

Dungog Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

“A vibrant, united community, with a sustainable economy. An area where rural character, community safety, and lifestyle are preserved.”



Dungog Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors & Management	3
3. 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
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	78
- On the Conduct of the Audit (Sect 417 [3])	81

Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Dungog Shire Council.

(ii) Dungog Shire Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 02 October 2013. Council has the power to amend and reissue these financial statements.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2013.

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

About the Councillor/Management Statement

The financial statements must be certified by Senior staff as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for & ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income & expenses.

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

2. The Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "Net Wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

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

Dungog Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

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

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


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

To the best of our knowledge and belief, these Financial Statements:


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

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

Signed in accordance with a resolution of Council made on 17 September 2013.



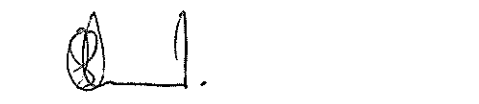
Cr Harold Johnson
MAYOR



Cr Anthony McKenzie
COUNCILLOR



Craig Deasey
GENERAL MANAGER



Shaun Chandler
RESPONSIBLE ACCOUNTING OFFICER

Dungog Shire Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾			Actual	Actual
2013	\$ '000	Notes	2013	2012
Income from Continuing Operations				
<i>Revenue:</i>				
5,797	Rates & Annual Charges	3a	5,782	5,517
654	User Charges & Fees	3b	789	717
332	Interest & Investment Revenue	3c	453	570
313	Other Revenues	3d	1,199	484
2,745	Grants & Contributions provided for Operating Purposes	3e,f	4,904	6,052
5,067	Grants & Contributions provided for Capital Purposes	3e,f	3,436	1,716
<i>Other Income:</i>				
49	Net gains from the disposal of assets	5	-	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	4	6
14,957	Total Income from Continuing Operations		16,567	15,062
Expenses from Continuing Operations				
4,091	Employee Benefits & On-Costs	4a	3,807	3,817
143	Borrowing Costs	4b	158	105
3,955	Materials & Contracts	4c	4,318	4,696
2,529	Depreciation & Amortisation	4d	2,829	2,554
-	Impairment	4d	60	-
1,699	Other Expenses	4e	1,462	1,348
-	Net Losses from the Disposal of Assets	5	504	693
12,417	Total Expenses from Continuing Operations		13,138	13,213
2,540	Operating Result from Continuing Operations		3,429	1,849
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
2,540	Net Operating Result for the Year		3,429	1,849
2,540	Net Operating Result attributable to Council		3,425	1,843
-	Net Operating Result attributable to Non-controlling Interests		4	6
(2,527)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(7)	133

(1) Original Budget as approved by Council - refer Note 16

Dungog Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		3,429	1,849
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	246	-
Total Items which will not be reclassified subsequently to the Operating Result		246	-
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		246	-
Total Comprehensive Income for the Year		3,675	1,849
Total Comprehensive Income attributable to Council		3,671	1,843
Total Comprehensive Income attributable to Non-controlling Interests		4	6

Dungog Shire Council

Statement of Financial Position

as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	11,111	9,175
Investments	6b	1,000	500
Receivables	7	974	2,449
Inventories	8	1,390	1,549
Other	8	210	219
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		14,685	13,892
Non-Current Assets			
Investments	6b	-	-
Receivables	7	70	75
Inventories	8	27	22
Infrastructure, Property, Plant & Equipment	9	149,427	146,833
Investments accounted for using the equity method	19	30	26
Investment Property	14	-	-
Intangible Assets	25	-	-
Other	8	-	-
Total Non-Current Assets		149,554	146,956
TOTAL ASSETS		164,239	160,848
LIABILITIES			
Current Liabilities			
Payables	10	1,023	1,360
Borrowings	10	434	129
Provisions	10	1,722	1,607
Total Current Liabilities		3,179	3,096
Non-Current Liabilities			
Payables	10	97	98
Borrowings	10	700	1,140
Provisions	10	2,112	2,038
Total Non-Current Liabilities		2,909	3,276
TOTAL LIABILITIES		6,088	6,372
Net Assets		158,151	154,476
EQUITY			
Retained Earnings	20	145,707	142,282
Revaluation Reserves	20	12,414	12,168
Council Equity Interest		158,121	154,450
Non-controlling Interests		30	26
Total Equity		158,151	154,476

Dungog Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		142,282	12,168	154,450	26	154,476
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		142,282	12,168	154,450	26	154,476
c. Net Operating Result for the Year		3,425	-	3,425	4	3,429
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	246	246	-	246
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	246	246	-	246
Total Comprehensive Income (c&d)		3,425	246	3,671	4	3,675
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		145,707	12,414	158,121	30	158,151

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		140,439	12,168	152,607	20	152,627
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		140,439	12,168	152,607	20	152,627
c. Net Operating Result for the Year		1,843	-	1,843	6	1,849
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		1,843	-	1,843	6	1,849
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		142,282	12,168	154,450	26	154,476

Dungog Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
5,797	Rates & Annual Charges		5,763	5,568
654	User Charges & Fees		807	753
332	Investment & Interest Revenue Received		459	573
7,813	Grants & Contributions		9,025	7,391
-	Bonds, Deposits & Retention amounts received		42	126
362	Other		2,900	192
Payments:				
(4,091)	Employee Benefits & On-Costs		(3,752)	(3,745)
(3,955)	Materials & Contracts		(5,141)	(5,690)
(143)	Borrowing Costs		(84)	(89)
(1,699)	Other		(1,999)	(416)
5,070	Net Cash provided (or used in) Operating Activities	11b	8,020	4,663
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		500	-
-	Sale of Real Estate Assets		460	-
204	Sale of Infrastructure, Property, Plant & Equipment		323	61
-	Deferred Debtors Receipts		4	-
Payments:				
-	Purchase of Investment Securities		(1,000)	-
(5,609)	Purchase of Infrastructure, Property, Plant & Equipment		(5,924)	(3,771)
-	Purchase of Real Estate Assets		(312)	(478)
-	Deferred Debtors & Advances Made		-	(71)
(5,405)	Net Cash provided (or used in) Investing Activities		(5,949)	(4,259)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		-	8
Payments:				
(135)	Repayment of Borrowings & Advances		(135)	(124)
(135)	Net Cash Flow provided (used in) Financing Activities		(135)	(116)
(470)	Net Increase/(Decrease) in Cash & Cash Equivalents		1,936	288
9,175	plus: Cash & Cash Equivalents - beginning of year	11a	9,175	8,887
8,705	Cash & Cash Equivalents - end of the year	11a	11,111	9,175
Additional Information:				
	plus: Investments on hand - end of year	6b	1,000	500
	Total Cash, Cash Equivalents & Investments		12,111	9,675

Please refer to Note 11 for additional cash flow information

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2(a)	Council Functions / Activities - Financial Information	28
2(b)	Council Functions / Activities - Component Descriptions	29
3	Income from Continuing Operations	30
4	Expenses from Continuing Operations	35
5	Gains or Losses from the Disposal of Assets	38
6(a)	Cash & Cash Equivalent Assets	39
6(b)	Investments	39
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	40
7	Receivables	42
8	Inventories & Other Assets	43
9(a)	Infrastructure, Property, Plant & Equipment	44
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	45
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	45
10(a)	Payables, Borrowings & Provisions	46
10(b)	Description of (and movements in) Provisions	47
11	Statement of Cash Flows - Additional Information	48
12	Commitments for Expenditure	50
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	51
	13a (ii) Local Government Industry Graphs (Consolidated)	53
	13b Local Government Industry Indicators (by Fund)	56
14	Investment Properties	57 n/a
15	Financial Risk Management	57
16	Material Budget Variations	61
17	Statement of Developer Contributions	63
18	Contingencies and Other Liabilities/Assets not recognised	67
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	70
20	Equity - Retained Earnings and Revaluation Reserves	72
21	Financial Result & Financial Position by Fund	73
22	"Held for Sale" Non Current Assets & Disposal Groups	75 n/a
23	Events occurring after the Reporting Period	75 n/a
24	Discontinued Operations	75 n/a
25	Intangible Assets	75 n/a
26	Reinstatement, Rehabilitation & Restoration Liabilities	76
 Additional Council Disclosures		
27	Council Information & Contact Details	77

n/a - not applicable

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

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

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

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

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

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated tip remediation provisions.
- (iv) Depreciation, estimations and assumptions regarding useful lives and residual value.

Critical judgements in applying the entity's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining

future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

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

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and **(ii)** all the related operating results (for the financial year ended the 30th June 2013).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

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

(i) The Consolidated Fund

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

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

The following entities have been included as part of the Consolidated Fund:

- General Purpose Operations
- Dungog Shire Council Water Supply Fund
- Dungog Shire Council Sewerage Service Fund

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

- Clarence Town School Arts
- Dungog Showground
- James Theatre Management Committee
- Martins Creek School of Arts
- Gresford School of Arts
- Paterson School of Arts
- Vacy School of Arts
- Vacy Sportsground
- Paterson Sportsground
- Gresford Sporting Complex

The (i) total income and expenditure from continuing operations and (ii) the net assets held by these excluded Committees & Operations is as follows:

Total income from continuing operations	\$96,635
Total expenditure from continuing operations	\$73,031
Total net assets held (ie Equity)	\$23,604

Note:

Where actual figures are not known, best estimates have been applied.

(ii) The Trust Fund

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

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

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

(iii) Joint Ventures

Council participates in cooperative arrangements with other Councils for the provision of services and facilities, and Councils interest in joint ventures have

been included within the financial reports and shown within Note 19.

(iv) Associated Entities

Refer to (iii) above.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

Lease arrangements have been accounted for in accordance with AASB 117.

Council does not enter into finance leases.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**"

category are included in the income statement in the period in which they arise.

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

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

Impairment

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

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

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

costs of completion and the estimated costs necessary to make the sale.

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Operational Land**
- **Buildings – Specialised**
- **Plant and Equipment**
- **Community Land**

Initial Recognition

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

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

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	Not Capitalised

Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures	> \$2,000
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Stormwater Assets

Drains & Culverts	> \$5,000
Other	> \$5,000

Transport Assets

Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000
Bridge construction & reconstruction	> \$10,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Office equipment	5 – 10 yrs
Pumps and telemetry	15 – 20 yrs
Office furniture	10 – 20 yrs
Drains	80 – 100 yrs
Vehicles &	
Road making Equipment	5 – 8 yrs
Culverts	50 – 80 yrs
Other plant and equipment	5 – 15 yrs
Flood control structures	80 – 100 yrs
Buildings – Masonry	50 – 100 yrs
Sealed roads	Surface 20 yrs
	Other 20 – 40 yrs
	Structure 50 yrs
Playground equipment	5 – 15 yrs
Unsealed roads	20 yrs
Benches, seats etc	10 – 20 yrs
Bridge – Concrete	100 yrs
Dams and reservoirs	80 – 100 yrs
Dams and reservoirs	Other 50 yrs
Bulk earthworks	Infinite
Reticulation pipes	PVC 70 – 80 yrs
Reticulation pipes	Other 25 – 75 yrs
Timber Bridges	60 yrs

Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

(l) Land under roads

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

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

(p) Investment property

Council does not currently have investment properties.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

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

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

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

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

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

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

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

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet 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 balance sheet 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 unwind 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.

Quarry rehabilitation

Council operates a number of quarries and extracts material from a number of private quarries under a royalty system.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

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

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

The results of discontinued operations are presented separately on the face of the income statement.

(s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

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

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

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

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

(u) Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

(v) Borrowing costs

Borrowing costs are expensed

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2013

However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2013 was \$141,872.

The amount of additional contributions included in the total employer contribution advised above is \$65,708.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 305,497 as at 30 June 2013.

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 these financial statements.

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/13.

(y) Self insurance

Council does not self insure.

(z) Allocation between current and non-current assets & liabilities

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

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

Exceptions

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

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

(aa) Taxes

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

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to

Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

Applicable to Local Government but not relevant to Council at this stage;

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (x) (iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
Governance	-	-	-	529	679	429	(529)	(679)	(429)	-	-	246	-
Administration	224	946	215	1,224	1,048	1,253	(1,000)	(102)	(1,038)	-	-	10,808	8,462
Public Order & Safety	170	342	410	781	818	1,239	(611)	(476)	(829)	140	151	3,636	3,858
Health	67	-	17	141	-	23	(74)	-	(6)	113	40	1	1
Environment	1,632	2,087	1,711	1,757	1,441	1,448	(125)	646	263	282	84	2,121	1,730
Community Services & Education	88	104	95	184	189	182	(96)	(85)	(87)	21	36	1,953	2,258
Housing & Community Amenities	202	658	243	779	1,004	1,093	(577)	(346)	(850)	8	49	3,480	2,529
Water Supplies	-	11	28	-	501	6	-	(490)	22	-	-	265	755
Sewerage Services	-	2	2	-	-	2	-	2	-	-	-	51	50
Recreation & Culture	65	456	289	1,067	1,089	1,039	(1,002)	(633)	(750)	51	103	10,089	9,755
Mining, Manufacturing & Construction	101	69	89	262	406	239	(161)	(337)	(150)	-	-	2,865	2,976
Transport & Communication	6,033	4,448	4,436	5,277	5,513	5,839	756	(1,065)	(1,403)	569	817	124,854	124,468
Economic Affairs	158	162	155	416	450	421	(258)	(288)	(266)	-	-	3,840	3,980
Total Functions & Activities	8,740	9,285	7,690	12,417	13,138	13,213	(3,677)	(3,853)	(5,523)	1,184	1,280	164,209	160,822
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	4	6	-	-	-	-	4	6	-	-	30	26
General Purpose Income ¹	6,217	7,278	7,366	-	-	-	6,217	7,278	7,366	2,239	2,778	-	-
Operating Result from Continuing Operations	14,957	16,567	15,062	12,417	13,138	13,213	2,540	3,429	1,849	3,423	4,058	164,239	160,848

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

Fire protection, animal control, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, food control, other, administration.

