenses (incl. mayor) – other (excluding fees above)	111	97
Donations, contributions and assistance to other organisations (Section 356)	2,339	2,911
Electricity and heating	3,922	4,492
Insurance	1,538	1,661
Postage	168	152
Printing and stationery	394	304
Street lighting	1,177	1,756
Telephone and communications	315	293
Valuation fees	161	166
Vehicle registration	213	196
Water resource charge	308	362
Contributions to emergency services	1,219	1,021
Credit card merchant fees	19	21
Family day care – fee relief	1,259	1,428
Property rental	67	64
Subscription shires association	52	48
Other	835	765
Total other expenses	15,075	16,900
TOTAL OTHER EXPENSES	15,075	16,900

Accounting policy for other expenses

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

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		3,200	2,645
Less: carrying amount of plant and equipment assets sold/written off		(3,056)	(2,602)
Net gain/(loss) on disposal		144	43
Infrastructure	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(3,339)	(1,333)
Net gain/(loss) on disposal		(3,339)	(1,333)
Real estate assets held for sale	9		
Proceeds from disposal – real estate assets		760	2,678
Less: carrying amount of real estate assets sold/written off		(58)	(685)
Net gain/(loss) on disposal		702	1,993
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		136,078	103,568
Less: carrying amount of investments sold/redeemed/matured		(136,078)	(103,568)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,493)	703

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.

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	10	77
Cash-equivalent assets		
– Deposits at call	33,962	47,102
Total cash and cash equivalents	33,972	47,179

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 7(b). Investments

	2020 Current	2020 Non-current	2019 Current	2019 Non-current
\$ '000				
Investments				
a. 'Financial assets at amortised cost' / 'held to maturity' (2018)	111,573	72,500	81,330	104,001
Total Investments	111,573	72,500	81,330	104,001
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	145,545	72,500	128,509	104,001
Financial assets at amortised cost				
Term deposits	102,073	71,500	77,830	93,500
NCD's, FRN's (with maturities > 3 months)	9,500	1,000	3,500	10,501
Total	111,573	72,500	81,330	104,001

Accounting policy for investments

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

continued on next page ...

Page 28 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(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.

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	145,545	72,500	128,509	104,001
attributable to:				
External restrictions	84,547	72,500	58,566	104,001
Internal restrictions	57,998	–	66,943	–
Unrestricted	3,000	–	3,000	–
	145,545	72,500	128,509	104,001

\$ '000	2020	2019
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Details of restrictions

External restrictions – other

Developer contributions – general	11,958	14,237
Unexpended grants	24,336	41,179
Water supplies	56,681	50,958
Sewerage services	58,284	51,849
Stormwater management	4,156	2,997
Domestic waste management	1,632	1,347

External restrictions – other	157,047	162,567
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Total external restrictions	157,047	162,567
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Internal restrictions

Employees leave entitlement	3,200	2,397
Dubbo city holiday park	423	748
Property development	2,960	6,600
Dubbo city regional airport	3,297	410
Livestock markets	3,102	4,210
Other waste management services	12,528	8,696
Road network – state roads	1,246	2,145
Fleet management services	9,833	7,519
Future Asset Renewal	21,409	34,218

Total internal restrictions	57,998	66,943
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TOTAL RESTRICTIONS	215,045	229,510
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Page 29 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	3,482	–	3,197	–
Interest and extra charges	370	–	360	–
User charges and fees	7,094	–	9,544	–
Accrued revenues				
– Interest on investments	1,784	–	2,007	–
Deferred debtors	179	77	417	287
Government grants and subsidies	3,557	–	4,932	–
Net GST receivable	1,241	–	2,767	–
Due from other levels of government	23	–	39	–
Other debtors	4,091	–	1,035	–
Total	21,821	77	24,298	287
Less: provision for impairment				
User charges and fees	(767)	–	(728)	–
Total provision for impairment – receivables	(767)	–	(728)	–
TOTAL NET RECEIVABLES	21,054	77	23,570	287
Externally restricted receivables				
Water supply				
– Rates and availability charges	377	–	382	–
– Other	3,702	–	6,396	–
Sewerage services				
– Rates and availability charges	1,793	–	2,168	–
– Other	481	–	760	–
Total external restrictions	6,353	–	9,706	–
Unrestricted receivables	14,701	77	13,864	287
TOTAL NET RECEIVABLES	21,054	77	23,570	287

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	728	433
+ new provisions recognised during the year	82	295
– amounts already provided for and written off this year	(43)	–
Balance at the end of the year	767	728

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.

continued on next page ...

Page 30 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements
for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	1,157	–	1,195	–
Trading stock	143	–	118	–
Real estate for resale	2,758	4,880	1,531	4,076
Total inventories at cost	4,058	4,880	2,844	4,076
TOTAL INVENTORIES	4,058	4,880	2,844	4,076

(b) Other assets

Prepayments	881	–	464	–
Shares in unlisted companies – StateCover	–	495	–	495
TOTAL OTHER ASSETS	881	495	464	495

Externally restricted assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Water				
Stores and materials	166	–	167	–
Prepayments	10	44	8	44
Total water	176	44	175	44
Total externally restricted assets	176	44	175	44
Total unrestricted assets	4,763	5,331	3,133	4,527
TOTAL INVENTORIES AND OTHER ASSETS	4,939	5,375	3,308	4,571

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Residential		2,522	1,090	512	1,091
Industrial/commercial		236	3,790	1,019	2,985
Total real estate for resale		2,758	4,880	1,531	4,076
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		–	3,200	1,019	2,181
Development costs		2,758	1,680	512	1,895
Total costs		2,758	4,880	1,531	4,076

continued on next page ...

Page 32 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total real estate for resale		2,758	4,880	1,531	4,076
Movements:					
Real estate assets at beginning of the year		1,531	4,076	773	2,025
– Purchases and other costs		2,089	–	1,334	2,181
– Transfers in from (out to) Note 11		–	–	–	(21)
– WDV of sales (expense)	6	(58)	–	(685)	–
– Transfer between current/non-current		(804)	804	109	(109)
Total real estate for resale		2,758	4,880	1,531	4,076

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.

Land held for resale/capitalisation of borrowing costs

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

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

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000													
Capital work in progress	23,165	–	23,165	1,845	23,874	–	–	–	–	–	48,885	–	48,885
Plant and equipment	53,878	(24,200)	29,678	25	5,830	(1,934)	(4,472)	–	120	–	54,895	(25,643)	29,252
Office equipment	4,657	(2,524)	2,133	11	737	(181)	(605)	–	(120)	–	3,837	(1,867)	1,970
Furniture and fittings	4,373	(2,863)	1,510	247	114	(1)	(244)	–	–	–	4,701	(3,075)	1,626
Land:													
– Operational land	36,649	–	36,649	–	534	(360)	–	–	–	–	36,822	–	36,822
– Community land	35,684	–	35,684	–	–	–	–	–	–	–	35,684	–	35,684
– Land under roads (post 30/6/08)	1,201	–	1,201	21	41	–	–	–	–	–	1,262	–	1,262
Land improvements – non-depreciable	1,801	–	1,801	–	–	–	–	–	–	–	1,801	–	1,801
Land improvements – depreciable	6,712	(4,336)	2,376	1,404	302	(173)	(354)	–	–	–	8,224	(4,669)	3,555
Infrastructure:													
– Airport runways	47,805	(18,223)	29,582	1,129	–	–	(974)	–	–	6,888	44,445	(7,819)	36,626
– Buildings – non-specialised	46,050	(21,871)	24,179	4,001	405	–	(1,126)	–	–	–	50,396	(22,938)	27,458
– Buildings – specialised	173,736	(63,296)	110,440	8,840	1,072	(96)	(3,986)	–	–	–	183,028	(66,760)	116,268
– Other structures	135,466	(62,050)	73,416	12,572	1,718	(207)	(4,043)	–	–	–	149,108	(65,651)	83,457
– Roads	1,223,558	(330,617)	892,941	–	6,520	(50)	(15,774)	–	–	–	1,211,233	(327,597)	883,636
– Bulk earthworks (non-depreciable)	419,719	–	419,719	–	528	(2,217)	–	–	–	–	418,030	–	418,030
– Stormwater drainage ²	169,145	(41,753)	127,392	128	1,693	–	(1,579)	–	–	–	170,966	(43,332)	127,634
– Water supply network	365,940	(116,106)	249,834	–	612	(157)	(5,408)	–	–	2,321	369,701	(122,500)	247,201
– Sewerage network	327,282	(63,063)	264,219	–	2,990	(1,019)	(4,638)	–	–	2,456	331,511	(67,502)	264,009
– Swimming pools	8,633	(2,373)	6,260	5,761	1	–	(77)	–	–	–	14,396	(2,449)	11,947
– Quarry assets	1,997	–	1,997	–	–	–	–	–	–	–	1,997	–	1,997
Other assets:													
– Heritage collections	33	(5)	28	–	–	–	–	–	–	–	33	(5)	28
– Other	2,542	(1,242)	1,300	14	18	–	(49)	–	–	–	2,353	(1,070)	1,283
Reinstatement, rehabilitation and restoration assets (refer Note 11):													
– Tip assets	1,034	(1,030)	4	–	–	–	(4)	–	–	–	1,034	(1,034)	–
– Quarry assets	1,175	(300)	875	–	–	–	(72)	(23)	–	–	1,152	(373)	779
Total Infrastructure, property, plant and equipment	3,092,235	(755,852)	2,336,383	35,998	46,989	(6,395)	(43,405)	(23)	–	11,665	3,145,494	(764,284)	2,381,210

(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 2018 and 30 June 2019 have been restated.

continued on next page ...

Page 34 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period									as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Remeasurement adjustment (via P/L)	Tfrs from/to real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000	Restated	Restated	Restated										Restated	Restated	Restated
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:															
– 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	1,208,279	(315,063)	893,216	902	12,402	—	(15,490)	2,302	(391)	—	—	—	1,223,558	(330,617)	892,941
– Airport runways	42,580	(17,793)	24,787	3,851	1,376	—	(430)	—	—	—	—	—	47,805	(18,223)	29,582
– Bulk earthworks (non-depreciable) ²	325,073	—	325,073	—	914	—	—	—	417	—	—	93,316	419,719	—	419,719
– Stormwater drainage ²	162,188	(41,891)	120,297	—	6,414	(166)	(2,492)	709	—	—	—	—	169,145	(41,753)	127,392
– 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	2,918,479	(723,319)	2,195,160	32,302	51,534	(3,935)	(42,566)	—	—	(112)	21	101,348	3,092,235	(755,852)	2,336,383

(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 2018 and 30 June 2019 have been restated.

continued on next page ...

Page 35 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(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. 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 120*
Bores	30	Culverts	80*
Reticulation pipes: PVC	70	Flood control structures	60 to 150*
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.

*During the current financial year, Dubbo Regional Council undertook a desktop revaluation of its stormwater drainage infrastructure using an external consultant. The revaluation identified a need to reduce the useful lives adopted. The impact of this in the current and future years is an additional \$450K of depreciation

continued on next page ...

Page 36 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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.

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	9,280	—	9,280	4,681	—	4,681
Plant and equipment	2,507	1,267	1,240	2,423	1,185	1,238
Office equipment	41	40	1	41	41	—
Furniture and fittings	21	19	2	21	18	3
Land						
– Operational land	2,908	—	2,908	2,908	—	2,908
– Community land	39	—	39	39	—	39
Buildings	801	445	356	801	423	378
Other structures	716	249	467	716	224	492
Infrastructure	368,148	121,873	246,275	364,401	115,525	248,876
Roads	3,235	1,088	2,147	3,378	1,176	2,202
Bulk earthworks	1,120	—	1,120	1,120	—	1,120
Other assets	425	1	424	425	1	424
Total water supply	389,241	124,982	264,259	380,954	118,593	262,361
Sewerage services						
WIP	16,989	—	16,989	13,064	—	13,064
Plant and equipment	2,076	1,088	988	2,064	993	1,071
Office equipment	99	70	29	99	69	30
Furniture and fittings	13	11	2	13	10	3
Land						
– Operational land	7,179	—	7,179	7,179	—	7,179
Buildings	1,336	975	361	1,336	951	385
Other structures	606	459	147	606	439	167
Infrastructure	329,285	65,953	263,332	325,077	61,573	263,504
Roads	2,301	486	1,815	2,301	438	1,863
Bulk earthworks	391	—	391	391	—	391
Total sewerage services	360,275	69,042	291,233	352,130	64,473	287,657
Domestic waste management						
Plant and equipment	1,816	884	932	1,964	710	1,254
Land						
Other structures	1,767	360	1,407	733	349	384
Total DWM	3,583	1,244	2,339	2,697	1,059	1,638
Other restricted assets						
WIP	4,755	26	4,729	1,544	—	1,544
Plant and equipment	55	35	20	55	31	24
– Operational land	1,392	—	1,392	1,217	—	1,217
– Community land	76	—	76	76	—	76
Infrastructure	170,526	43,199	127,327	236,184	32,472	203,712
Bulk earthworks	2,217	—	2,217	2,217	—	2,217
Total other restrictions	179,021	43,260	135,761	241,293	32,503	208,790
TOTAL RESTRICTED IPP&E	932,120	238,528	693,592	977,074	216,628	760,446

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended grants (received prior to performance obligation being satisfied)	(ii)	1,500	–
Total grants received in advance		1,500	–
Total contract liabilities		1,500	–

Notes

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

Dubbo Regional Council

Financial Statements 2020

**Notes to the Financial Statements
for the year ended 30 June 2020**

Note 12. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	2,794	–	2,304	–
Goods and services – operating expenditure	4,402	–	7,359	–
Accrued expenses:				
– Borrowings	503	–	545	–
– Salaries and wages	1,383	–	974	–
Security bonds, deposits and retentions	1,649	–	1,748	–
Other	–	2	–	1
Total payables	10,731	2	12,930	1
Income received in advance				
Payments received in advance	438	–	414	–
Total income received in advance	438	–	414	–
Borrowings				
Loans – secured ¹	5,159	52,022	5,159	57,228
Total borrowings	5,159	52,022	5,159	57,228
TOTAL PAYABLES AND BORROWINGS	16,328	52,024	18,503	57,229

⁽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 19.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	1,646	22,606	1,554	23,735
Sewer	2,336	13,436	2,277	15,463
Payables and borrowings relating to externally restricted assets	3,982	36,042	3,831	39,198
Total payables and borrowings relating to restricted assets	3,982	36,042	3,831	39,198
Total payables and borrowings relating to unrestricted assets	12,346	15,982	14,672	18,031
TOTAL PAYABLES AND BORROWINGS	16,328	52,024	18,503	57,229

continued on next page ...

Page 40 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	62,387	(5,206)	–	–	–	–	57,181
TOTAL	62,387	(5,206)	–	–	–	–	57,181

\$ '000	2020	2019
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(c) Financing arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities	–	–
Credit cards/purchase cards	600	600
Bank Guarantee	50	50
Total financing arrangements	650	650

Drawn facilities as at balance date:

– Credit cards/purchase cards	90	105
– Bank Guarantee	30	10
Total drawn financing arrangements	120	115

Undrawn facilities as at balance date:

– Credit cards/purchase cards	510	495
– Bank Guarantee	20	40
Total undrawn financing arrangements	530	535

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.

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 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.