ENVIRONMENT

Noxious plants control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration, aged, other community services.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

RECREATION & CULTURE

Public libraries, museums, community centres, public halls, swimming pools, sporting grounds, parks and

MINING, MANUFACTURING & CONSTRUCTION

Building control, quarries & pits.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, bus shelters and services, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, other business undertakings.

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		2,368	2,222
Farmland		1,999	1,939
Business		306	295
Total Ordinary Rates		4,673	4,456
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		946	896
Stormwater Management Services		40	40
Sanitary		21	29
Waste Management Services (non-domestic)		101	95
Section 611 Charges		1	1
Total Annual Charges		1,109	1,061
TOTAL RATES & ANNUAL CHARGES		5,782	5,517

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		185	134
Total User Charges		185	134
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Control		31	41
Planning & Building Regulation		181	189
Private Works - Section 67		6	8
Town Planning		49	35
Other		20	28
Total Fees & Charges - Statutory/Regulatory		287	301
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Caravan Park		136	121
Cemeteries		28	38
Onsite Sewerage Management Services		104	103
Septic Tank Inspections		1	16
Tourism		3	4
Inspections & Construction Certificates - Roads		45	-
Total Fees & Charges - Other		317	282
TOTAL USER CHARGES & FEES		789	717

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		30	32
- Interest earned on Investments (interest & coupon payment income)		423	538
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>453</u>	<u>570</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		30	32
General Council Cash & Investments		336	433
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		76	76
Water Fund Operations		9	27
Sewerage Fund Operations		2	2
Total Interest & Investment Revenue Recognised		<u>453</u>	<u>570</u>
(d) Other Revenues			
Rental Income - Other Council Properties		104	100
Fines - Other		16	13
Landfill Recycling Stations Sales		86	102
Legal Fees Recovery - Other		23	29
Commissions & Agency Fees		96	88
Insurance Claim Recoveries		23	1
Section 88 Fee Collected		174	101
Workers Compensation Insurance Rebates		60	36
Divest Water & Sewer Operation		614	-
Other		3	14
<u>TOTAL OTHER REVENUE</u>		<u>1,199</u>	<u>484</u>

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,381	1,703	-	-
Financial Assistance - Local Roads Component	790	1,006	-	-
Pensioners' Rates Subsidies - General Component	68	69	-	-
Total General Purpose	2,239	2,778	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	29	29	-	-
Bushfire & Emergency Services	29	1	-	-
Community Care	10	4	-	-
Community Facilities	-	21	-	-
Environmental Protection	253	10	-	-
Heritage & Cultural	8	49	-	-
Hunter Area Assistance Scheme	11	11	-	-
Library	29	29	6	6
Library - special projects	16	-	-	-
Noxious Weeds	45	40	-	-
NSW Rural Fire Services	111	150	-	-
Public Halls	-	-	-	68
Street Lighting	6	6	-	-
Transport (Roads to Recovery)	401	401	-	-
Transport (Other Roads & Bridges Funding)	162	410	-	-
Roadside Vegetation Project	68	45	-	-
Total Specific Purpose	1,178	1,206	6	74
Total Grants	3,417	3,984	6	74
Grant Revenue is attributable to:				
- Commonwealth Funding	2,268	2,795	-	-
- State Funding	1,149	1,189	6	74
	3,417	3,984	6	74

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	1,030	598
Total Developer Contributions	17 -	-	1,030	598
Other Contributions:				
Bushfire Services	-	-	125	300
Kerb & Gutter	-	-	-	36
Paving	8	-	-	-
Rail Services Authority	226	564	-	-
Recreation & Culture	-	-	-	129
Reform Funding	-	30	-	-
Road Safety Projects	-	16	-	-
RMS Contributions (Regional Roads, Block Grant)	1,052	1,370	2,275	571
RRA Grant Funds - Waste Management	-	55	-	-
Tourism	7	-	-	-
Rural Land Use Strategy Funding	150	-	-	-
Other	44	33	-	8
Total Other Contributions	1,487	2,068	2,400	1,044
Total Contributions	1,487	2,068	3,430	1,642
TOTAL GRANTS & CONTRIBUTIONS	4,904	6,052	3,436	1,716

\$ '000	Actual 2013	Actual 2012
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(g) Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	2,339	1,776
add: Grants & contributions recognised in the current period but not yet spent:	1,170	683
less: Grants & contributions recognised in a previous reporting period now spent:	(103)	(120)
Net Increase (Decrease) in Restricted Assets during the Period	1,067	563
Unexpended and held as Restricted Assets	3,406	2,339
Comprising:		
- Specific Purpose Unexpended Grants	196	182
- Developer Contributions	3,196	2,157
- Other Contributions	14	-
	3,406	2,339

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		3,229	3,148
Employee Leave Entitlements (ELE)		432	404
Superannuation - Defined Contribution Plans		141	184
Superannuation - Defined Benefit Plans		268	216
Workers' Compensation Insurance		93	84
Fringe Benefit Tax (FBT)		35	21
Training Costs (other than Salaries & Wages)		36	42
Other		13	19
Total Employee Costs		4,247	4,118
less: Capitalised Costs		(440)	(301)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>3,807</u>	<u>3,817</u>
Number of "Equivalent Full Time" Employees at year end		65	66
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		83	88
Interest on Advances		1	1
Total Interest Bearing Liability Costs Expensed		84	89
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	74	16
Total Other Borrowing Costs		74	16
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>158</u>	<u>105</u>

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		4,136	4,364
Contractor & Consultancy Costs		71	152
Auditors Remuneration ⁽¹⁾		26	27
Legal Expenses:			
- Legal Expenses: Planning & Development		15	70
- Legal Expenses: Other		23	32
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		47	51
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>4,318</u>	<u>4,696</u>
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		26	27
Remuneration for audit and other assurance services		<u>26</u>	<u>27</u>
Total Auditor Remuneration		<u>26</u>	<u>27</u>
2. Operating Lease Payments are attributable to:			
Computers		47	51
		<u>47</u>	<u>51</u>

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	582	549
Office Equipment		-	-	10	32
Furniture & Fittings		-	-	7	6
Buildings - Specialised		-	-	386	387
Other Structures		-	-	131	131
Infrastructure:					
- Roads, Bridges & Footpaths		60	-	1,533	1,365
- Stormwater Drainage		-	-	36	35
Other Assets					
- Library Books		-	-	35	35
Asset Reinstatement Costs	9 & 26	-	-	109	14
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>60</u>	<u>-</u>	<u>2,829</u>	<u>2,554</u>

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		53	46
Agency Collection Costs - Australia Post		16	16
Bad & Doubtful Debts		-	12
Bank Charges		12	12
Commissions		64	56
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy		22	22
- NSW RB		14	15
- NSW Rural Fire Service Levy		211	248
- Waste Levy		176	96
Councillor Expenses - Mayoral Fee		13	13
Councillor Expenses - Councillors' Fees		75	75
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		6	6
Donations, Contributions & Assistance to other organisations (Section 356)		4	4
Electricity & Heating		126	102
Fees & Charges		3	3
Insurance		379	349
Newcastle Regional Library		28	33
Postage		19	18
Printing & Stationery		30	30
Risk Management - Claim Excess		5	5
Shire Events		-	10
Street Lighting		95	80
Subscriptions & Publications		22	14
Telephone & Communications		42	40
Valuation Fees		33	30
Weight of loads Co-Operative		14	13
<u>TOTAL OTHER EXPENSES</u>		<u>1,462</u>	<u>1,348</u>

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	-
less: Carrying Amount of Property Assets Sold / Written Off		(90)	-
Net Gain/(Loss) on Disposal		(90)	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		323	61
less: Carrying Amount of P&E Assets Sold / Written Off		(322)	(303)
Net Gain/(Loss) on Disposal		1	(242)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(400)	(451)
Net Gain/(Loss) on Disposal		(400)	(451)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		460	-
less: Carrying Amount of Real Estate Assets Sold / Written Off		(475)	-
Net Gain/(Loss) on Disposal		(15)	-
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		500	-
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(500)	-
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(504)	(693)

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		197	-	464	-
Cash-Equivalent Assets ¹					
- Deposits at Call		564	-	256	-
- Short Term Deposits		10,350	-	8,455	-
Total Cash & Cash Equivalents		11,111	-	9,175	-
Investments (Note 6b)					
- NCD's, FRN's (with Maturities > 3 months)		1,000	-	500	-
Total Investments		1,000	-	500	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		12,111	-	9,675	-
¹ Those Investments where time to maturity (from date of purchase) is < 3 mths.					
Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:					
Cash & Cash Equivalents					
a. "At Fair Value through the Profit & Loss"		11,111	-	9,175	-
Investments					
b. "Held to Maturity" Investments	6(b-ii)	1,000	-	500	-
		1,000	-	500	-
Note 6(b-i)					
Reconciliation of Investments classified as "Held to Maturity"					
Balance at the Beginning of the Year		500	-	500	-
Additions		1,000	-	-	-
Disposals (sales & redemptions)		(500)	-	-	-
Balance at End of Year		1,000	-	500	-
Comprising:					
- NCD's, FRN's (with Maturities > 3 months)		1,000	-	500	-
Total		1,000	-	500	-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	12,111	-	9,675	-
attributable to:				
External Restrictions (refer below)	4,888	-	4,549	-
Internal Restrictions (refer below)	7,217	-	5,106	-
Unrestricted	6	-	20	-
	12,111	-	9,675	-

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	18	-	(18)	-
---	----	---	------	---

External Restrictions - Included in Liabilities	18	-	(18)	-
--	-----------	----------	-------------	----------

External Restrictions - Other

Developer Contributions - General (D)	2,157	1,106	(67)	3,196
RMS (formerly RTA) Contributions (E)	-	14	-	14
Specific Purpose Unexpended Grants (F)	147	52	(3)	196
Water Supplies (G)	665	11	(411)	265
Sewerage Services (G)	49	2	-	51
Domestic Waste Management (G)	585	966	(860)	691
Rail Services Australia	528	225	(714)	39
Aged Care Residential Loans	98	-	(1)	97
Bike Path	8	-	-	8
Deposits & Retentions	226	73	(33)	266
Kerb & Gutter	10	-	-	10
Pavement	54	-	-	54
RLCIP Infrastructure Funding	4	-	(3)	1
External Restrictions - Other	4,531	2,449	(2,092)	4,888
Total External Restrictions	4,549	2,449	(2,110)	4,888

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

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

E RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

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

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Dungog Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	542	2,312	(1,728)	1,126
Employees Leave Entitlement	632	90	-	722
Financial Assistance Grant	1,438	2,924	(2,375)	1,987
Insurance Equalisation	235	36	-	271
Settlement for the Aged	111	86	(76)	121
Buildings & Grounds	258	47	(42)	263
Shire Properties	252	15	(6)	261
Special Projects	497	1,275	(1,332)	440
Town Funds	156	-	-	156
Other Waste Management	133	319	(20)	432
RB Unexpended	349	77	(107)	319
Water & Sewer Transfer	500	614	-	1,114
Other	3	2	-	5
Total Internal Restrictions	5,106	7,797	(5,686)	7,217
TOTAL RESTRICTIONS	9,655	10,246	(7,796)	12,105

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		279	-	260	-
Interest & Extra Charges		1	-	7	-
User Charges & Fees		12	-	19	-
Private Works		9	-	7	-
Accrued Revenues					
- Other Income Accruals		70	-	69	-
Government Grants & Subsidies		153	-	502	-
Deferred Debtors		9	70	8	75
RMS (formerly RTA)		343	-	1,466	-
Rates Legal Costs Recovery		24	-	19	-
Kerb & Guttering		14	-	39	-
Other Debtors		60	-	53	-
Total		974	70	2,449	75
less: Provision for Impairment					
Nil					
TOTAL NET RECEIVABLES		974	70	2,449	75
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		13	-	-	-
- Other		-	-	13	-
Sewerage Services					
- Other		-	-	1	-
Total External Restrictions		13	-	14	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		961	70	2,435	75
TOTAL NET RECEIVABLES		974	70	2,449	75

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 10.00% (2012 11.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		1,067	27	1,235	22
Stores & Materials		322	-	313	-
Trading Stock		1	-	1	-
Total Inventories		1,390	27	1,549	22
Other Assets					
Prepayments		210	-	219	-
Total Other Assets		210	-	219	-
TOTAL INVENTORIES/OTHER ASSETS		1,600	27	1,768	22

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures

(a) Details for Real Estate Development

Residential		1,067	27	1,235	22
Total Real Estate for Resale		1,067	27	1,235	22

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

Represented by:

Acquisition Costs		1,067	27	1,235	22
Total Costs		1,067	27	1,235	22
Total Real Estate for Resale		1,067	27	1,235	22

Movements:

Real Estate assets at beginning of the year		1,235	22	761	18
- Purchases and other costs		307	5	474	4
- WDV of Sales (exp)	5	(475)	-	-	-
Total Real Estate for Resale		1,067	27	1,235	22