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements
for the year ended 30 June 2020

Note 13. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	4,204	–	3,773	–
Sick leave	595	–	832	–
Long service leave	7,849	757	8,392	614
Other leave	132	–	161	–
Sub-total – aggregate employee benefits	12,780	757	13,158	614
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,639	–	4,713
Sub-total – asset remediation/restoration	–	4,639	–	4,713
TOTAL PROVISIONS	12,780	5,396	13,158	5,327

(a) Provisions relating to restricted assets

Externally restricted assets				
Water	1,256	75	1,212	65
Provisions relating to externally restricted assets	1,256	75	1,212	65
Total provisions relating to restricted assets	1,256	75	1,212	65
Total provisions relating to unrestricted assets	11,524	5,321	11,946	5,262
TOTAL PROVISIONS	12,780	5,396	13,158	5,327

\$ '000	2020	2019
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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 – employee benefits	5,855	6,630
	5,855	6,630

(c) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2020					
At beginning of year	3,773	832	9,006	161	13,772
Additional provisions	2,573	10	993	214	3,790
Amounts used (payments)	(2,706)	(255)	(1,948)	(260)	(5,169)
Remeasurement effects	564	8	555	17	1,144
Total ELE provisions at end of year	4,204	595	8,606	132	13,537

continued on next page ...

Page 42 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Provisions (continued)

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
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 year	3,773	832	9,006	161	13,772

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	4,713	4,713
Other	(74)	(74)
Total other provisions at end of year	4,639	4,639
2019		
At beginning of year	3,973	3,973
Additional provisions	73	73
Unwinding of discount	667	667
Total other provisions at end of year	4,713	4,713

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 at 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.

continued on next page ...

Page 43 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Provisions (continued)

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.

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. 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

Stormwater Drainage Infrastructure

During the current financial year, Dubbo Regional Council undertook a desktop revaluation of its stormwater drainage infrastructure using an external consultant. The revaluation identified a need to reduce unit rates adopted for stormwater drainage infrastructure. This amounts to a net decrement of approximately \$76.0 million in the Infrastructure Property Plant and Equipment balance and an understatement in the 2019 depreciation expense of approximately \$1.5 million. This should have been reflected in previous years.

The Council did not perform fair value assessments of its Infrastructure Plant Property and Equipment on 12 May 2016 upon amalgamation of the former Dubbo City Council and Wellington Council, and subsequently thereafter.

The need to reduce unit rate of stormwater drainage infrastructure was due to the following:

- Incorrect rates adopted by the Council on 12 May 2016 upon amalgamation of the former councils. The rates adopted for stormwater assets did not reflect the latest cost information available at that time. No assessment was made on amalgamation to evaluate the reasonableness of these rates in comparison to actual stormwater drainage construction costs. There has been no significant change in stormwater drainage construction costs between financial years 2017 and 2020.
- 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 2020 that were incorporated into the fair values adopted on 12 May 2016.

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 2018) and taking the adjustment through to Accumulated surplus at that date to reflect the impact of the revaluation decrement in stormwater drainage infrastructure and;
- restating its income statement and total comprehensive income for the financial year 30 June 2019 for the effect of the additional depreciation charges.

Airport Runways

During the current financial year, Dubbo Regional Council undertook a comprehensive revaluation of its airport runways using an external consultant. The revaluation identified a need to recognise and componentise the non-depreciable bulk earthworks as separate assets. This amounts to a net increment of approximately \$16.771 million in the Infrastructure Property Plant and Equipment balance and no change in the 2019 depreciation expense. This should have been reflected in previous years.

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 2018) and taking the adjustment through to Accumulated surplus at that date to reflect the impact of the revaluation increment in airport runways.
- updating the comparatives for the effect of the prior period error

continued on next page ...

Page 45 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies,
changes in accounting estimates and errors (continued)

Changes to the opening Statement of Financial Position at 1 July 2018

Statement of Financial Position

	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
\$ '000			
Infrastructure, property, plant and equipment	2,253,503	(58,343)	2,195,160
Total assets	2,516,538	(58,343)	2,458,195
Accumulated Surplus	2,248,706	(58,343)	2,190,363
Total equity	2,418,604	(58,343)	2,360,261

Adjustments to the comparative figures for the year ended 30 June 2019

Statement of Financial Position

	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
\$ '000			
Infrastructure, property, plant and equipment	2,396,172	(59,789)	2,336,383
Total assets	2,661,951	(59,789)	2,602,162
Accumulated Surplus	2,296,488	(59,789)	2,236,699
Total equity	2,567,734	(59,789)	2,507,945

Income Statement

	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
\$ '000			
Depreciation and amortisation	39,902	1,446	41,348
Total expenses from continuing operations	136,358	1,446	137,804
Net operating result for the year	47,782	(1,446)	46,336

Statement of Comprehensive Income

	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
\$ '000			
Net operating result for the year	47,782	(1,446)	46,336
Other comprehensive income	101,348	–	101,348
Total comprehensive income for the year	149,130	(1,446)	147,684

continued on next page ...

Page 46 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. 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 ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a recognisable non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as

continued on next page ...

Page 47 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

revenue as the performance obligation to acquire or construct the asset is completed.

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position as at 30 June 2020

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	33,972	—	—	33,972	
Investments	111,573	—	—	111,573	
Receivables	21,054	—	—	21,054	
Inventories	4,058	—	—	4,058	
Other	881	—	—	881	
Total current assets	171,538	—	—	171,538	
Current liabilities					
Payables	10,731	—	—	10,731	
Income received in advance	438	1,500	—	1,938	
Contract liabilities	1,500	(1,500)	—	—	
Borrowings	5,159	—	—	5,159	
Provisions	12,780	—	—	12,780	
Total current liabilities	30,608	—	—	30,608	
Non-current assets					
Investments	72,500	—	—	72,500	
Receivables	77	—	—	77	
Inventories	4,880	—	—	4,880	
Infrastructure, property, plant and equipment	2,381,210	—	—	2,381,210	
Investments accounted for using equity method	1,682	—	—	1,682	
Other	495	—	—	495	
Total non-current assets	2,460,844	—	—	2,460,844	
Non-current liabilities					
Payables	2	—	—	2	
Borrowings	52,022	—	—	52,022	
Provisions	5,396	—	—	5,396	
Total Non-current liabilities	57,420	—	—	57,420	
Net assets	2,544,354	—	—	2,544,354	
Equity					
Accumulated surplus	2,261,443	—	—	2,261,443	
Revaluation reserves	282,911	—	—	282,911	

continued on next page ...

Page 48 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Council equity interest	2,544,354	–	–	2,544,354
Total equity	2,544,354	–	–	2,544,354

Income Statement for the year ended 30 June 2020

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Income from continuing operations					
Rates and annual charges	64,587	–	–	64,587	
User charges and fees	42,455	–	–	42,455	
Other revenues	1,986	–	–	1,986	
Grants and contributions provided for operating purposes	21,858	–	–	21,858	
Grants and contributions provided for capital purposes	33,077	–	–	33,077	
Interest and investment income	5,716	–	–	5,716	
Net share of interests in joint ventures and associates using the equity method	149	–	–	149	
Total Income from continuing operations	169,828	–	–	169,828	
Expenses from continuing operations					
Employee benefits and on-costs	45,200	–	–	45,200	
Borrowing costs	3,691	–	–	3,691	
Materials and contracts	36,364	–	–	36,364	
Depreciation and amortisation	42,261	–	–	42,261	
Other expenses	15,075	–	–	15,075	
Net losses from the disposal of assets	2,493	–	–	2,493	
Total Expenses from continuing operations	145,084	–	–	145,084	
Total Operating result from continuing operations	24,744	–	–	24,744	
Net operating result for the year	24,744	–	–	24,744	
Total comprehensive income	36,409	–	–	36,409	

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Total equity	–	–	–

continued on next page ...

Page 49 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies,
changes in accounting estimates and errors (continued)**

(iii) AASB 16 Leases

Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The adoption of AASB 16 did not result to a recognition of any right of use assets and corresponding lease liabilities due to the application of practical expedients on Council's short-term and low value asset leases.