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period							as at 30/6/2013					
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	WIP Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying	
	Cost	Fair Value	Dep'n	Impairment	Value								Cost	Fair Value	Dep'n	Impairment	Value	
Capital Work in Progress	633	-	-	-	633	2,683	-	-	-	(633)	-	-	2,683	-	-	-	-	2,683
Plant & Equipment	-	7,504	4,055	-	3,449	1,200	(316)	(582)	-	-	-	-	-	7,915	4,164	-	-	3,751
Office Equipment	-	623	585	-	38	-	-	(10)	-	-	-	-	-	624	596	-	-	28
Furniture & Fittings	-	212	190	-	22	9	(1)	(7)	-	-	-	-	-	207	184	-	-	23
Land:																		
- Operational Land	-	7,091	-	-	7,091	435	-	-	-	-	(1,556)	-	-	5,970	-	-	-	5,970
- Community Land	-	4,427	-	-	4,427	-	(90)	-	-	-	-	-	-	4,337	-	-	-	4,337
Buildings - Specialised	-	23,634	17,080	-	6,554	85	-	(386)	-	65	-	1,802	-	29,463	21,343	-	-	8,120
Other Structures	6,043	-	4,366	-	1,677	108	(36)	(131)	-	-	-	-	6,073	-	4,455	-	-	1,618
Infrastructure:																		
- Roads, Bridges, Footpaths	161,002	-	41,210	-	119,792	1,491	(369)	(1,533)	(60)	568	-	-	162,536	-	42,587	60	-	119,889
- Stormwater Drainage	2,600	-	1,587	-	1,013	-	-	(36)	-	-	-	-	2,599	-	1,622	-	-	977
Other Assets:																		
- Library Books	569	-	440	-	129	38	-	(35)	-	-	-	-	607	-	475	-	-	132
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																		
- Tips & Quarry Asset	-	2,240	232	-	2,008	-	-	(109)	-	-	-	-	2,240	-	341	-	-	1,899
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	170,847	45,731	69,745	-	146,833	6,049	(812)	(2,829)	(60)	-	(1,556)	1,802	176,738	48,516	75,767	60	-	149,427

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$4305) and New Assets (\$67). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000	Actual 2013				Actual 2012			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Other Assets	-	-	-	-	-	90	-	90
Total Water Supply	-	-	-	-	-	90	-	90
Domestic Waste Management								
Plant & Equipment	-	8	6	2	-	8	6	2
Other Equipment	-	-	-	-	-	1	1	-
Other Structures	-	23	23	-	-	23	23	-
Other Assets	102	-	83	19	101	-	78	23
Total DWM	102	31	112	21	101	32	108	25
Other Restricted Assets								
- Stormwater Drainage	2,599	-	1,622	977	2,599	-	1,587	1,012
Total Other Restrictions	2,599	-	1,622	977	2,599	-	1,587	1,012
TOTAL RESTRICTED I,PP&E	2,701	31	1,734	998	2,700	122	1,695	1,127

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

\$ '000	Notes	Actual 2013	Actual 2012
Impairment Losses recognised in the Income Statement Incl.			
Impairment of Cross Keys Causeway		(60)	-
Total Impairment Losses		(60)	-
IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L	4(d)	(60)	-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		677	-	1,059	-
Payments Received In Advance		68	-	67	-
Accrued Expenses:					
- Other Expenditure Accruals		10	-	7	-
Security Bonds, Deposits & Retentions		268	-	226	-
Alison Court - Aged Care Advances		-	97	-	98
Other		-	-	1	-
Total Payables		1,023	97	1,360	98
Borrowings					
Loans - Secured ¹		432	689	129	1,125
Government Advances		2	11	-	15
Total Borrowings		434	700	129	1,140
Provisions					
Employee Benefits;					
Annual Leave		492	-	495	-
Sick Leave		7	-	6	-
Long Service Leave		1,163	-	1,106	-
Sub Total - Aggregate Employee Benefits		1,662	-	1,607	-
Asset Remediation/Restoration (Future Works) ²⁶		-	2,112	-	2,038
Provision for Impairment - Roads, bridges, f		60	-	-	-
Total Provisions		1,722	2,112	1,607	2,038
Total Payables, Borrowings & Provisions		3,179	2,909	3,096	3,276
(i) Liabilities relating to Restricted Assets					
		2013		2012	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		2	-	2	-
Domestic Waste Management		-	-	-	525
Liabilities relating to externally restricted assets		2	-	2	525
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		2	-	2	525
Total Liabilities relating to Unrestricted Assets		3,177	2,909	3,094	2,751
TOTAL PAYABLES, BORROWINGS & PROVISIONS		3,179	2,909	3,096	3,276

¹ Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	Actual 2013	Actual 2012
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	1,264	1,253
	<u>1,264</u>	<u>1,253</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2012		2013			
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/13
Annual Leave	495	211	(214)	-	-	492
Sick Leave	6	1	-	-	-	7
Long Service Leave	1,106	112	(55)	-	-	1,163
Asset Remediation	2,038	74	-	-	-	2,112
Other	-	60	-	-	-	60
TOTAL	3,645	458	(269)	-	-	3,834

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.
- c. Provision for Impairment - Roads, Bridges & Footpaths

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	11,111	9,175
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		11,111	9,175
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		3,429	1,849
Adjust for non cash items:			
Depreciation & Amortisation		2,829	2,554
Net Losses/(Gains) on Disposal of Assets		504	693
Non Cash Capital Grants and Contributions		(125)	(356)
Impairment Losses Recognition - I,PP&E		60	-
Unwinding of Discount Rates on Reinstatement Provisions		74	16
Share of Net (Profits) or Losses of Associates/Joint Ventures		(4)	(6)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		1,476	(1,062)
Decrease/(Increase) in Inventories		(9)	(78)
Decrease/(Increase) in Other Assets		9	(2)
Increase/(Decrease) in Payables		(382)	(102)
Increase/(Decrease) in other accrued Expenses Payable		3	(2)
Increase/(Decrease) in Other Liabilities		41	139
Increase/(Decrease) in Employee Leave Entitlements		55	80
Increase/(Decrease) in Other Provisions		60	940
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		8,020	4,663

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Non-Cash Investing & Financing Activities			
Bushfire Assets via Grants		125	300
Other Non Cash Items		-	56
Total Non-Cash Investing & Financing Activities		125	356
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		300	300
Credit Cards / Purchase Cards		25	25
Total Financing Arrangements		325	325

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(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 & Equipment			
Construction of Paterson Reservoir		-	410
Total Commitments		-	410
These expenditures are payable as follows:			
Within the next year		-	410
Total Payable		-	410
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	410
Total Sources of Funding		-	410

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year	28	15
Later than one year and not later than 5 years	28	19
Later than 5 years	-	-
Total Non Cancellable Operating Lease Commitments	56	34

b. Non Cancellable Operating Leases include the following assets:

Computer & Other Plant/Equipment

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

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Nil

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2013	Indicator 2013	Prior Periods	
			2012	2011
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>9,784</u>	5.11 : 1	5.07	4.67
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>1,913</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>219</u>	2.09%	2.11%	3.00%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	<u>10,466</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>5,782</u>	34.90%	36.63%	38.00%
Income from Continuing Operations	<u>16,567</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>280</u>	4.61%	4.55%	5.68%
Rates, Annual & Extra Charges Collectible	<u>6,079</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>4,305</u>	213.65%	84.05%	81.00%
Depreciation, Amortisation & Impairment	<u>2,015</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts	Indicator	Prior Periods	
	2013	2013	2012	2011
TCorp Performance Measures - Consolidated				
a. Operating Performance				
Operating Revenue (excl. Capital Grants & Contributions)				
- Operating Expenses	<u>(7)</u>			
Operating Revenue (excl. Capital Grants & Contributions)	<u>13,131</u>	-0.05%	not required	not required
b. Own Source Operating Revenue				
Rates & Annual Charges + User Charges & Fees	<u>6,571</u>			
Total Operating Revenue (incl. Capital Grants & Contributions)	<u>16,567</u>	39.66%	not required	not required
c. Unrestricted Current Ratio				
Current Assets less all External Restrictions	<u>9,784</u>			
Current Liabilities less Specific Purpose Liabilities	<u>1,913</u>	5.11	not required	not required
d. Debt Service Cover Ratio				
Operating Result before Interest & Depreciation (EBITDA)	<u>2,980</u>			
Principal Repayments (from the Statement of Cash Flows)	<u>293</u>			
+ Borrowing Interest Costs (from the Income Statement)		10.17	not required	not required
e. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>5,237</u>			
Annual Depreciation	<u>2,829</u>	1.85	not required	not required
f. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>53,420</u>			
Total value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	<u>130,604</u>	0.41	not required	not required
g. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>2,619</u>			
Required Asset Maintenance	<u>2,370</u>	1.11	not required	not required
h. Building & Infrastructure Renewals Ratio				
Asset Renewals	<u>4,305</u>			
Depreciation of Building and Infrastructure Assets	<u>2,015</u>	2.14	not required	not required
i. Cash Expense Cover Ratio				
Current Year's Cash & Cash Equivalents	<u>11,111</u>			
(Total Expenses - Depreciation - Interest Costs) x12	<u>846</u>	13.13	not required	not required
j. Interest Cover Ratio				
Operating Results before Interest & Depreciation (EBITDA)	<u>2,980</u>			
Borrowing Interest Costs (from the income statement)	<u>158</u>	18.86	not required	not required

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>4.40</td> </tr> <tr> <td>2011</td> <td>4.67</td> </tr> <tr> <td>2012</td> <td>5.07</td> </tr> <tr> <td>2013</td> <td>5.11</td> </tr> </tbody> </table>	Year	Ratio : 1	2010	4.40	2011	4.67	2012	5.07	2013	5.11	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 5.11 : 1</p> <p>The ratio between current assets and current liabilities is slightly lower than for the previous period, and continues to represent a satisfactory level of working capital.</p>
Year	Ratio : 1											
2010	4.40											
2011	4.67											
2012	5.07											
2013	5.11											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>3.00%</td> </tr> <tr> <td>2011</td> <td>3.00%</td> </tr> <tr> <td>2012</td> <td>2.11%</td> </tr> <tr> <td>2013</td> <td>2.09%</td> </tr> </tbody> </table>	Year	Ratio %	2010	3.00%	2011	3.00%	2012	2.11%	2013	2.09%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 2.09%</p> <p>The debt service ratio remains the same as for the previous period and highlights a relatively low demand on discretionary revenue for loan repayments.</p>
Year	Ratio %											
2010	3.00%											
2011	3.00%											
2012	2.11%											
2013	2.09%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>41.00%</td> </tr> <tr> <td>2011</td> <td>38.00%</td> </tr> <tr> <td>2012</td> <td>36.63%</td> </tr> <tr> <td>2013</td> <td>34.90%</td> </tr> </tbody> </table>	Year	Ratio %	2010	41.00%	2011	38.00%	2012	36.63%	2013	34.90%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 34.90%</p> <p>The Rates and Annual Charges Coverage Ratio continues to highlight Council's dependence upon rates income.</p>
Year	Ratio %											
2010	41.00%											
2011	38.00%											
2012	36.63%											
2013	34.90%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>5.67%</td> </tr> <tr> <td>2011</td> <td>5.68%</td> </tr> <tr> <td>2012</td> <td>4.55%</td> </tr> <tr> <td>2013</td> <td>4.61%</td> </tr> </tbody> </table>	Year	Ratio %	2010	5.67%	2011	5.68%	2012	4.55%	2013	4.61%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 4.61%</p> <p>The rates and charges outstanding ratio has increased slightly compared to the prior period and highlights Council's continued positive results in rate recovery efforts.</p>
Year	Ratio %											
2010	5.67%											
2011	5.68%											
2012	4.55%											
2013	4.61%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>121.00%</td> </tr> <tr> <td>2011</td> <td>81.00%</td> </tr> <tr> <td>2012</td> <td>84.05%</td> </tr> <tr> <td>2013</td> <td>213.65%</td> </tr> </tbody> </table>	Year	Ratio %	2010	121.00%	2011	81.00%	2012	84.05%	2013	213.65%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 213.65%</p> <p>Building and Infrastructure Renewals ratio has improved significantly in the current period due to the roads infrastructure funding currently available for Main Road 301.</p>
Year	Ratio %											
2010	121.00%											
2011	81.00%											
2012	84.05%											
2013	213.65%											

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(ii). TCorp Performance Measures - Graphs (Consolidated)

<p>a. Operating Performance</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00%</td> </tr> <tr> <td>2012</td> <td>0.00%</td> </tr> <tr> <td>2013</td> <td>-0.05%</td> </tr> </tbody> </table>	Year	Ratio %	2011	0.00%	2012	0.00%	2013	-0.05%	<p>Purpose of Operating Performance Ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio -0.05%</p> <p>This ratio indicates whether Council has maintained operational expenditure with operating income. A ratio of -0.5% indicates that Council has a very satisfactory operating performance well within the benchmark of -4.0%. Capital grants and contributions are excluded from this calculation.</p>
Year	Ratio %									
2011	0.00%									
2012	0.00%									
2013	-0.05%									
<p>b. Own Source Operating Revenue</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00%</td> </tr> <tr> <td>2012</td> <td>0.00%</td> </tr> <tr> <td>2013</td> <td>39.66%</td> </tr> </tbody> </table>	Year	Ratio %	2011	0.00%	2012	0.00%	2013	39.66%	<p>Purpose of Own Source Operating Revenue Ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 39.66%</p> <p>Own Source Operating Revenue Ratio highlights Council's high dependence on external fundings such as grants and contributions.</p>
Year	Ratio %									
2011	0.00%									
2012	0.00%									
2013	39.66%									
<p>c. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>0.00</td> </tr> <tr> <td>2013</td> <td>5.11</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.00	2012	0.00	2013	5.11	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of unrestricted working capital and Council's ability to meet short term obligations as they fall due.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 5.11</p> <p>Unrestricted Current Ratio highlights Councils can satisfactorily meet short term obligations as they fall due. Restricted contributions such as RMS & Section 94 are excluded from this ratio.</p>
Year	Ratio (x)									
2011	0.00									
2012	0.00									
2013	5.11									
<p>d. Debt Service Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>0.00</td> </tr> <tr> <td>2013</td> <td>10.17</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.00	2012	0.00	2013	10.17	<p>Purpose of Debt Service Cover Ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 10.17 x</p> <p>Debt Service Cover Ratio indicates Council has sufficient operating cash to service existing debt levels.</p>
Year	Ratio (x)									
2011	0.00									
2012	0.00									
2013	10.17									
<p>e. Capital Expenditure Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>0.00</td> </tr> <tr> <td>2013</td> <td>1.85</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.00	2012	0.00	2013	1.85	<p>Purpose of Capital Expenditure Ratio</p> <p>This ratio assesses the extent to which a Council is expanding its asset base with capital expenditure (on new assets, replacement & renewal of existing assets).</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.85 x</p> <p>Capital expenditure ratio is high this period due to additional expenditure on Roads Assets due to the availability of Grant funding.</p>
Year	Ratio (x)									
2011	0.00									
2012	0.00									
2013	1.85									

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(ii). TCorp Performance Measures - Graphs (Consolidated) continued

<p>f. Infrastructure Backlog Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>0.00</td> </tr> <tr> <td>2013</td> <td>0.41</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.00	2012	0.00	2013	0.41	<p>Purpose of Infrastructure Backlog Ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.41 x</p> <p>This ratio shows the proportion of the infrastructure backlog against the total value of the infrastructure, indicating that approximately 40% of the written down value of the infrastructure should be spent to bring the assets into satisfactory condition.</p>
Year	Ratio (x)									
2011	0.00									
2012	0.00									
2013	0.41									
<p>g. Asset Maintenance Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>0.00</td> </tr> <tr> <td>2013</td> <td>1.11</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.00	2012	0.00	2013	1.11	<p>Purpose of Asset Maintenance Ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio of > 1.0x indicates enough has been spent to stop the Infrastructure Backlog from growing.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.11 x</p> <p>Council is currently undertaking sufficient maintenance to prevent the Infrastructure backlog from growing.</p>
Year	Ratio (x)									
2011	0.00									
2012	0.00									
2013	1.11									
<p>h. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>0.00</td> </tr> <tr> <td>2013</td> <td>2.14</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.00	2012	0.00	2013	2.14	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 2.14 x</p> <p>Building and Infrastructure Renewals ratio has improved significantly in the current period due to the roads infrastructure funding currently available for Main Road 301.</p>
Year	Ratio (x)									
2011	0.00									
2012	0.00									
2013	2.14									
<p>i. Cash Expense Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>0.00</td> </tr> <tr> <td>2013</td> <td>13.13</td> </tr> </tbody> </table>	Year	Ratio (mths)	2011	0.00	2012	0.00	2013	13.13	<p>Purpose of Cash Expense Cover Ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 13.13 mths</p> <p>Liquidity cover ratio indicates Council can continue to pay immediate expenses without additional cash flow for a period of 13 months.</p>
Year	Ratio (mths)									
2011	0.00									
2012	0.00									
2013	13.13									
<p>j. Interest Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.00</td> </tr> <tr> <td>2012</td> <td>0.00</td> </tr> <tr> <td>2013</td> <td>18.86</td> </tr> </tbody> </table>	Year	Ratio (x)	2011	0.00	2012	0.00	2013	18.86	<p>Purpose of Interest Cover Ratio</p> <p>This ratio indicates the extent to which a Council can service (thru operating cash) its interest bearing debt & take on additional borrowings.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 18.86 x</p> <p>Interest Cover ratio indicates Council is in a satisfactory position to service current debt commitments and its ability to service additional borrowings.</p>
Year	Ratio (x)									
2011	0.00									
2012	0.00									
2013	18.86									

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2013	Sewer 2013	General ¹ 2013
Local Government Industry Indicators - by Fund			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	n/a	n/a	5.11 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	339.00 : 1	No Liabilities	5.07 : 1
2. Debt Service Ratio			
Debt Service Cost	n/a	n/a	2.09%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)			
prior period:	0.00%	0.00%	2.12%
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	n.a	n/a	34.92%
Income from Continuing Operations			
prior period:	0.00%	0.00%	36.70%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	n/a	n/a	4.39%
Rates, Annual & Extra Charges Collectible			
prior period:	0.00%	0.00%	4.55%
5. Building & Infrastructure Renewals Ratio			
Asset Renewals (Building & Infrastructure assets)	n/a	n/a	213.65%
Depreciation, Amortisation & Impairment			
prior period:	0.00%	0.00%	84.05%

Notes

(1) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

Risk Management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	11,111	9,175	11,111	9,175
Investments				
- "Held to Maturity"	1,000	500	1,000	500
Receivables	1,044	2,524	1,044	2,475
Total Financial Assets	13,155	12,199	13,155	12,150
Financial Liabilities				
Payables	1,052	1,391	1,052	1,391
Loans / Advances	1,134	1,269	1,134	1,269
Total Financial Liabilities	2,186	2,660	2,186	2,660

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and it's staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is 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.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2013				
Possible impact of a 1% movement in Interest Rates	111	111	(111)	(111)
2012				
Possible impact of a 1% movement in Interest Rates	85	85	(85)	(85)

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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

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

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

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

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	-	-	(34)
Overdue	279	765	260	2,298
	279	765	260	2,264

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables & 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 & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2013									
Trade/Other Payables	268	784	-	-	-	-	-	1,052	1,052
Loans & Advances	-	495	269	208	208	208	-	1,388	1,134
Total Financial Liabilities	268	1,279	269	208	208	208	-	2,440	2,186
2012									
Trade/Other Payables	226	1,067	98	-	-	-	-	1,391	1,391
Loans & Advances	-	208	495	269	208	208	208	1,596	1,269
Total Financial Liabilities	226	1,275	593	269	208	208	208	2,987	2,660

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

The following interest rates were applicable to Council's Borrowings at balance date:

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	1,052	0.0%	1,391	0.0%
Loans & Advances - Fixed Interest Rate	1,134	6.9%	1,269	6.9%
	2,186		2,660	

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 27 June 2012.

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

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

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

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	5,797	5,782	(15)	(0%) U
User Charges & Fees	654	789	135	21% F
Higher than budgeted revenue in User Charges and Fees received due to increased inspection fees \$44,500 for Sub-Divisions, and increased Waste Management fees at Dungog Landfill \$45,985				
Interest & Investment Revenue	332	453	121	36% F
Investment funds were committed to longer term deposits (less than 12 months) to take advantage of higher interest rate when available throughout the period resulting in higher levels of interest earned. Increased levels of investment relates mainly to grant funding received for roads and infrastructure projects, together with developer contributions.				
Other Revenues	313	1,199	886	283% F
Higher levels of revenue than budgeted received in Workers Compensation and Insurance Rebates \$59,688, Insurance Claims \$23,413, Section 88 Levy charges \$174,369 and second payment for Water & Sewer Finalisation \$613,759.				
Operating Grants & Contributions	2,745	4,904	2,159	79% F
Changes to the Local Government Accounting Code in 2011 requires grants and contributions to be classified as Operating or capital depending on the purpose for which they are received, not the purpose for which they are spent. Councils budget classified grants and contributions as operating or capital based on the purpose for which they are spent. In addition, unbudgeted funding was received for Rural Landuse Strategy \$150,000, Roadside Weeds Project \$53,159 and Grant for removal of underground petrol storage system \$200,000				
Capital Grants & Contributions	5,067	3,436	(1,631)	(32%) U
Refer to Operating Grants & Contributions above. In addition, grant funding for Regional Roads Projects were deferred until the following period due to timing of works.				
Net Gains from Disposal of Assets	49	-	(49)	(100%) U
No net gain from Disposal of Assets due to the timing of sales and return on disposal.				

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	4,091	3,807	284	7% F
Borrowing Costs	143	158	(15)	(10%) U
Increase in remediation liabilities due to inclusion of Quarries.				
Materials & Contracts	3,955	4,318	(363)	(9%) U
Depreciation & Amortisation	2,529	2,829	(300)	(12%) U
Inclusion of Quarries for Depreciation and Remediation has increased these costs by \$150,704				
Impairment Expenses	-	60	(60)	0% U
Other Expenses	1,699	1,462	237	14% F
Lower than budgeted expenditure, Internal Audit \$19,000, Printing & Stationary \$ 15,144, Insurance \$58,148 Energy Costs \$11,913 and Delegate Travel and Expenses \$28,808				
Net Losses from Disposal of Assets	-	504	(504)	0% U

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

Cash Flows from Operating Activities	5,070	8,020	2,950	58.2% F
Resulting from higher than budgeted Grants and Contributions, due largely to the prepayment of Financial Assistance Grant funding (\$1.3m) and the requirement to record Roads to Recovery funding (\$400,577) as operating income. Refer to commentary on Operating Grants and Contributions above. Lower than budgeted operating expenses have also contributed to this favourable result.				
Cash Flows from Investing Activities	(5,405)	(5,949)	(544)	10.1% U
Continued works on Melbee Stage 4 (now complete) and the purchase of operational land at 41 Common Road \$200,000 and 241 Dowling Street \$230,000				
Cash Flows from Financing Activities	(135)	(135)	-	0.0% F

Budget Variations relating to Council's Operating Result by Functions include:

Governance - Lower than budgeted Delegate Expenses and Training.

Administration - Lower than budgeted expenditure for printing and stationary, insurance and internal audit.

Public Order and Safety - No cash transfers of Fleet.

Health - lower than budgeted income from inspections.

Environment - higher than budgeted Sec 88 fees, steel sales and waste depot income.

Water & Sewerage - unbudgeted interest income and transfer expenses pending finalisation of transfer.

Recreation and Culture - unbudgeted Section 94 Contributions for Recreation and Culture.

Mining, Manufacturing and Construction - Depreciation and Remediation Costs.

General Purpose Income - Prepayment of Financial Assistance Grant and higher than budgeted Sec 94 contributions.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	674	206	-	23	-	-	903	153	-	1,056	-
Traffic Facilities	31	-	-	1	-	-	32	-	-	32	-
Open Space	449	368	-	18	(67)	-	768	275	-	1,043	-
Community Facilities	721	308	-	24	-	-	1,053	230	-	1,283	-
Bushfire	201	66	-	7	-	-	274	50	-	324	-
Other	71	82	-	2	-	-	155	60	-	215	-
S94 Contributions - under a Plan	2,147	1,030	-	75	(67)	-	3,185	768	-	3,953	-
Total S94 Revenue Under Plans	2,147	1,030	-	75	(67)	-	3,185	-	-	-	-
S94 not under Plans	10	-	-	1	-	-	11	-	-	11	-
Total Contributions	2,157	1,030	-	76	(67)	-	3,196	768	-	3,964	-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
		Roads	24					-	-	1	
Traffic Facilities	7	-	-	-	-	-	7	-	-	7	-
Open Space	41	-	-	1	(26)	-	16	-	-	16	-
Community Facilities	27	-	-	-	-	-	27	-	-	27	-
Bushfire	20	-	-	1	-	-	21	-	-	21	-
Total	119	-	-	3	(26)	-	96	-	-	96	-

CONTRIBUTION PLAN NUMBER 3

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
		Roads	320					-	-	10	
Open Space	48	-	-	2	-	-	50	-	-	50	-
Community Facilities	109	-	-	3	-	-	112	-	-	112	-
Bushfire	26	-	-	1	-	-	27	-	-	27	-
Other	2	-	-	-	-	-	2	-	-	2	-
Total	505	-	-	16	-	-	521	-	-	521	-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 4

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Sports Fields	332	354	-	14	(41)	-	659	265	-	924	-
Parklands	28	14	-	1	-	-	43	10	-	53	-
Swimming Pools	142	70	-	5	-	-	217	52	-	269	-
Indoor Sports	143	74	-	5	-	-	222	56	-	278	-
Local Community Centre	48	28	-	2	-	-	78	21	-	99	-
District Community Centre	33	20	-	1	-	-	54	15	-	69	-
Youth Venue	25	14	-	1	-	-	40	10	-	50	-
Arts & Crafts Centre	7	4	-	-	-	-	11	3	-	14	-
Aged Facilities	23	13	-	1	-	-	37	9	-	46	-
Library	72	43	-	3	-	-	118	32	-	150	-
Pre School	92	42	-	3	-	-	137	32	-	169	-
Rural Sub-Arterial Roads	111	41	-	4	-	-	156	30	-	186	-
Rural Local Roads	193	144	-	7	-	-	344	108	-	452	-
Traffic Management	24	-	-	1	-	-	25	-	-	25	-
Bikeways Facilities	25	19	-	1	-	-	45	14	-	59	-
Fire Service	155	66	-	5	-	-	226	50	-	276	-
Section 94 Administration	(4)	49	-	-	-	-	45	36	-	81	-
Unsealed Roads & Bridges	1	2	-	-	-	-	3	1	-	4	-
Other	73	33	-	2	-	-	108	24	-	132	-
Total	1,523	1,030	-	56	(41)	-	2,568	768	-	3,336	-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	2	-	-	-	-	-	2	-	-	2	-
Open Space	8	-	-	1	-	-	9	-	-	9	-
Total	10	-	-	1	-	-	11	-	-	11	-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Guarantees Continued

Hunter Council Ltd

Council is joint guarantor for a loan of \$2.86M which was drawn down on the 1st July 2003 by Hunter Councils Limited. The total loan approved was for \$3.4M of which Council's exposure will be \$97,795.71.

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

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

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

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

(iii) Salary System

At reporting date, Council was in the process of developing the salary system required by clause 3(vi) of the Local Government (State) Award 2010.

When Council, its Consultative Committee and employee representative organisations have accepted the salary system, some pay increments relating to this reporting period will be required, but it is not possible to reliably estimate these amounts at the time of preparation of these reports.

(iv) Potential Land Acquisitions due to Planning

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 (& subsequent land asset) from such potential acquisitions has not been possible.

(v) Asset Transfer

Remaining Water and Sewer cash assets will be required to be spent as disclosed in Note 12. However, there are uncertainties regarding completion of certain conditions resulting in the unrecorded transfer liability.

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

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 & including 30/6/08.

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils 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.

(iii) Rural Fire Fighting Assets

Council has title to and is the registered owner of rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council and accordingly they have not been recognised in these reports.

(iv) Hunter Water Corporation

Council is expecting a final compensation payment of approximately \$325,000 subject to certain conditions being met. Due to delays and factors outside control of Council, asset has not been recorded.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

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

Subsidiaries

Note 19(a)

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

Associated Entities & Joint Venture Entities

Note 19(b) (i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Associated Entities	-	-	-	-
Joint Venture Entities	4	6	30	26
Total	4	6	30	26

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

(a) Subsidiaries (ie. Entities & Operations controlled by Council)

Council has no interest in any Subsidiaries.