	<i>Balance at 1 July 2019</i>
\$ '000	
	<i>Balance at 1 July 2019</i>
\$ '000	

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	—
Lease liabilities recognised at 1 July 2019	—

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

	<i>Original Balance 1 July, 2019</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 1 July, 2019</i>
\$ '000			
Total equity	—	—	—

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	33,972	47,179
Balance as per the Statement of Cash Flows		33,972	47,179
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		24,744	46,336
Adjust for non-cash items:			
Depreciation and amortisation		42,261	41,348
Net losses/(gains) on disposal of assets		2,493	(703)
Non-cash capital grants and contributions		(11,580)	(13,287)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(22)	(16)
Unwinding of discount rates on reinstatement provisions		–	667
Share of net (profits)/losses of associates/joint ventures using the equity method		(149)	(49)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,239	(2,503)
Increase/(decrease) in provision for impairment of receivables		39	295
Decrease/(increase) in inventories		13	(213)
Decrease/(increase) in other current assets		(417)	199
Increase/(decrease) in payables		(2,957)	844
Increase/(decrease) in accrued interest payable		(42)	(41)
Increase/(decrease) in other accrued expenses payable		409	22
Increase/(decrease) in other liabilities		416	153
Increase/(decrease) in contract liabilities		1,500	–
Increase/(decrease) in provision for employee benefits		(235)	(466)
Increase/(decrease) in other provisions		(74)	73
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		58,638	72,659
(c) Non-cash investing and financing activities			
Infrastructure contributions		11,580	14,280
Total non-cash investing and financing activities		11,580	14,280

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	149	49	1,682	1,533
Total	149	49	1,682	1,533

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	Nature of relationship	Measurement method	2020		2019	
Macquarie Regional Library	Joint Venture	Equity	1,682		1,533	
Total carrying amounts – material joint ventures			1,682		1,533	

(b) Details

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

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
Macquarie Regional Library	68.0%	66.5%	71.8%	72.2%	33.0%	33.0%

(d) Summarised financial information for joint ventures

\$ '000	Macquarie Regional Library	
	2020	2019
Statement of financial position		
Current assets		
Cash and cash equivalents	1,860	1,595
Other current assets	114	69
Non-current assets	1,204	1,202
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	754	694

continued on next page ...

Page 52 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Interests in other entities (continued)

\$ '000	Macquarie Regional Library	
	2020	2019
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	22	49
Net assets	2,402	2,123
Reconciliation of the carrying amount		
Opening net assets (1 July)	2,123	2,049
Profit/(loss) for the period	222	74
Closing net assets	2,345	2,123
Council's share of net assets (%)	71.8%	72.2%
Council's share of net assets (\$)	1,725	1,533
Statement of comprehensive income		
Income	2,982	2,960
Interest income	23	45
Depreciation and amortisation	(390)	(339)
Other expenses	(2,394)	(2,592)
Profit/(loss) from continuing operations	221	74
Profit/(loss) for the period	221	74
Total comprehensive income	221	74
Share of income – Council (%)	68.0%	66.5%
Profit/(loss) – Council (\$)	150	49
Total comprehensive income – Council (\$)	150	49

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.

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Commitments

\$ '000 **2020** **2019**

(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	830	544
Other structures	2,181	22,381
Water infrastructure	8,420	217
Sewer infrastructure	–	1,545
Total commitments	11,431	24,687

Sources for funding of capital commitments:

Unrestricted general funds	1,169	4,961
Externally restricted reserves	10,262	19,726
Total sources of funding	11,431	24,687

Details of capital commitments

Dubbo Regional Council has committed to the following:

- Development of Keswick Stage 5, Release 1
- Renewal of our existing water meter fleet with smart meter technology
- Design and construction of the non potable pipeline
- Supply and installation of asphalt pavement at Purvis Lane

(b) Non-cancellable operating lease commitments (2019 only)

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

Within the next year	69	93
Later than one year and not later than 5 years	16	85
Total non-cancellable operating lease commitments	85	178

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.

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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

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.

continued on next page ...

Page 55 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

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 2020 was \$750,654. The last valuation of the Scheme was performed by the Actuary Richard Boyfield FIAA on 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$735,265.00.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 1.32% as at 30 June 2020.

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

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

Investment return	5.75% 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 June 2020 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.

continued on next page ...

Page 56 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

(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.

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. 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	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	33,972	47,179	33,972	47,179
Receivables	19,890	21,090	19,890	21,090
Investments				
– 'Financial assets at amortised cost'	184,073	185,331	184,073	185,331
Other financial assets	495	495	495	495
Total financial assets	238,430	254,095	238,430	254,095
Financial liabilities				
Measured at amortised cost				
Payables	10,733	12,931	10,733	12,931
Loans/advances	57,181	62,387	57,181	62,387
Total financial liabilities	67,914	75,318	67,914	75,318

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:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **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.

continued on next page ...

Page 58 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

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	Increase of values/rates Profit	Equity	Decrease of values/rates Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	2,180	2,180	(2,180)	(2,180)
2019				
Possible impact of a 1% movement in interest rates	2,325	2,325	(2,326)	(2,326)

(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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	2,747	735	–	–	–	3,482
2019						
Gross carrying amount	2,547	650	–	–	–	3,197

continued on next page ...

Page 59 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

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 2020 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
2020						
Gross carrying amount	16,088	331	453	256	1,288	18,416
2019						
Gross carrying amount	16,837	827	76	42	839	18,621

(c) Liquidity risk

Payables, lease liabilities 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 for non-lease liabilities 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	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	1,649	9,084	–	–	10,733	10,733
Loans and advances	6.21%	–	8,958	33,975	38,256	81,189	57,181
Total financial liabilities		<u>1,649</u>	<u>18,042</u>	<u>33,975</u>	<u>38,256</u>	<u>91,922</u>	<u>67,914</u>
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		<u>1,748</u>	<u>20,064</u>	<u>35,375</u>	<u>45,814</u>	<u>103,001</u>	<u>75,318</u>

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 24/06/2019 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	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	65,331	64,587	(744)	(1)% U
User charges and fees	45,546	42,455	(3,091)	(7)% U
Other revenues	2,891	1,986	(905)	(31)% U
Council was adversely affected by the COVID-19 pandemic and the associated measures that have been taken by the Government to slow down infection levels. The majority of Council's business units were forced to temporarily restrict trading due to Public Health Orders.				
Operating grants and contributions	21,184	21,858	674	3% F
Capital grants and contributions	33,207	33,077	(130)	0% U
Interest and investment revenue	5,652	5,716	64	1% F
Net gains from disposal of assets	247	–	(247)	100% U
Revenue from land sales was lower than originally estimated				
Joint ventures and associates – net profits	–	149	149	∞ F
EXPENSES				
Borrowing costs	3,755	3,691	64	2% F
Materials and contracts	50,760	36,364	14,396	28% F
Council was adversely affected by the COVID-19 pandemic and the associated measures that have been taken by the Government to slow down infection levels. Major projects, specifically the Fitzroy Street and Cobra Street roundabout, were delayed due to COVID-19.				
Depreciation and amortisation	35,121	42,261	(7,140)	(20)% U
Additional depreciation incurred due to asset revaluations and changes in estimated useful lives.				
Other expenses	13,594	15,075	(1,481)	(11)% U
Council had increased expenses in relation to advertising, bad and doubtful debts, donations and contributions to local organisations and specific COVID-19 related expenditure than originally budgeted.				
Net losses from disposal of assets	–	2,493	(2,493)	∞ U
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	61,084	58,638	(2,446)	(4)% U

continued on next page ...

Page 61 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Council was adversely affected by the COVID-19 pandemic and the associated measures that have been taken by the Government to slow down infection levels. The majority of Council's business units were forced to temporarily restrict trading due to Public Health Orders.				
Cash flows from investing activities	(56,885)	(66,639)	(9,754)	17% U
Council did not immediately reinvest maturing deposits. This was to ensure Council had enough operating cash reserves given the reduced cash position that Council will be facing over the next 12 to 24 months due to the COVID-19 pandemic.				
Cash flows from financing activities	(5,199)	(5,206)	(7)	0% U

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

Fair Value Hierarchy

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital works in progress	Not revalued	–	–	48,885	48,885
Plant and equipment	30/06/2014	–	29,252	–	29,252
Office equipment	30/06/2014	–	1,970	–	1,970
Furniture and fittings	30/06/2014	–	1,626	–	1,626
Operational land	30/06/2018	–	36,822	–	36,822
Community land	12/05/2016	–	–	35,684	35,684
Land under roads (post 30/06/2008)	30/06/2019	–	–	1,262	1,262
Land improvements – non-depreciable	30/06/2010	–	–	1,801	1,801
Land improvement – depreciable	30/06/2010	–	–	3,555	3,555
Airport runways/taxiways	30/06/2020	–	–	36,626	36,626
Buildings – non-specialised	30/06/2018	–	–	27,458	27,458
Buildings – specialised	30/06/2018	–	–	116,268	116,268
Other structures	30/06/2013	–	–	83,457	83,457
Roads	30/06/2019	–	–	883,636	883,636
Bulk earthworks	30/06/2019	–	–	418,030	418,030
Stormwater drainage	30/06/2020	–	–	127,634	127,634
Water supply network	30/06/2017	–	–	247,201	247,201
Sewerage network	30/06/2017	–	–	264,009	264,009
Swimming pools	12/05/2016	–	–	11,947	11,947
Other open space/recreational assets	12/05/2016	–	–	–	–
Quarry assets	30/06/2014	–	–	1,997	1,997
Heritage collections	30/06/2007	–	–	28	28
Other assets	30/06/2007	–	–	1,283	1,283
Tip restoration assets	30/06/2020	–	–	–	–
Quarry restoration assets	30/06/2020	–	–	779	779
Total infrastructure, property, plant and equipment		–	69,670	2,311,540	2,381,210

continued on next page ...

Page 63 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		Total
2019						
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
Capital works in progress	Not revalued	–	–	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	30/06/10	–	–	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	–	–	419,719		419,719
Stormwater drainage	30/06/15	–	–	127,392		127,392
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	2,266,413		2,336,383

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.

continued on next page ...

Page 64 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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 11 is that these assets typically have very short useful lives, are held to the end of their economic life and have no residual value, and the written down value reflects their value in use rather than their market value.

Operational land

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

Level 3 inputs

Buildings - specialised and non-specialised and other structures

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

Quarry assets

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

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.

continued on next page ...

Page 65 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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.

continued on next page ...

Page 66 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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.

\$ '000	Capital works in progress	Community Land	Land under Roads Restated	Land improvement non-dep	Land improvement dep
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
2020					
Opening balance	23,165	35,684	1,201	1,801	2,376
Purchases (GBV)	25,720	—	61	—	1,706
Disposals (WDV)	—	—	—	—	(173)
Depreciation and impairment	—	—	—	—	(354)
Closing balance	48,885	35,684	1,262	1,801	3,555

\$ '000	Buildings non specialised	Building specialised	Other structures	Roads	Airports, runways, taxiways
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
2020					
Opening balance	24,179	110,440	73,416	892,941	29,582
Purchases (GBV)	4,406	9,912	14,290	6,519	1,129
Disposals (WDV)	—	(96)	(207)	(50)	—
Depreciation and impairment	(1,127)	(3,987)	(4,043)	(15,774)	(974)
FV gains – other comprehensive income	—	—	—	—	6,888
Closing balance	27,458	116,269	83,456	883,636	36,625

\$ '000	Bulk earthworks Restated	Stormwater drainage Restated	Water supply network	Sewerage network	Swimming pools
2019					
Opening balance	325,073	120,297	247,188	265,490	3,104
Transfers from/(to) another asset class	417	709	2,531	(1,635)	—

continued on next page ...

Page 67 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

\$ '000	Bulk earthworks Restated	Stormwater drainage Restated	Water supply network	Sewerage network	Swimming pools
Purchases (GBV)	913	9,044	1,352	1,022	3,753
Disposals (WDV)	–	(166)	–	–	(490)
Depreciation and impairment	–	(2,492)	(5,123)	(4,804)	(107)
FV gains – other comprehensive income	93,316	–	3,886	4,146	–
Closing balance	419,719	127,392	249,834	264,219	6,260
2020					
Opening balance	419,719	127,392	249,834	264,219	6,260
Purchases (GBV)	528	1,821	612	2,990	5,763
Disposals (WDV)	(2,217)	–	(157)	(1,019)	–
Depreciation and impairment	–	(1,579)	(5,408)	(4,638)	(77)
FV gains – other comprehensive income	–	–	2,320	2,457	–
Closing balance	418,030	127,634	247,201	264,009	11,946

\$ '000	Quarry assets	Heritage collections	Other assets
2019			
Opening balance	1,997	28	1,193
Purchases (GBV)	–	–	148
Depreciation and impairment	–	–	(41)
Closing balance	1,997	28	1,300
2020			
Opening balance	1,997	28	1,300
Purchases (GBV)	–	–	32
Depreciation and impairment	–	–	(48)
Closing balance	1,997	28	1,284

\$ '000	Tip restoration assets	Quarry restoration assets	Total
2019			
Opening balance	66	816	2,128,967
Transfers from/(to) another asset class	–	–	12
Purchases (GBV)	251	119	75,309
Disposals (WDV)	–	–	(1,306)
Depreciation and impairment	(313)	(60)	(37,917)
FV gains – other comprehensive income	–	–	101,348
Closing balance	4	875	2,266,413
2020			
Opening balance	4	875	2,266,413
Purchases (GBV)	–	–	75,489
Disposals (WDV)	–	–	(3,919)
Depreciation and impairment	(4)	(95)	(38,108)
FV gains – other comprehensive income	–	–	11,665
Closing balance	–	780	2,311,540

continued on next page ...

Page 68 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

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

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

(4) Highest and best use

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

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Related party disclosures

(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	2020	2019
Compensation:		
Short-term benefits	1,860	1,903
Other long-term benefits	485	502
Total	2,345	2,405

(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

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Events occurring after the reporting date

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

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. 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

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	1,574	514	–	18	(1,293)	–	813	–
Roads	9,730	1,355	–	107	(2,863)	–	8,329	–
Parking	96	–	–	1	1	–	98	–
Open space	2,104	530	–	25	(299)	–	2,360	–
Voluntary planning agreements	426	109	–	–	(229)	–	306	–
S7.11 contributions – under a plan	13,930	2,508	–	151	(4,683)	–	11,906	–
S7.12 levies – under a plan	33	19	–	–	–	–	52	–
Total S7.11 and S7.12 revenue under plans	13,963	2,527	–	151	(4,683)	–	11,958	–
S7.11 not under plans	274	–	–	–	(274)	–	–	–
S64 contributions	–	–	–	–	–	–	–	–
Total contributions	14,237	2,527	–	151	(4,957)	–	11,958	–

continued on next page ...

Page 72 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	Cumulative internal borrowings due/(payable)
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN (former Dubbo)								
Drainage	1,574	514	–	18	(1,293)	–	813	–
Roads	9,730	1,355	–	107	(2,863)	–	8,329	–
Parking	96	–	–	1	1	–	98	–
Open space	2,104	530	–	25	(299)	–	2,360	–
Voluntary planning agreements	426	109	–	–	(229)	–	306	–
Total	13,930	2,508	–	151	(4,683)	–	11,906	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER 2012 (former Wellington)								
Public order and safety	5	3	–	–	–	–	8	–
Community services and education	5	3	–	–	–	–	8	–
Household and community amenities	5	3	–	–	–	–	8	–
Recreation and culture	6	3	–	–	–	–	9	–
Transport and communication	5	3	–	–	–	–	8	–
Economic affairs	7	4	–	–	–	–	11	–
Total	33	19	–	–	–	–	52	–

continued on next page ...