(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2013	2012
Hunter Councils Limited	To improve quality & efficiency of Local Govt Services in the Hunter	30	26
Total Carrying Amounts - Joint Venture Entities		30	26

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2013	2012	2013	2012	2013	2012
Hunter Councils Limited	3%	3%	3%	3%	8%	8%

(c) Movement in Carrying Amounts

	Hunter Councils Limited	
	2013	2012
Opening Balance	26	20
Share in Operating Result	4	6
Council's Equity Share in the Joint Venture Entity	30	26

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2013					
Hunter Councils Limited	10	95	12	63	30
Totals	10	95	12	63	30
2012					
Hunter Councils Limited	10	96	12	68	26
Totals	10	96	12	68	26

(e) Share of Joint Ventures Revenues, Expenses & Results

	2013			2012		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Hunter Councils Limited	32	28	4	32	26	6
Totals	32	28	4	32	26	6

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		142,282	140,439
a. Net Operating Result for the Year		3,425	1,843
Balance at End of the Reporting Period		145,707	142,282

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	12,414	12,168
Total	12,414	12,168

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	12,168	12,168
- Revaluations for the year	246	-
- Balance at End of Year	12,414	12,168
TOTAL VALUE OF RESERVES	12,414	12,168

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

(c) Correction of Error/s relating to a Previous Reporting Period

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

(d) Voluntary Changes in Accounting Policies

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
<u>Continuing Operations</u>	Water	Sewer	General ¹
Income from Continuing Operations			
Rates & Annual Charges	-	-	5,782
User Charges & Fees	-	-	789
Interest & Investment Revenue	9	2	442
Other Revenues	-	-	1,199
Grants & Contributions provided for Operating Purposes	-	-	4,904
Grants & Contributions provided for Capital Purposes	-	-	3,436
Other Income			
Net Gains from Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	4
Total Income from Continuing Operations	9	2	16,556
Expenses from Continuing Operations			
Employee Benefits & on-costs	-	-	3,807
Borrowing Costs	-	-	158
Materials & Contracts	-	-	4,318
Depreciation & Amortisation	-	-	2,829
Impairment	-	-	60
Other Expenses	411	-	1,051
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	-	-	504
Total Expenses from Continuing Operations	411	-	12,727
Operating Result from Continuing Operations	(402)	2	3,829
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(402)	2	3,829
Net Operating Result attributable to each Council Fund	(402)	2	3,825
Net Operating Result attributable to Non-controlling Interests	-	-	4
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(402)	2	393

¹ General Fund refers to all Council's activities other than Water & Sewer.

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Dungog Shire Council

Notes to the Financial Statements

as at 30 June 2013

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	265	51	10,795
Investments	-	-	1,000
Receivables	11	1	962
Inventories	-	-	1,390
Other	-	-	210
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	276	52	14,357
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	70
Inventories	-	-	27
Infrastructure, Property, Plant & Equipment	-	-	149,427
Investments Accounted for using the equity method	-	-	30
Investment Property	-	-	-
Total Non-Current Assets	-	-	149,554
TOTAL ASSETS	276	52	163,911
LIABILITIES			
Current Liabilities			
Payables	2	-	1,021
Borrowings	-	-	434
Provisions	-	-	1,722
Total Current Liabilities	2	-	3,177
Non-Current Liabilities			
Payables	-	-	97
Borrowings	-	-	700
Provisions	-	-	2,112
Total Non-Current Liabilities	-	-	2,909
TOTAL LIABILITIES	2	-	6,086
Net Assets	274	52	157,825
EQUITY			
Retained Earnings	246	52	145,409
Revaluation Reserves	28	-	12,386
Council Equity Interest	274	52	157,795
Non-controlling Interests	-	-	30
Total Equity	274	52	157,825

¹ General Fund refers to all Council's activities other than Water & Sewer.

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Note 23. Events occurring after the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 02/10/13.

Events that occur after the Reporting Period represent one of two types:

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

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

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2013	2012
Tips - Dungog Shire	2031	1,116	1,098
Quarries - Dungog Shire	Various	996	940
Balance at End of the Reporting Period	10(a)	2,112	2,038

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	2,038	1,082
Amounts capitalised to new or existing assets:		940
Amortisation of discount (expensed to borrowing costs)	74	16
Total - Reinstatement, rehabilitation and restoration provision	2,112	2,038

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 27. Council Information & Contact Details

Principal Place of Business:

198 Dowling Street
Dungog, NSW 2420

Contact Details

Mailing Address:

PO Box 95
Dungog NSW 2420

Opening Hours:

Monday - Friday
8.45am - 4.30pm

Telephone: 02 49957777

Facsimile: 02 49957750

Internet: www.dungog.nsw.gov.au

Email: shirecouncil@dungog.nsw.gov.au

INDEPENDENT AUDIT REPORT
Report on the general purpose financial statements

To Dungog Shire Council

SCOPE

The financial statements comprises the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Dungog Shire Council (the Council), for the year ended 30th June 2013.

Councils' responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1993* and regulations and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them. Further, our audit does not extend to the New South Wales Treasury Corporation ("TCorp") performance measures in Note 13, in relation to the infrastructure backlog ratio and asset maintenance ratio as this includes figures from the Special Schedules 7 and 8 which are not subject to our audit opinion and accordingly, we express no opinion on them.

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

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

INDEPENDENCE

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

BASIS OF QUALIFIED AUDITOR'S OPINION

Council has not revalued its roads, bridges, stormwater, bulk earthworks, footpaths and other assets in accordance with Code 21 issued by Division Local Government. This revaluation was required to be completed for the 2010 financial year.

Section 413(2b) and 413(3b) of the *Local Government Act 1993*, requires Council's to comply with the Local Government Code of Accounting Practice ("the Code").

As the revaluation has not been completed, these assets are held at historical cost and not at their fair value in accordance with the Code.

Therefore, our audit opinion has been qualified for a breach of Section 413(2b) and 413(3b) of the *Local Government Act 1993* for not complying with the Code directive.

QUALIFIED AUDIT OPINION

In our opinion, except for the effects on the financial statements of the matter referred to in the paragraph above titled Basis for qualified Auditor's Opinion:

- (a) The accounting records of Dungog Shire Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act, 1993*;
- (b) the general purpose financial statements:
 - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act, 1993*;
 - (ii) are consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2013 and the results of its operations for the year then ended; and

- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall
Principal

2nd October 2013

92 Rusden Street Armidale

2 October 2013

The Mayor
Dungog Shire Council
PO Box 95
DUNGOG NSW 2420

Armidale

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Armidale NSW 2350

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e armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

Dear Sir,

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

We are pleased to report that we have completed the audit of Council's records for the year ended 30 June 2013 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

Under Section 417(3) of the *Local Government Act 1993* we are also required to report on the conduct of the audit.

Council's responsibilities

The Council is responsible for preparing financial statements that give a true and fair view of the financial position and performance of the Council, and that complies with Accounting Standards in Australia, in accordance with the *Local Government Act 1993*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit Objectives

The overall objectives of the audit were to enable us to form an opinion as to whether, in all material respects, the general purpose financial statements:

- were presented fairly in accordance with the requirements of the *Local Government Act 1993* and prescribed Regulations and the Australian Accounting Standards; and
- presented a view which was consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

Scope of the Audit

Audit procedures were primarily aimed at achieving audit objectives and did not seek to confirm for management purposes the effectiveness of all internal controls. The planning of the audit procedures was based on an assessment of the risk of the existence of errors and/or irregularities which could materially affect the financial statements.



We conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them. Further, our audit does not extend to the New South Wales Treasury Corporation ("TCorp") performance measures in Note 13, in relation to the infrastructure backlog ratio and asset maintenance ratio as this includes figures from the Special Schedules 7 and 8 which are not subject to our audit opinion and accordingly, we express no opinion on them.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial statements present fairly, in accordance with the *Local Government Act 1993*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial statements. These and other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Council.

We have issued our audit opinion on the basis of the foregoing comments.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Dungog Shire Council for the year ended 30 June 2013 included on Dungog Shire Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.



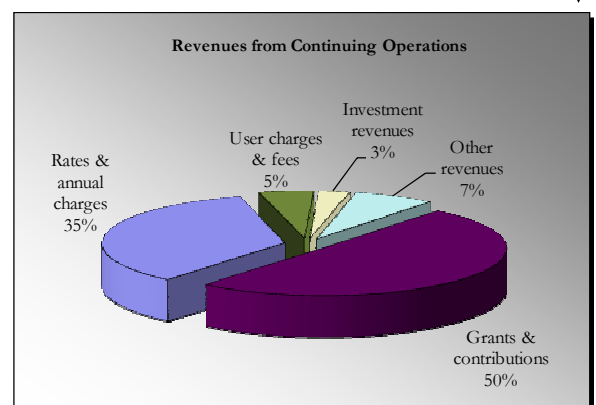
Additional Reporting Requirements

In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The Income Statement for the year ended 30th June 2013 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2013	2013	2012	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	5,797	5,782	5,517	4.8%	-0.3%
User charges & fees	654	789	717	10.0%	20.6%
Investment revenues	332	453	570	-20.5%	36.4%
Other revenues from ordinary activities	313	1,199	484	147.7%	283.1%
Grants & contributions for operating purposes	2,745	4,904	6,052	-19.0%	78.7%
Grants & contributions For capital purposes	5,067	3,436	1,716	100.2%	-32.2%
Gain from interests in joint ventures & associates	49	4	6	-33.3%	0.0%
Total income from continuing operations	14,957	16,567	15,062	10.0%	10.8%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	4,091	3,807	3,817	-0.3%	-6.9%
Borrowing costs	143	158	105	50.5%	10.5%
Materials and contracts	3,955	4,318	4,696	-8.0%	9.2%
Depreciation, amortisation and impairment	2,529	2,889	2,554	8.5%	14.2%
Other expenses from ordinary activities	1,699	1,462	1,348	13.1%	-13.9%
Loss from disposal of assets	0	504	693	-27.3%	100.0%
Total Expenses from continuing operations	12,417	13,138	13,213	-0.6%	5.8%
OPERATING RESULT FROM CONTINUING OPERATIONS	2,540	3,429	1,849	85.5%	35.0%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(2,527)	(7)	133	-105.3%	-99.7%

Council has reported a surplus from continuing activities of \$3.4m for 2013 compared with a surplus of \$1.8m in 2012. This result includes grants for capital purposes of \$3.4m. The expenditure of these grants is not recorded in this statement but in the Statement of Financial Position. Excluding the capital grants, Council recorded a loss of \$7,000 (2012: surplus \$0.1m).



Revenues from continuing activities increased by \$1.5m compared to 2012 due mainly to an increase in grants & contributions for capital purposes and higher other revenues, partially offset by a decrease in operating grants and contributions.

Grants for capital purposes increased due to contributions for the major upgrade of Clarence Town Road and higher developer contributions arising from increased development activity in the region. Grants and contributions for operating purposes decreased as a result of the early receipt of 2013 financial assistance grant instalments in 2012, lower Roads and Maritime Services (RMS) grants and contributions for road maintenance, lower Rail Services Authority contributions for road works and a



general reduction in transport grants. Other revenue increased due to the penultimate compensation instalment from Hunter Water Corporation for the transfer of water and sewer operations that occurred in 2009.

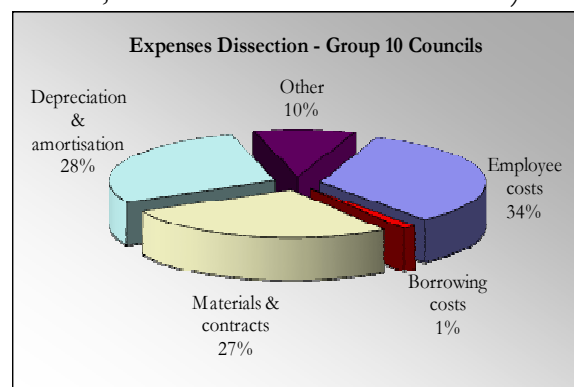
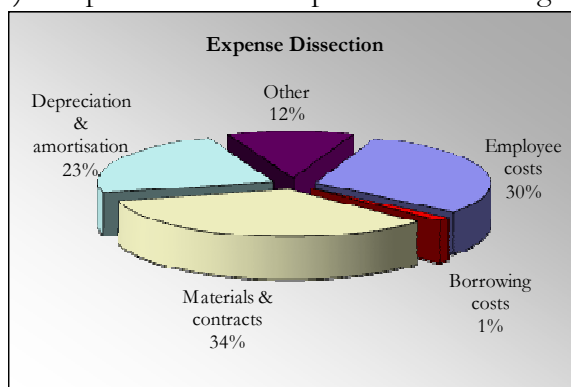
Expenditure from continuing activities has decreased marginally by \$0.1m compared to 2012 as a result of normal increases in operating costs being offset by some of Council's road maintenance staff and related materials costs being capitalised with regard to the upgrade of Clarence Town Road and other capital projects rather than being used for normal road maintenance projects.

The budget amounts included above are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating surplus from continuing activities for the year of \$3.4m compares with the original budget surplus of \$2.5m.

The \$0.9m variation between the actual results and the original budget was due to the following:

- Grants and contributions income - operating and capital (net favourable to budget \$0.5m) – there was a difference in grant and contribution revenue allocations in the budget based on what the purpose of the grants was received for; however for the actual results these were allocated on the purpose they were spent. This resulted in the variance between operating versus capital grant incomes. The overall net increase in combined grants and contributions revenue was due to additional grants and developer contributions received that were not planned in the budget
- Other revenues (favourable to budget \$0.9m) – due to the Hunter Water Corporation penultimate compensation instalment for the transfer of water and sewer operations that occurred in 2009.
- Employee benefits and on-costs (favourable to budget \$0.3m) – There was a higher level of capitalised roadwork staff costs in relation to capital projects such as Clarence Town Road than in the budget.
- Materials and contracts (unfavourable \$0.4m) – There was additional grant funded maintenance resulting in higher expenses.
- Depreciation and amortisation (unfavourable to budget \$0.3m) – The original budget did not make provision for increased depreciation on assets following their revaluation in prior years and also the impact of quarry remediation asset depreciation.
- Other expenditure (favourable to budget \$0.2m) – Various expenses were lower than budgeted including insurance, internal audit, energy costs and travel.
- Loss on disposal of assets (unfavourable to budget \$0.5m) – the net loss is due to writing off the residual value on roads replaced during the year. The budget did not anticipate these losses. Further, Council had budgeted for surpluses on land and plant sales but instead incurred losses.
- There were also other variations across income and expense categories with a net favourable variance to budget of \$0.2m

Below is a comparison of expense dissections for the Council for 2013 (excluding loss on sale of assets) compared to the Group 10 council average (2011 data, which is the latest data available).

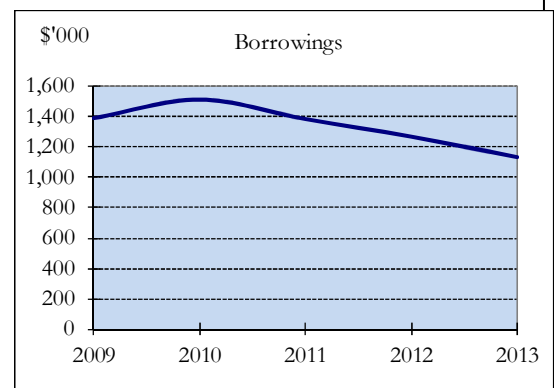
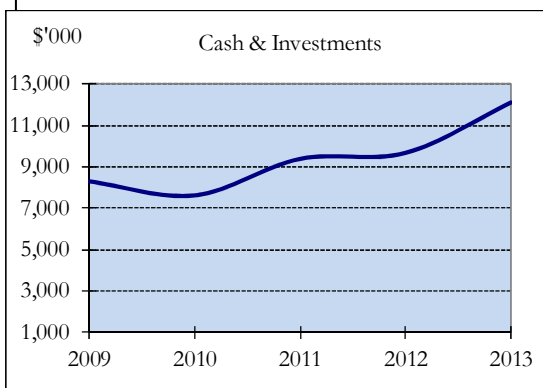




The main variances are materials and contract costs, employee costs and depreciation and amortisation. The mix between contract and employee costs will vary depending on the level of works activities conducted internally compared to use of external contractors and suppliers. Council presently uses a higher proportion of external contractors and suppliers for major works and has lower employee numbers than other Group 10 council's. The variance with regard to the level of depreciation expense compared to the Group 10 average is due to Council having not completed its revaluation of roads, bridges and footpaths.

The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30 June 2013. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2013 \$'000	2012 \$'000	Variance %
CURRENT ASSETS			
Cash and cash equivalents	11,111	9,175	21.1%
Investments	1,000	500	100.0%
Receivables	974	2,449	-60.2%
Inventories	1,390	1,549	-10.3%
Other	210	219	-4.1%
TOTAL CURRENT ASSETS	14,685	13,892	5.7%
CURRENT LIABILITIES			
Payables	1,023	1,360	-24.8%
Borrowings	434	129	236.4%
Provisions	1,722	1,607	7.2%
TOTAL CURRENT LIABILITIES	3,179	3,096	2.7%
NET CURRENT ASSETS	11,506	10,796	6.6%
NON-CURRENT ASSETS			
Inventory	27	22	22.7%
Receivables	70	75	-6.7%
Other	30	26	15.4%
Infrastructure, Property Plant & Equipment	149,427	146,833	1.8%
TOTAL NON-CURRENT ASSETS	149,554	146,956	1.8%
NON-CURRENT LIABILITIES			
Payables	97	98	-1.0%
Provisions	2,112	2,038	3.6%
Borrowings	700	1,140	-38.6%
TOTAL NON-CURRENT LIABILITIES	2,909	3,276	-11.2%
NET ASSETS	158,151	154,476	2.4%





Cash and investments increased by \$2.4m from 2012 due to the higher operating surplus in 2013 and proceeds on sale of assets not being spent completely on infrastructure capital works (some of which is due to the timing of infrastructure work expenditure).

Loans overall decreased due to scheduled repayments.

Infrastructure property, plant and equipment increased due to asset additions, especially Clarence Town Road upgrades. However, council has not revalued its roads, bridges, footpaths and bulk earthworks, in accordance with the Local Government Code of Accounting Practice.

Other major balance sheet movements include:

- Receivables – The high level of unpaid grant and contribution debtors at the end of 2012 have since been collected and more grants and contributions were collected at the close of the 2013 financial year; and
- Inventory – Council has sold a portion of its land inventory in the 2013 year.

NET CURRENT ASSETS

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations, infrastructure replacement and renewal and new community projects. The funding of restrictions should also be considered when evaluating funds available for working capital purposes. The following table provides a reconciliation of unrestricted assets:

	Water \$'000	Sewerage \$'000	Dom Waste \$'000	General \$'000	Total \$'000
Current Assets	278	52	691	13,664	14,685
Current Liabilities	2	-	-	3,177	3,179
Net Current Assets	276	52	691	10,487	11,506
Plus: Employee Provisions >12mths	-	-	-	1,264	1,264
Total Funds before Restrictions	276	52	691	11,751	12,770
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	-	-	-	3,196	3,196
Specific Purpose Grants & Contributions	-	-	-	196	196
Deposits and retentions	-	-	-	266	266
Other external restrictions	-	-	-	223	223
	-	-	-	3,881	3,392
NET FUNDS AVAILABLE	276	52	691	7,870	9,378
LESS Internal Restrictions	-	-	-	7,217	7,217
Net Funds After All Restrictions	276	52	691	653	2,161

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	632	90	-	722
Plant replacement	542	2,312	1,728	1,126
Shire properties	252	15	6	261
Special projects	497	1,275	1,332	440
Town funds	156	-	10	146
Financial assistance grant in advance	1,438	2,924	2,375	1,987
Settlement for the aged	111	86	76	121
Other waste management	133	319	20	432
Insurance equalisation	235	36	-	271
RBF unexpended	349	77	107	319
Other	761	663	32	1,392
	5,106	7,797	5,686	7,217



The internal restriction for employee leave entitlements represents 43% of total leave liability. The level of employee leave funding is considered satisfactory and is consistent with restrictions imposed by Councils of similar size and the age profile of employees.

After funding all restrictions, Council’s general function has funds of \$0.7m which is considered satisfactory to fund short to medium term needs (ignoring long term infrastructure renewal issues).

Local Government Industry Performance Indicators

The Code of Accounting Practice requires the mandatory disclosure of certain performance indicators. These financial indicators are useful in assessing performance, financial position and the likely financial burden to be placed on ratepayers.

The key consolidated financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2013	2012	2011	2010	2009
UNRESTRICTED RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	5.11	5.07	4.67	4.41	3.74
DEBT SERVICE RATIO	To assess the degree to which revenues are committed to the repayment of debt.	2.1%	2.1%	3.0%	3.0%	3.0%
RATE COVERAGE RATIO	To assess the degree of dependence upon revenues from rates and annual charges.	34.9%	37.0%	38.0%	41.0%	31.0%
OUTSTANDING RATES %	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	4.6%	4.6%	5.7%	5.7%	5.2%
ASSET RENEWALS RATIO	To assess the rate at which assets are being renewed against the rate they are being depreciated	2.14	0.84	0.81	1.21	2.68

Unrestricted Ratio

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants & contributions and employee entitlements that are not expected to be paid in the next twelve months. This ratio is before setting aside cash to fund internal restrictions relative to the general function.

An unrestricted current ratio of 5.11 indicates that the general purpose function of Council has \$5.11 available to meet every dollar of current liability. This ratio has continued to increase over the past 5 years and also exceeds the industry benchmarks of 4.03 for Category 10 Councils (2011 data).

Debt Service Ratio

The debt service ratio of 2.1% (i.e. \$2.10 of every \$100 of revenue is used to fund interest and debt repayments) is lower than the average for Group 10 Councils of 3.4% (2011 data). The low ratio is one indicator that Council may have some capacity to increase its borrowings to fund infrastructure needs if required.



Rate coverage ratio

The rate coverage ratio of 35% exceeds the Group 10 average of 31% for the 2011 year. The ratio shows Council's dependence on government grants and other funding.

Outstanding Rates

The outstanding rates ratio of 4.6% (i.e. 4.6% of all rates levied had not been received by year end) compares favourably to the Group 10 average of 9.2% for the 2011 year. This ratio indicates that council has been relatively successful in collecting outstanding rates.

Asset Renewal Ratio

The asset renewals ratio outlines Council's performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2013 Council spent \$2.14 for every \$1 in estimated asset deterioration. The Group 10 average for the asset renewal ratio was \$0.58 and the state average of \$0.57 for the 2011 year.

The current trend in the ratio highlights that Council expended more on asset renewals compared to the estimated reduction in asset condition over the past five years and therefore, based on this ratio, Council's overall infrastructure has improved over that period. Given Council's significant backlog in infrastructure works and the current overall poor condition of its road and bridge assets in particular, it has been important that Council focus on asset renewals in the past five years.

However the accuracy of this ratio depends on the accuracy of the depreciation charge. When the revaluation of roads, bridges and footpaths occurs the accuracy of this ratio is also expected to improve and it is considered that depreciation expenditure may increase and thus place downward pressure on the results of this ratio in future periods.

Unfortunately, Council again deferred its revaluation of infrastructure assets (roads, bridges, footpaths and bulk earthworks) which was due for the 2010 financial year.

Based on our experiences with other Councils who have already conducted their revaluation, we expect depreciation levels will increase due to higher replacement cost and better accuracy in determining residual values and asset condition.



TCorp Performance Indicators

The Code of Accounting Practice has introduced new non-mandatory performance indicators that have been developed by TCorp as part of their review during the year of all councils future financial sustainability. These financial indicators are considered useful in assessing long term financial sustainability rather than the financial position at the end of the financial year.

The key consolidated TCorp performance measures disclosed in the Financial Statements are:

RATIO	PURPOSE	2013	2012	2011	2010	2009
OPERATING PERFORMANCE	To assess councils ability to meet operating expenditure within operating reveune.	-0.1%	1.0%	-9.1%	-23.5%	-15.5%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	39.7%	41.4%	42.6%	46.6%	35.2%
UNRESTRICTED CURRENT RATIO	To assess the councils ability to meet short term obligations as they fall due.	5.1	5.1	4.7	4.4	3.7
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	10.2	12.2	5.9	0.7	2.7
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	1.9	1.3	1.3	0.7	1.8
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	0.41	0.40	0.38	0.39	0.38
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	1.1	1.1	0.9	1.0	1.1
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	2.1	0.8	0.8	1.2	2.7
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	13.1	10.4	11.3	8.5	9.9
INTEREST COVER RATIO	To assess the extent to which council can service its interest bearing debt and take on additional borrowings.	18.9	26.6	11.6	1.4	5.4

Council is only required to disclose these performance measures for the 2013 year. However, to improve analysis we have included the indicators for the past 5 years with the ratios for 2012 to 2009 being sourced from the TCorp report issued during the 2013 year.

Operating performance

Council achieved a breakeven operating performance ratio for the 2013 year compared to a small surplus for the 2012 year. TCorps benchmark for this ratio is to have a deficit of less than 4.0% each year.

*Owned source operating revenue*

Similar to the rates coverage ratio, the ratio of 40% for the 2013 year indicates Council's dependence on grants and contributions. The TCorp benchmark for sustainability is to have a ratio of greater than 60%.

Unrestricted current ratio

Refer comments in the local government industry indicators.

Debt service cover ratio

The debt service cover ratio has varied significantly in the past 5 years due to the impact of significant variations in the net operating results in the same period. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0. This ratio is one indicator that Council may be able to borrow for critical infrastructure projects in the future.

Capital expenditure ratio

This ratio has been higher, excluding 2010, than the TCorp benchmark of having a ratio greater than 1.1. This is a result of significant grant funded road and bridge renewal projects especially in the past 3 years.

Infrastructure backlog ratio - unaudited

Council's backlog ratio has steadily increased over the past 5 years. Given the TCorp benchmark is to have a ratio of less than 0.02, this ratio indicates that Council has significant infrastructure improvement issues. Given Council has been unable to complete its infrastructure valuation this ratio is most likely inaccurate and based on previous revaluation results from other councils this ratio is expected to deteriorate rather than improve.

We do not provide an audit opinion regarding the accuracy of the infrastructure backlog ratio as it involves significant judgement by Council staff regarding the condition of its assets and the costs required to bring them to a satisfactory standard. The data is sourced from the unaudited Special Schedules 7 and 8 of the financial statements.

Asset maintenance ratio- unaudited

Council has been undertaking sufficient maintenance to keep pace with required maintenance requirements as determined by Council's engineers and maintenance staff. A ratio of greater than 1.0 is considered acceptable.

We do not provide an audit opinion regarding the accuracy of the asset maintenance ratio as it involves significant judgement by Council staff regarding the costs required to maintain assets. The data is sourced from the unaudited Special Schedules 7 and 8 of the financial statements.

Building and infrastructure renewal ratio

Refer comments in the local government industry indicators.

*Cash expense ratio*

The ratio provides an indication of how many months council can pay its expenses without additional cash inflows. The TCorp benchmark is to have reserves to meet at least 3 months of operating expenditure. Council has continued to maintain strong cash reserves and per this ratio maintains a healthy short term financial position.

Interest cover ratio

The ratio indicates that Council is in a satisfactory position to service current debt commitments and may have the ability to service additional debt borrowings.

The financial indicators show that Council's financial standing is strong in the short term, excluding long term issues such as infrastructure renewal. Infrastructure management needs to be a critical focus for Council in the long term.

As reported in the prior year, the current estimates of costs to bring road infrastructure to satisfactory standard as shown in Schedule No. 7 and Council's ability to fund depreciation when impacted by the revaluation of infrastructure assets, and the TCorp ratio trends in this report, suggest Council will struggle to meet infrastructure renewal in the longer term.