Page 73 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	Cumulative internal borrowings due/(payable)
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	
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)	–	–	–

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	44,078	7,646	12,863
User charges and fees	24,606	13,231	4,618
Interest and investment revenue	3,683	976	1,057
Other revenues	1,870	56	60
Grants and contributions provided for operating purposes	21,616	124	118
Grants and contributions provided for capital purposes	25,867	3,511	3,699
Share of interests in joint ventures and associates using the equity method	149	—	—
Total income from continuing operations	121,869	25,544	22,415
Expenses from continuing operations			
Employee benefits and on-costs	34,836	6,109	4,255
Borrowing costs	1,343	1,515	833
Materials and contracts	28,495	5,834	2,035
Depreciation and amortisation	31,534	6,005	4,722
Other expenses	11,605	2,350	1,120
Net losses from the disposal of assets	1,781	138	574
Total expenses from continuing operations	109,594	21,951	13,539
Operating result from continuing operations	12,275	3,593	8,876
Net operating result for the year	12,275	3,593	8,876
Net operating result attributable to each council fund	12,275	3,593	8,876
Net operating result for the year before grants and contributions provided for capital purposes	(13,592)	82	5,177

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.

continued on next page ...

Page 75 of 81

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	(18,920)	28,108	24,784
Investments	75,000	14,573	22,000
Receivables	14,701	4,079	2,274
Inventories	3,892	166	–
Other	871	10	–
Total current assets	75,544	46,936	49,058
Non-current assets			
Investments	47,000	14,000	11,500
Receivables	77	–	–
Inventories	4,880	–	–
Infrastructure, property, plant and equipment	1,825,718	264,257	291,235
Investments accounted for using the equity method	1,682	–	–
Other	451	44	–
Total non-current assets	1,879,808	278,301	302,735
TOTAL ASSETS	1,955,352	325,237	351,793
LIABILITIES			
Current liabilities			
Payables	9,868	557	306
Income received in advance	429	–	9
Contract liabilities	1,500	–	–
Borrowings	2,049	1,089	2,021
Provisions	11,524	1,256	–
Total current liabilities	25,370	2,902	2,336
Non-current liabilities			
Payables	2	–	–
Borrowings	15,980	22,606	13,436
Provisions	5,321	75	–
Total non-current liabilities	21,303	22,681	13,436
TOTAL LIABILITIES	46,673	25,583	15,772
Net assets	1,908,679	299,654	336,021
EQUITY			
Accumulated surplus	1,773,016	233,932	254,495
Revaluation reserves	135,663	65,722	81,526
Council equity interest	1,908,679	299,654	336,021
Total equity	1,908,679	299,654	336,021

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*)

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26(a). Statement of performance measures – consolidated results

	Amounts 2020	Indicator 2020	Prior periods 2019 Restated	2018	Benchmark
\$ '000					
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5,989)	(4.38)%	(1.17)%	14.54%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	136,602				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	114,744	67.62%	63.77%	57.00%	>60.00%
Total continuing operating revenue ¹	169,679				
3. Unrestricted current ratio					
Current assets less all external restrictions	80,462	4.12x	4.35x	5.52x	>1.50x
Current liabilities less specific purpose liabilities	19,515				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	39,963	4.49x	4.70x	6.17x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,897				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	3,852	5.63%	5.48%	4.88%	<10.00%
Rates, annual and extra charges collectible	68,426				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	207,545	22.86	26.13	25.79	>3.00
Monthly payments from cash flow of operating and financing activities	9,078	mths	mths	mths	mths

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

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

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(11.73)%	(15.89)%	0.37%	28.36%	27.66%	27.27%	>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	60.99%	53.76%	85.77%	91.13%	82.97%	88.65%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.12x	4.35x	16.17x	14.61x	21.00x	12.42x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.36x	2.69x	4.93x	9.51x	12.61x	11.90x	>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	8.04%	2.22%	0.00%	5.25%	0.00%	17.59%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	17.04	17.81	∞	44.60	∞	71.85	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

(1) - (2) Refer to Notes at Note 31a above.

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

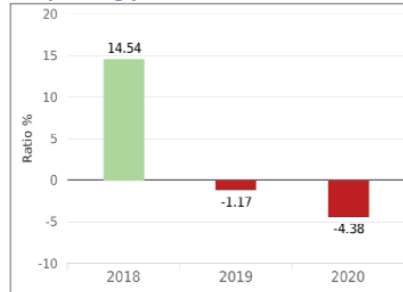
Dubbo Regional Council

Financial Statements 2020

**Notes to the Financial Statements
for the year ended 30 June 2020**

Note 26(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 2019/20 result

2019/20 ratio (4.38)%

Revenue reductions were due to Moderate drought in region, causing a loss of approximately \$5 Million in water rates alone through the water restrictions placed on rate payers. COVID-19 impacted General revenue for the organisation as business units were forced to close down with Staff being kept on and expenses being paid.

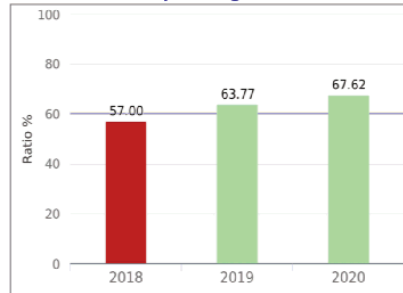
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 67.62%

Internally restricted assets were utilised more and due to COVID-19 some projects were delayed until feasible.

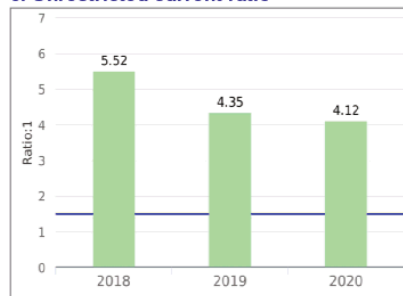
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 4.12x

Budgets were closely monitored to ensure obligations were met.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

continued on next page ...

Page 79 of 81

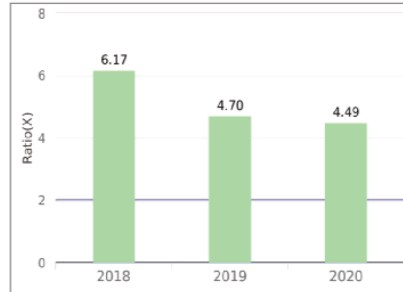
Dubbo Regional Council

Financial Statements 2020

**Notes to the Financial Statements
for the year ended 30 June 2020**

Note 26(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 2019/20 result

2019/20 ratio 4.49x

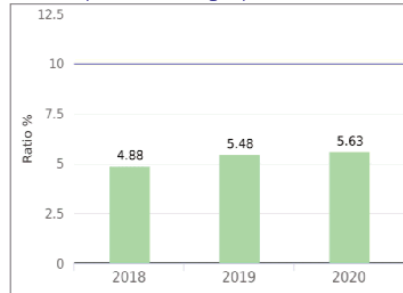
Investment and lending schedules remained similar to ensure no disruption occurred to service liabilities.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark
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 2019/20 result

2019/20 ratio 5.63%

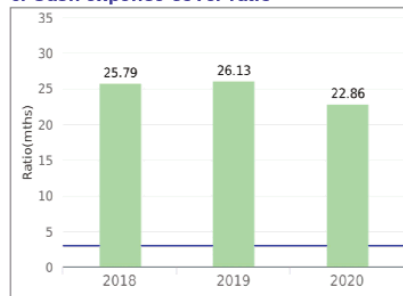
New measures were introduced with flexible financial hardship options for ratepayers affected by COVID-19.

Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark
Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 22.86 mths

Careful investment choices were made, with expenditure closely monitored due to business interruption from pandemic.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark
Ratio is outside benchmark

Dubbo Regional Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Council information and contact details

Note 27. 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

Michael Howlett

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

Dubbo Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020

"Great community, great council"



Dubbo Regional Council

Special Purpose Financial Statements 2020

Special Purpose Financial Statements for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Dubbo City Regional Airport	6
Income Statement – Livestock Markets	7
Income Statement – Property Development	8
Income Statement – Dubbo City Holiday Park	9
Income Statement – Rainbow Cottage	10
Statement of Financial Position – Water Supply Business Activity	11
Statement of Financial Position – Sewerage Business Activity	12
Statement of Financial Position – Dubbo City Regional Airport	13
Statement of Financial Position – Livestock Markets	14
Statement of Financial Position – Property Development	15
Statement of Financial Position – Dubbo City Holiday Park	16
Statement of Financial Position – Rainbow Cottage	17
Note 1 – Significant Accounting Policies	18

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 2020

Special Purpose Financial Statements
for the year ended 30 June 2020

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 29 October 2020.

Ben Shields
Mayor
29 October 2020

Stephen Lawrence
Deputy Mayor
29 October 2020

Michael McMahon
Chief Executive Officer
29 October 2020

Michael Howlett
Responsible Accounting Officer
29 October 2020

Dubbo Regional Council

Special Purpose Financial Statements 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	7,646	7,283
User charges	13,231	18,235
Interest	976	1,193
Grants and contributions provided for non-capital purposes	124	127
Other income	56	63
Total income from continuing operations	22,033	26,901
Expenses from continuing operations		
Employee benefits and on-costs	6,109	5,014
Borrowing costs	1,515	1,534
Materials and contracts	5,834	4,154
Depreciation, amortisation and impairment	6,005	5,560
Loss on sale of assets	138	(2)
Calculated taxation equivalents	138	130
Other expenses	2,350	3,012
Total expenses from continuing operations	22,089	19,402
Surplus (deficit) from continuing operations before capital amounts	(56)	7,499
Grants and contributions provided for capital purposes	3,511	2,480
Surplus (deficit) from continuing operations after capital amounts	3,455	9,979
Surplus (deficit) from all operations before tax	3,455	9,979
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(2,062)
SURPLUS (DEFICIT) AFTER TAX	3,455	7,917
Plus accumulated surplus	230,339	220,230
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	138	130
– Corporate taxation equivalent	–	2,062
Closing accumulated surplus	233,932	230,339
Return on capital %	0.6%	3.4%
Subsidy from Council	866	–
Calculation of dividend payable:		
Surplus (deficit) after tax	3,455	7,917
Less: capital grants and contributions (excluding developer contributions)	(3,511)	(2,480)
Surplus for dividend calculation purposes	–	5,437
Potential dividend calculated from surplus	–	2,718

Dubbo Regional Council

Special Purpose Financial Statements 2020

Income Statement – Sewerage Business Activity
for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	12,863	12,325
User charges	4,196	4,671
Liquid trade waste charges	22	20
Fees	400	199
Interest	1,057	1,483
Grants and contributions provided for non-capital purposes	118	119
Other income	60	63
Total income from continuing operations	18,716	18,880
Expenses from continuing operations		
Employee benefits and on-costs	4,255	3,998
Borrowing costs	833	916
Materials and contracts	2,035	2,221
Depreciation, amortisation and impairment	4,722	5,073
Loss on sale of assets	574	(17)
Calculated taxation equivalents	229	240
Other expenses	1,120	1,541
Total expenses from continuing operations	13,768	13,972
Surplus (deficit) from continuing operations before capital amounts	4,948	4,908
Grants and contributions provided for capital purposes	3,699	2,282
Surplus (deficit) from continuing operations after capital amounts	8,647	7,190
Surplus (deficit) from all operations before tax	8,647	7,190
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,361)	(1,350)
SURPLUS (DEFICIT) AFTER TAX	7,286	5,840
Plus accumulated surplus	245,619	238,189
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	229	240
– Corporate taxation equivalent	1,361	1,350
Closing accumulated surplus	254,495	245,619
Return on capital %	2.0%	2.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	7,286	5,840
Less: capital grants and contributions (excluding developer contributions)	(3,699)	(2,282)
Surplus for dividend calculation purposes	3,587	3,558
Potential dividend calculated from surplus	1,794	1,779

Dubbo Regional Council

Special Purpose Financial Statements 2020

Income Statement – Dubbo City Regional Airport
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	3,383	3,689
Grants and contributions provided for non-capital purposes	23	75
Other income	276	212
Total income from continuing operations	3,682	3,976
Expenses from continuing operations		
Employee benefits and on-costs	660	534
Borrowing costs	107	126
Materials and contracts	2,012	1,921
Depreciation, amortisation and impairment	1,522	1,017
Loss on sale of assets	–	9
Calculated taxation equivalents	123	103
Other expenses	236	332
Total expenses from continuing operations	4,660	4,042
Surplus (deficit) from continuing operations before capital amounts	(978)	(66)
Grants and contributions provided for capital purposes	8,209	21,314
Surplus (deficit) from continuing operations after capital amounts	7,231	21,248
Surplus (deficit) from all operations before tax	7,231	21,248
SURPLUS (DEFICIT) AFTER TAX	7,231	21,248
Plus accumulated surplus	76,411	55,063
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	123	103
Closing accumulated surplus	83,769	76,414
Return on capital %	(1.2)%	0.1%
Subsidy from Council	1,508	587

Dubbo Regional Council

Special Purpose Financial Statements 2020

Income Statement – Livestock Markets
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	2,701	3,342
Other income	35	39
Total income from continuing operations	2,736	3,381
Expenses from continuing operations		
Employee benefits and on-costs	822	671
Materials and contracts	1,150	1,206
Depreciation, amortisation and impairment	1,345	1,347
Loss on sale of assets	3	202
Calculated taxation equivalents	7	12
Other expenses	167	219
Total expenses from continuing operations	3,494	3,657
Surplus (deficit) from continuing operations before capital amounts	(758)	(276)
Grants and contributions provided for capital purposes	556	176
Surplus (deficit) from continuing operations after capital amounts	(202)	(100)
Surplus (deficit) from all operations before tax	(202)	(100)
SURPLUS (DEFICIT) AFTER TAX	(202)	(100)
Plus accumulated surplus	26,125	26,213
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	7	12
Closing accumulated surplus	25,930	26,125
Return on capital %	(3.7)%	(1.4)%
Subsidy from Council	941	535

Dubbo Regional Council

Special Purpose Financial Statements 2020

Income Statement – Property Development
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Interest	137	168
Profit from the sale of assets	203	1,999
Other income	3	21
Total income from continuing operations	343	2,188
Expenses from continuing operations		
Employee benefits and on-costs	148	228
Materials and contracts	133	208
Calculated taxation equivalents	139	212
Other expenses	2	1
Total expenses from continuing operations	422	649
Surplus (deficit) from continuing operations before capital amounts	(79)	1,539
Surplus (deficit) from continuing operations after capital amounts	(79)	1,539
Surplus (deficit) from all operations before tax	(79)	1,539
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(423)
SURPLUS (DEFICIT) AFTER TAX	(79)	1,116
Plus accumulated surplus	14,091	12,340
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	139	212
– Corporate taxation equivalent	–	423
Closing accumulated surplus	14,151	14,091
Return on capital %	(23.3)%	702.7%
Subsidy from Council	82	–