The increase in cash and investments reflected in the Statement of Financial Position is also evident in the following table extracted from the Statement of Cash Flows.

CASH MOVEMENTS	Actual 2013	Actual 2012	Variance
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	18,996	14,603	30.1%
Proceeds from Assets Sales	783	61	1183.6%
Repayment from Deferred Debtors	4	0	100.0%
Proceeds from sale of investments	500	0	0.0%
Proceeds from Borrowings	0	8	0.0%
TOTAL RECEIPTS	20,283	14,672	38.2%
CASH OUTFLOWS			
Operating Payments	10,976	9,940	10.4%
Purchase of investments	1,000	0	0.0%
Purchase of Assets	6,236	4,249	46.8%
Repayment of Loans	135	124	8.9%
Loans to deferred debtors	0	71	0.0%
TOTAL PAYMENTS	18,347	14,384	27.6%
TOTAL CASH MOVEMENT	1,936	288	572.2%
Total Cash & Investments on Hand	12,111	9,675	25.2%

Cash and investments increased due to the higher operating surplus in 2013 and proceeds on sale of assets not being spent completely on infrastructure capital works (some of which is due to the timing of infrastructure work expenditure).

Cash outflows for Purchase of Assets of \$6.2m includes road and bridge construction totalling \$4.2m. This compares to the \$1.5m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No.7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring road and bridges to a satisfactory standard is \$42.7m.



The remaining asset purchases included plant and equipment replacements of \$1.2m and various other assets purchases of \$0.8m.

SPECIAL PURPOSE FINANCIAL STATEMENTS

Council is required to report the financial results of identified Business Units in accordance with National Competition Policy guidelines. The reports are known as Special Purpose Financial Statements and are subject to audit. Council has identified Water, Sewerage and Hunter Council's joint venture (which is immaterial to comment on in this report) Business Units.

WATER SUPPLY FUNCTION

The Special Purpose Financial Statements disclose that the Water Supply function recorded a operating deficit of \$402,000 due to the transfer of the Paterson Reservoir to Hunter Water Corporation as part of the divestment of water services that occurred initially in 2009. The Net Current Asset position records a positive balance of \$276,000. The function is expected to be wound up in the 2014 financial year.

SEWERAGE SERVICES

The Special Purpose Financial Statements disclose that the Sewer Supply function recorded a break even result of \$2,000 due to the function being almost dormant following the transfer of core activities to Hunter Water Corporation. The Net Current Assets position show a surplus of \$52,000. The function is expected to be wound up in the 2014 financial year.

GENERAL

Audit Qualification with regard to revaluation of roads, bridges, stormwater, bulk earthworks and footpaths

Council has not revalued their roads, bridges, stormwater, bulk earthworks, footpaths and other assets in accordance with Code 21 issued by the Division Local Government. This revaluation was required to be completed for the 2010 financial year.

Section 413(2b) and 413(3b) of the *Local Government Act 1993*, requires Council's to comply with the Local Government Code of Accounting Practice ("the Code").

As the revaluation has not been completed, these assets are held at historical cost and not at their fair value in accordance with the Code.

From discussions with management, there has been ongoing work performed in readiness for the revaluation in the 2013 financial year. During our initial audit work before year end, discussions were held with the Engineering team about the status and approach for the revaluation of infrastructure assets. Arising from this meeting was agreed actions regarding improvements in the valuation approach and audit evidence required.

However, at the time of audit completion the final data and evidence had not be completed. Council has now failed to deliver a completed valuation model for the past four years.

We have therefore qualified our audit opinion for the breach of Section 413(2b) and 413(3b) of the *Local Government Act 1993* for not complying with the Code directive.



Further, we are unable to provide an opinion on the ability of Council to meet the reporting deadlines for the 2014 financial year.

FINANCIAL SUSTAINABILITY

During the year all councils have had an external assessment by NSW Treasury Corporation (“TCorp”) of the sector’s financial sustainability. TCorp has defined financial sustainability as follows:

“A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community”

Based on TCorps assessment of Council’s financial results from 2009 to 2011, the unaudited Special Schedules 7 and 8, ten year financial forecasts and other factors (e.g. Population growth, workforce demographics and skills, environmental and natural disaster factors) it has assessed Councils financial sustainability as Weak and it’s outlook as Negative.

It should be noted that the audit of the financial statements is an audit of Council at a point in time whereas the TCorp report evaluation is for the future sustainability of Council and:

- Did not take into account the financial results for 2013;
- It includes unaudited data from Special Schedules 7 and 8 as well as the ten year financial forecast; and
- Is based upon future data, which includes assumptions and judgements regarding the future operations of Council, including what revenue and expenses will be incurred in the future, as well as significant judgement with regard to other non-financial information.

Based on our review of the TCorp report, for Council to improve its future financial sustainability it will need to consider the following:

- Seek variations in rating and user charge revenue increases in order to match or exceed future increases in operational expenditure;
- Complete the revaluation of assets as a matter of urgency in order to have accurate asset management plans;
- Continue to improve its asset management plans and processes in order to understand future infrastructure replacement and maintenance needs;
- Prudent use of borrowings to support long term infrastructure improvements;
- Improve the accuracy and integrity of its ten year plans and special schedules 7 and 8;
- Continue to review its long term financial forecast modelling and assumptions in order to provide an accurate picture of long term financial issues; and
- Further community consultation to identify acceptable service levels including acceptable condition of its infrastructure assets.

Reporting obligations under the Local Government Act

It is pleasing to report that Council’s systems and records have been well maintained, except for the issues with asset revaluation data noted above, during the year. The audited financial statements will be submitted to the Division of Local Government within the prescribed time provided for in Division 2 of the *Local Government Act 1993*.

Matters of a technical nature have been documented in a management letter to the General Manager.



We take this opportunity of thanking the General Manager and his staff for their co-operation and assistance during the course of the audit.

Under section 419 of the *Local Government Act 1993*, Council is required to give public notice of a Council meeting for the purpose of presenting the audited financial statements and the auditor's report. A Principal of this firm is available to attend this meeting to address any questions in respect of the audit report or the conduct of the audit.

Yours faithfully

Forsyths Business Services Pty Ltd

Paul R Cornall
Principal

Dungog Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

“A vibrant, united community, with a sustainable economy. An area where rural character, community safety, and lifestyle are preserved.”



Dungog Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	3
Income Statement - Sewerage Business Activity	4
Income Statement - Other Business Activities	5
Statement of Financial Position - Water Supply Business Activity	6
Statement of Financial Position - Sewerage Business Activity	7
Statement of Financial Position - Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	17

Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 & 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 over \$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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

Dungog Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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 & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

To the best of our knowledge and belief, these Financial Statements:

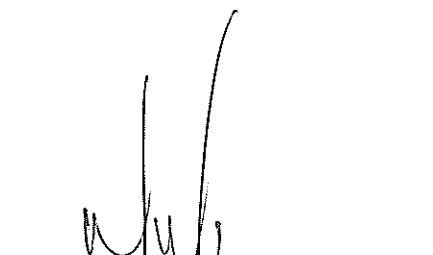
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

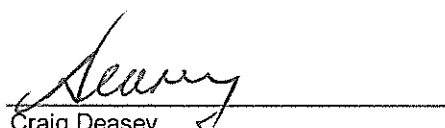
Signed in accordance with a resolution of Council made on 17 September 2013.




Cr Harold Johnson
MAYOR



Cr Anthony McKenzie
COUNCILLOR



Craig Deasey
GENERAL MANAGER



Shaun Chandler
RESPONSIBLE ACCOUNTING OFFICER

Dungog Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	-	-
User charges	-	2
Fees	-	-
Interest	9	27
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	9	29
Expenses from continuing operations		
Employee benefits and on-costs	-	-
Borrowing costs	-	-
Materials and contracts	-	6
Depreciation and impairment	-	-
Water purchase charges	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	411	-
Total expenses from continuing operations	411	6
Surplus (deficit) from Continuing Operations before capital amounts	(402)	23
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(402)	23
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(402)	23
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(7)
SURPLUS (DEFICIT) AFTER TAX	(402)	16
plus Opening Retained Profits	766	715
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments Paterson Reservoir - transfer to Hunter Water	(90)	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	7
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	274	738
Return on Capital %	n/a	25.6%
Subsidy from Council	402	-
Calculation of dividend payable:		
Surplus (deficit) after tax	(402)	16
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	-	16
Potential Dividend calculated from surplus	-	8

Dungog Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	-	-
User charges	-	-
Liquid Trade Waste charges	-	-
Fees	-	-
Interest	2	2
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	2	2
Expenses from continuing operations		
Employee benefits and on-costs	-	-
Borrowing costs	-	-
Materials and contracts	-	2
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	-	2
Surplus (deficit) from Continuing Operations before capital amounts	2	-
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	2	-
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	2	-
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1)	-
SURPLUS (DEFICIT) AFTER TAX	1	-
plus Opening Retained Profits	50	50
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	1	-
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	52	50
Return on Capital %	n/a	n/a
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	1	-
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	1	-
Potential Dividend calculated from surplus	1	-

Dungog Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

Hunter Councils Ltd

Category 2

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	-	-
User charges	29	29
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	2	2
Total income from continuing operations	31	31
Expenses from continuing operations		
Employee benefits and on-costs	-	10
Borrowing costs	3	4
Materials and contracts	19	6
Depreciation and impairment	4	4
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	1	1
Other expenses	2	1
Total expenses from continuing operations	29	26
Surplus (deficit) from Continuing Operations before capital amounts	2	5
Grants and contributions provided for capital purposes	2	-
Surplus (deficit) from Continuing Operations after capital amounts	4	5
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	4	5
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1)	(2)
SURPLUS (DEFICIT) AFTER TAX	3	4
plus Opening Retained Profits	(16)	(22)
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	1	1
- Corporate taxation equivalent	1	2
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	(11)	(16)
Return on Capital %	5.3%	9.4%
Subsidy from Council	-	-

Dungog Shire Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	265	665
Investments	-	-
Receivables	11	13
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	276	678
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	-	90
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	-	90
TOTAL ASSETS	276	768
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	2	2
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	2	2
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	2	2
NET ASSETS	274	766
EQUITY		
Retained earnings	246	738
Revaluation reserves	28	28
Council equity interest	274	766
Non-controlling interest	-	-
TOTAL EQUITY	274	766

Dungog Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	51	49
Investments	-	-
Receivables	1	1
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	52	50
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	-	-
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	-	-
TOTAL ASSETS	52	50
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	-	-
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	52	50
EQUITY		
Retained earnings	52	50
Revaluation reserves	-	-
Council equity interest	52	50
Non-controlling equity interest	-	-
TOTAL EQUITY	52	50

Dungog Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

Hunter Councils Ltd

Category 2

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	5	5
Investments	-	-
Receivables	5	5
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	10	10
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	95	96
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	95	96
TOTAL ASSETS	105	106
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	3	3
Interest bearing liabilities	8	8
Provisions	1	1
Total Current Liabilities	12	12
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	63	68
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	63	68
TOTAL LIABILITIES	75	80
NET ASSETS	30	26
EQUITY		
Retained earnings	(11)	(16)
Revaluation reserves	41	42
Council equity interest	30	26
Non-controlling equity interest	-	-
TOTAL EQUITY	30	26

Dungog Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	12
3	Sewerage Business Best Practice Management disclosure requirements	14

Dungog Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Division of Local Government in July 1997 has also been adopted.

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

Declared Business Activities

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

Water & Sewerage Supplies

Dungog Shire Council transferred the Water and Sewerage Operation to Hunter Water in 1 July 2008, the finalisation of which has not occurred yet.

As such Council continues to carry assets relating to Paterson Reservoir land as reported in these Statements.

Hunter Councils Limited

Council has an interest in Hunter Councils Limited, along with other member Councils.

The organisation was established in January 2003 after receiving Minister's consent, pursuant to Section 358(1)(a) of the Local Government Act 1993 to improve the quality and efficiency of local government service throughout the Hunter Region.

Monetary Amounts

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

(i) Taxation Equivalent Charges

Council does not pay certain taxes and duties that are paid by equivalent private sector operations, but is liable for others. The Special Purpose Financial Reports disclose the effect of imputing these taxes to the declared business units at the several rates that would have applied to equivalent private sector operations. The NSW Office of Water, Department of Environment,

Dungog Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

Climate Change and Water's guidelines "*Best-Practice Management of Water Supply and Sewerage*" require that imputed amounts be paid into the general funds of the Council where it may be applied for any permitted purpose of the Local Government Act 1993 (as amended).

Details of the rates of each tax or duty applicable to each different business unit are set out in the table forming item 7 of this Note. The narration "applies" indicates that the tax or duty has in fact been paid to the taxing authority by the Business Unit, and that these costs have been included in actual Operating Expenses, and the narration "various" indicates that Council has based the calculation of imputed tax on the differing rates of tax or duty applicable to different purchases.

Local Government Rates & 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 & 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 the 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 where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

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 the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of 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 3.77% at 30/6/13.