Dubbo Regional Council

Special Purpose Financial Statements 2020

Income Statement – Dubbo City Holiday Park
for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	1,199	1,769
Total income from continuing operations	1,199	1,769
Expenses from continuing operations		
Employee benefits and on-costs	17	47
Borrowing costs	4	9
Materials and contracts	1,061	1,084
Depreciation, amortisation and impairment	246	277
Calculated taxation equivalents	65	64
Other expenses	151	186
Total expenses from continuing operations	1,544	1,667
Surplus (deficit) from continuing operations before capital amounts	(345)	102
Surplus (deficit) from continuing operations after capital amounts	(345)	102
Surplus (deficit) from all operations before tax	(345)	102
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(28)
SURPLUS (DEFICIT) AFTER TAX	(345)	74
Plus accumulated surplus	6,014	5,848
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	65	64
– Corporate taxation equivalent	–	28
Closing accumulated surplus	5,734	6,014
Return on capital %	(5.9)%	1.9%
Subsidy from Council	392	–

Dubbo Regional Council

Special Purpose Financial Statements 2020

Income Statement – Rainbow Cottage
for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
User charges	390	520
Grants and contributions provided for non-capital purposes	838	657
Total income from continuing operations	1,228	1,177
Expenses from continuing operations		
Employee benefits and on-costs	1,069	1,074
Materials and contracts	260	326
Depreciation, amortisation and impairment	89	75
Loss on sale of assets	–	1
Calculated taxation equivalents	7	7
Other expenses	28	23
Total expenses from continuing operations	1,453	1,506
Surplus (deficit) from continuing operations before capital amounts	(225)	(329)
Grants and contributions provided for capital purposes	8	–
Surplus (deficit) from continuing operations after capital amounts	(217)	(329)
Surplus (deficit) from all operations before tax	(217)	(329)
SURPLUS (DEFICIT) AFTER TAX	(217)	(329)
Plus accumulated surplus	130	452
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	7	7
Closing accumulated surplus	(80)	130
Return on capital %	(17.6)%	(24.2)%
Subsidy from Council	236	347

Dubbo Regional Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	28,108	10,128
Investments	14,573	23,330
Receivables	4,079	6,778
Inventories	166	167
Other	10	8
Total current assets	46,936	40,411
Non-current assets		
Investments	14,000	17,500
Infrastructure, property, plant and equipment	264,257	262,361
Other	44	44
Total non-current assets	278,301	279,905
TOTAL ASSETS	325,237	320,316
LIABILITIES		
Current liabilities		
Payables	557	465
Borrowings	1,089	1,089
Provisions	1,256	1,212
Total current liabilities	2,902	2,766
Non-current liabilities		
Borrowings	22,606	23,735
Provisions	75	65
Total non-current liabilities	22,681	23,800
TOTAL LIABILITIES	25,583	26,566
NET ASSETS	299,654	293,750
EQUITY		
Accumulated surplus	233,932	230,339
Revaluation reserves	65,722	63,411
TOTAL EQUITY	299,654	293,750

Dubbo Regional Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Sewerage Business Activity
as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	24,784	10,349
Investments	22,000	15,000
Receivables	2,274	2,928
Total current assets	49,058	28,277
Non-current assets		
Investments	11,500	26,500
Infrastructure, property, plant and equipment	291,235	287,657
Total non-current assets	302,735	314,157
TOTAL ASSETS	351,793	342,434
LIABILITIES		
Current liabilities		
Payables	306	256
Income received in advance	9	–
Borrowings	2,021	2,021
Total current liabilities	2,336	2,277
Non-current liabilities		
Borrowings	13,436	15,463
Total non-current liabilities	13,436	15,463
TOTAL LIABILITIES	15,772	17,740
NET ASSETS	336,021	324,694
EQUITY		
Accumulated surplus	254,495	245,619
Revaluation reserves	81,526	79,075
TOTAL EQUITY	336,021	324,694

Dubbo Regional Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Dubbo City Regional Airport
as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	1	1
Investments	27,052	17,897
Receivables	911	115
Total current assets	27,964	18,013
Non-current assets		
Infrastructure, property, plant and equipment	72,377	65,774
Total non-current assets	72,377	65,774
TOTAL ASSETS	100,341	83,787
LIABILITIES		
Current liabilities		
Payables	29	132
Borrowings	1,443	796
Provisions	210	180
Total current liabilities	1,682	1,108
Non-current liabilities		
Borrowings	4,418	2,682
Provisions	6	6
Total non-current liabilities	4,424	2,688
TOTAL LIABILITIES	6,106	3,796
NET ASSETS	94,235	79,991
EQUITY		
Accumulated surplus	83,769	76,414
Revaluation reserves	10,466	3,577
TOTAL EQUITY	94,235	79,991

Dubbo Regional Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Livestock Markets

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Investments	5,576	6,700
Receivables	176	388
Total current assets	5,752	7,088
Non-current assets		
Infrastructure, property, plant and equipment	20,755	19,598
Total non-current assets	20,755	19,598
TOTAL ASSETS	26,507	26,686
LIABILITIES		
Current liabilities		
Payables	74	143
Provisions	245	206
Total current liabilities	319	349
Non-current liabilities		
Provisions	16	30
Total non-current liabilities	16	30
TOTAL LIABILITIES	335	379
NET ASSETS	26,172	26,307
EQUITY		
Accumulated surplus	25,930	26,125
Revaluation reserves	242	182
TOTAL EQUITY	26,172	26,307

Dubbo Regional Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Property Development
as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Investments	6,181	8,255
Receivables	–	13
Inventories	2,758	1,531
Total current assets	8,939	9,799
Non-current assets		
Inventories	4,880	4,076
Infrastructure, property, plant and equipment	339	219
Total non-current assets	5,219	4,295
TOTAL ASSETS	14,158	14,094
LIABILITIES		
Current liabilities		
Payables	7	3
Total current liabilities	7	3
TOTAL LIABILITIES	7	3
NET ASSETS	14,151	14,091
EQUITY		
Accumulated surplus	14,151	14,091
TOTAL EQUITY	14,151	14,091

Dubbo Regional Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Dubbo City Holiday Park

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	3	4
Investments	1,534	1,777
Total current assets	1,537	1,781
Non-current assets		
Infrastructure, property, plant and equipment	5,744	5,987
Total non-current assets	5,744	5,987
TOTAL ASSETS	7,281	7,768
LIABILITIES		
Current liabilities		
Payables	9	91
Borrowings	–	125
Total current liabilities	9	216
TOTAL LIABILITIES	9	216
NET ASSETS	7,272	7,552
EQUITY		
Accumulated surplus	5,734	6,014
Revaluation reserves	1,538	1,538
TOTAL EQUITY	7,272	7,552

Dubbo Regional Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Rainbow Cottage
as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Receivables	4	13
Total current assets	<u>4</u>	<u>13</u>
Non-current assets		
Infrastructure, property, plant and equipment	1,276	1,357
Total non-current assets	<u>1,276</u>	<u>1,357</u>
TOTAL ASSETS	<u>1,280</u>	<u>1,370</u>
LIABILITIES		
Current liabilities		
Payables	36	34
Provisions	228	240
Total current liabilities	<u>264</u>	<u>274</u>
Non-current liabilities		
Provisions	11	21
Borrowings	343	204
Total non-current liabilities	<u>354</u>	<u>225</u>
TOTAL LIABILITIES	<u>618</u>	<u>499</u>
NET ASSETS	<u>662</u>	<u>871</u>
EQUITY		
Accumulated surplus	(80)	130
Revaluation reserves	742	741
TOTAL EQUITY	<u>662</u>	<u>871</u>

Dubbo Regional Council

Special Purpose Financial Statements 2020

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

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 2093 (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

continued on next page ...

Page 18 of 21

Dubbo Regional Council

Special Purpose Financial Statements 2020

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

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 \$734,000 of combined land values attracts 0%. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$900,000.

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – 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.

continued on next page ...

Page 19 of 21

Dubbo Regional Council

Special Purpose Financial Statements 2020

**Notes to the Special Purpose Financial Statements
for the year ended 30 June 2020**

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 0.88% at 30/6/20.

continued on next page ...

Page 20 of 21

Dubbo Regional Council

Special Purpose Financial Statements 2020

**Notes to the Special Purpose Financial Statements
for the year ended 30 June 2020**

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 Department of Industry – Water 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 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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