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

(iv) Dividends

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

Dungog Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 2. Water Supply Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2013

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	<input type="text" value="-"/>
(ii)	No of assessments multiplied by \$3/assessment	<input type="text" value="-"/>
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	<input type="text" value="-"/>
(iv)	Amounts actually paid for Tax Equivalents	<input type="text"/>

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="-"/>
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	<input type="text" value="-"/>
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	<input type="text" value="-"/>

2013 Surplus	<input type="text" value="-"/>	2012 Surplus	<input type="text" value="-"/>	2011 Surplus	<input type="text" value="-"/>
		2012 Dividend	<input type="text" value="-"/>	2011 Dividend	<input type="text" value="-"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="-"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	<input type="text"/>

3. Required outcomes for 6 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	<input type="text" value="NO"/>
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	<input type="text" value="NO"/>
	- Complying charges [Item 2(b) in Table 1]	<input type="text" value="NO"/>
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	<input type="text" value="NO"/>
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	<input type="text" value="NO"/>
(iii)	Sound Water Conservation and Demand Management implemented	<input type="text" value="NO"/>
(iv)	Sound Drought Management implemented	<input type="text" value="NO"/>
(v)	Complete Performance Reporting Form (by 15 September each year)	<input type="text" value="NO"/>
(vi)	a. Integrated Water Cycle Management Evaluation	<input type="text" value="NO"/>
	b. Complete and implement Integrated Water Cycle Management Strategy	<input type="text" value="NO"/>

Dungog Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	2
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	n/a
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	-
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	-
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	-
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	n/a
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Dungog Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 3. Sewerage Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2013

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	<input type="text" value="-"/>
(ii)	No of assessments multiplied by \$3/assessment	<input type="text" value="-"/>
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	<input type="text" value="-"/>
(iv)	Amounts actually paid for Tax Equivalents	<input type="text"/>

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="-"/>
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="-"/>
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	<input type="text" value="-"/>

2013 Surplus	<input type="text" value="-"/>	2012 Surplus	<input type="text" value="-"/>	2011 Surplus	<input type="text" value="-"/>
		2012 Dividend	<input type="text" value="-"/>	2011 Dividend	<input type="text" value="-"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="-"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	<input type="text" value="-"/>

3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	<input type="text" value="NO"/>
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	<input type="text" value="NO"/>
	Complying charges	
	(a) Residential [Item 2(c) in Table 1]	<input type="text" value="NO"/>
	(b) Non Residential [Item 2(c) in Table 1]	<input type="text" value="NO"/>
	(c) Trade Waste [Item 2(d) in Table 1]	<input type="text" value="NO"/>
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	<input type="text" value="NO"/>
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	<input type="text" value="NO"/>
(iii)	Complete Performance Reporting Form (by 15 September each year)	<input type="text" value="NO"/>
(iv)	a. Integrated Water Cycle Management Evaluation	<input type="text" value="NO"/>
	b. Complete and implement Integrated Water Cycle Management Strategy	<input type="text" value="NO"/>

Dungog Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	-
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	-
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	-
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	-
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	n/a
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

**National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)**

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	-
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	n/a
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	-
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	n/a
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	n/a

Dungog Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2013

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

<p>NWI F22 Net Debt to Equity (Water & Sewerage)</p> <p>Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]</p>	<p>%</p>	<table border="1" style="width: 100px; height: 20px;"> <tr> <td style="text-align: center;">0.00%</td> </tr> </table>	0.00%		
0.00%					
<p>NWI F23 Interest Cover (Water & Sewerage)</p> <p>Earnings before Interest & Tax (EBIT) divided by Net Interest</p> <p>Earnings before Interest & Tax (EBIT):</p> <p>Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)</p> <p>Net Interest:</p> <p>Interest Expense (w4a + s4a) - Interest Income (w9 + s10)</p>	<p></p>	<table border="1" style="width: 100px; height: 20px;"> <tr> <td style="text-align: center;">> 100</td> </tr> </table> <table border="1" style="width: 100px; height: 20px;"> <tr> <td style="text-align: center;">4</td> </tr> </table> <table border="1" style="width: 100px; height: 20px;"> <tr> <td style="text-align: center;">- 9</td> </tr> </table>	> 100	4	- 9
> 100					
4					
- 9					
<p>NWI F24 Net Profit After Tax (Water & Sewerage)</p> <p>Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))</p>	<p>\$'000</p>	<table border="1" style="width: 100px; height: 20px;"> <tr> <td style="text-align: center;">-</td> </tr> </table>	-		
-					
<p>NWI F25 Community Service Obligations (Water & Sewerage)</p> <p>Grants for Pensioner Rebates (w11b + s12b)</p>	<p>\$'000</p>	<table border="1" style="width: 100px; height: 20px;"> <tr> <td style="text-align: center;">-</td> </tr> </table>	-		
-					

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

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Forsyths Business Services Pty Ltd
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INDEPENDENT AUDIT REPORT
Report on the special purpose financial statements

To Dungog Shire Council

SCOPE

We have audited the special purpose financial statements of Dungog Shire Council for the year ended 30th June 2013 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Statement of Financial Position by Business Activities, and Note 1 to the financial statements. The financial statements include the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

Councils' responsibility for the financial statements

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

Auditor's responsibility

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

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

Knowledge with integrity

reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

The special purpose financial statements have been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government or for any purpose other than for which the report was prepared.

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the Special Purpose Financial Statements of the Dungog Shire Council for the year ended 30th June 2013 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

Forsyths

Forsyths Business Services Pty Ltd

P.R. Cornall

Paul Cornall
Principal

2nd October 2013
92 Rusden Street Armidale

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

Dungog Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2013

“A vibrant, united community, with a sustainable economy. An area where rural character, community safety, and lifestyle are preserved.”



Dungog Shire Council

Special Schedules

for the financial year ended 30 June 2013

Contents

Page

Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	5
- Special Schedule No. 4	Water Supply - Statement of Financial Position	9
- Special Schedule No. 5	Sewerage Service - Income Statement	10
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	14
- Notes to Special Schedules No. 3 & 5		15
- Special Schedule No. 7	Condition of Public Works	16
- Special Schedule No. 8	Financial Projections	18

¹ Special Purpose Schedules are not audited.

Background

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

Dungog Shire Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	679	-	-	(679)
Administration	1,048	865	81	(102)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	756	136	187	(433)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	23	13	-	(10)
Animal Control	39	6	-	(33)
Other	-	-	-	-
Total Public Order & Safety	818	155	187	(476)
Health	-	-	-	-
Environment				
Noxious Plants and Insect/Vermin Control	143	115	-	(28)
Other Environmental Protection	(46)	264	-	310
Solid Waste Management	1,240	1,667	-	427
Street Cleaning	50	-	-	(50)
Drainage	54	41	-	(13)
Stormwater Management	-	-	-	-
Total Environment	1,441	2,087	-	646
Community Services and Education				
Administration & Education	68	18	-	(50)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	121	86	-	(35)
Children's Services	-	-	-	-
Total Community Services & Education	189	104	-	(85)
Housing and Community Amenities				
Public Cemeteries	42	28	-	(14)
Public Conveniences	102	-	-	(102)
Street Lighting	104	6	-	(98)
Town Planning	645	315	-	(330)
Other Community Amenities	111	-	309	198
Total Housing and Community Amenities	1,004	349	309	(346)
Water Supplies	501	11	-	(490)
Sewerage Services	-	2	-	2

Dungog Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from Continuing Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	175	50	6	(119)
Museums	40	-	-	(40)
Art Galleries	-	-	-	-
Community Centres and Halls	194	4	-	(190)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	1	9	-	8
Sporting Grounds and Venues	226	14	372	160
Swimming Pools	273	1	-	(272)
Parks & Gardens (Lakes)	180	-	-	(180)
Other Sport and Recreation	-	-	-	-
Total Recreation and Culture	1,089	78	378	(633)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	248	66	-	(182)
Other Mining, Manufacturing & Construction	158	3	-	(155)
Total Mining, Manufacturing and Const.	406	69	-	(337)
Transport and Communication				
Urban Roads (UR) - Local	497	-	-	(497)
Urban Roads - Regional	11	-	-	(11)
Sealed Rural Roads (SRR) - Local	1,905	325	-	(1,580)
Sealed Rural Roads (SRR) - Regional	1,451	1,570	2,481	2,600
Unsealed Rural Roads (URR) - Local	737	-	-	(737)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	4	60	-	56
Bridges on SRR - Local	468	-	-	(468)
Bridges on URR - Local	176	-	-	(176)
Bridges on Regional Roads	179	-	-	(179)
Parking Areas	-	-	-	-
Footpaths	47	-	-	(47)
Aerodromes	-	-	-	-
Other Transport & Communication	38	12	-	(26)
Total Transport and Communication	5,513	1,967	2,481	(1,065)
Economic Affairs				
Camping Areas & Caravan Parks	166	135	-	(31)
Other Economic Affairs	284	27	-	(257)
Total Economic Affairs	450	162	-	(288)
Totals – Functions	13,138	5,849	3,436	(3,853)
General Purpose Revenues⁽²⁾		7,278		7,278
Share of interests - joint ventures & associates using the equity method	-	4		4
NET OPERATING RESULT⁽¹⁾	13,138	13,131	3,436	3,429

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Dungog Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2013

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	129	1,127	1,256	-	133	-	-	83	432	691	1,123
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	129	1,127	1,256	-	133	-	-	83	432	691	1,123
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	13	13	-	2	-	-	1	2	9	11
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	13	13	-	2	-	-	1	2	9	11
Total Debt	129	1,140	1,269	-	135	-	-	84	434	700	1,134

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

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

Dungog Shire Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	-	-
b. Engineering and Supervision	-	-
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	-	-
d. Maintenance expenses	-	-
- Reservoirs		
e. Operation expenses	-	-
f. Maintenance expenses	-	-
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	-	-
i. Maintenance expenses	-	6
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	-	-
o. Purchase of water	-	-
3. Depreciation expenses		
a. System assets	-	-
b. Plant and equipment	-	-
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Transfer expense - Hunter Water	411	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	411	6

Dungog Shire Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges		
a. Access (including rates)	-	-
b. Usage charges	-	-
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	-	-
8. Extra charges	2	2
9. Interest income	7	27
10. Other income	-	-
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	-	-
c. Other grants	-	-
12. Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	<u>9</u>	<u>29</u>
14. Gain (or loss) on disposal of assets	(90)	-
15. Operating Result	<u>(492)</u>	<u>23</u>
15a. Operating Result (less grants for acquisition of assets)	(492)	23

Dungog Shire Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	-	-
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	<u>-</u>	<u>-</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	<u>-</u>	<u>-</u>
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	-	-
b. Residential (unoccupied, ie. vacant lot)	-	-
c. Non-residential (occupied)	-	-
d. Non-residential (unoccupied, ie. vacant lot)	-	-
25. Number of ETs for which developer charges were received	- ET	- ET
26. Total amount of pensioner rebates (actual dollars)	\$ -	\$ -

Dungog Shire Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox" value="no"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox" value="no"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox" value="no"/>	
b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

Dungog Shire Council

Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	265	-	265
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	13	-	13
c. User Charges	-	-	-
d. Other	-	-	-
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	-	-
b. Plant and equipment	-	-	-
34. Other assets	-	-	-
35. Total assets	<u>278</u>	<u>-</u>	<u>278</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	-	-	-
38. Borrowings			
a. Loans	-	-	-
b. Advances	2	-	2
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>2</u>	<u>-</u>	<u>2</u>
41. NET ASSETS COMMITTED	<u>276</u>	<u>-</u>	<u>276</u>
EQUITY			
42. Accumulated surplus			248
43. Asset revaluation reserve			28
44. TOTAL EQUITY			<u>276</u>
Note to system assets:			
45. Current replacement cost of system assets			-
46. Accumulated current cost depreciation of system assets			-
47. Written down current cost of system assets			-

Dungog Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	-	-
b. Engineering and Supervision	-	-
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Pumping Stations		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	-	-
e. Maintenance expenses	-	-
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	-	-
h. Energy costs	-	-
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	-	-
- Other		
l. Operation expenses	-	2
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	-	-
b. Plant and equipment	-	-
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	-	2

Dungog Shire Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges (including rates)	-	-
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	-	-
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	2	2
11. Other income	-	-
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	-	-
c. Other grants	-	-
13. Contributions		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	<u>2</u>	<u>2</u>
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	<u>2</u>	<u>-</u>
16a. Operating Result (less grants for acquisition of assets)	2	-

Dungog Shire Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	-	-
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	-	-
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	-	-
b. Residential (unoccupied, ie. vacant lot)	-	-
c. Non-residential (occupied)	-	-
d. Non-residential (unoccupied, ie. vacant lot)	-	-
26. Number of ETs for which developer charges were received	- ET	- ET
27. Total amount of pensioner rebates (actual dollars)	\$ -	\$ -

Dungog Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox" value="no"/>	
If Yes, go to 29a. If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox" value="no"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox" value="no"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Dungog Shire Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	51	-	51
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	-	-	-
c. User Charges	-	-	-
d. Other	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	-	-
b. Plant and equipment	-	-	-
35. Other assets	-	-	-
36. Total Assets	<u>51</u>	<u>-</u>	<u>51</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	-	-	-
39. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
42. NET ASSETS COMMITTED	<u>51</u>	<u>-</u>	<u>51</u>
EQUITY			
42. Accumulated surplus			51
44. Asset revaluation reserve			-
45. TOTAL EQUITY			<u>51</u>
Note to system assets:			
46. Current replacement cost of system assets			-
47. Accumulated current cost depreciation of system assets			-
48. Written down current cost of system assets			-

Dungog Shire Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2013

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading.
- Bad and doubtful debts.
- Other administrative/corporate support services.

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment Losses (item 4d & 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Dungog Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23
(i) OPERATING BUDGET											
Income from continuing operations	16,567	15,055	15,735	12,776	13,168	14,012	14,462	14,928	15,354	15,796	16,252
Expenses from continuing operations	13,138	15,385	15,729	14,368	14,597	15,315	15,751	16,057	16,450	16,850	17,280
Operating Result from Continuing Operations	3,429	(330)	6	(1,592)	(1,429)	(1,303)	(1,289)	(1,129)	(1,096)	(1,054)	(1,028)
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	-	4,089	4,114	774	774	774	774	774	774	774	774
Total Capital Budget	-	4,089	4,114	774	774	774	774	774	774	774	774
Funded by:											
- Loans	-	-	-	-	-	-	-	-	-	-	-
- Asset sales	-	-	-	-	-	-	-	-	-	-	-
- Reserves	-	-	-	-	-	-	-	-	-	-	-
- Grants/Contributions	-	4,089	4,114	774	774	774	774	774	774	774	774
- Recurrent revenue	-	-	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-
	-	4,089	4,114	774	774	774	774	774	774	774	774

Notes:

(1) From 12/13 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.