

Dungog Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

*“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 2015

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])	90
- On the Conduct of the Audit (Sect 417 [3])	92

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 19 October 2015. 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 2015

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 2015.

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 Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by Senior staff as "presenting fairly" the Council's financial results for the 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 Office of Local Government.

Dungog Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2015

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:

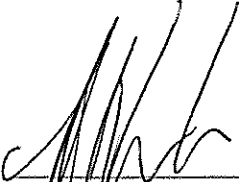
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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 15 September 2015.




Harold Johnson
MAYOR



Robert Booth
COUNCILLOR



Craig Deasey
GENERAL MANAGER



Shaun Chandler
RESPONSIBLE ACCOUNTING OFFICER

Dungog Shire Council

Income Statement

for the financial year ended 30 June 2015

Budget ¹			Actual	Actual
2015	\$ '000	Notes	2015	2014
Income from Continuing Operations				
<i>Revenue:</i>				
6,162	Rates & Annual Charges	3a	6,217	6,017
836	User Charges & Fees	3b	954	981
441	Interest & Investment Revenue	3c	465	465
521	Other Revenues	3d	638	894
2,889	Grants & Contributions provided for Operating Purposes	3e,f	4,870	3,382 ²
7,724	Grants & Contributions provided for Capital Purposes	3e,f	9,837	3,254
<i>Other Income:</i>				
131	Net gains from the disposal of assets	5	-	-
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	11	7
18,704	Total Income from Continuing Operations		22,992	15,000
Expenses from Continuing Operations				
4,083	Employee Benefits & On-Costs	4a	4,034	4,139
126	Borrowing Costs	4b	136	143
4,618	Materials & Contracts	4c	4,734	4,245
3,593	Depreciation & Amortisation	4d	6,470	3,033
-	Impairment	4d	110	-
1,713	Other Expenses	4e	1,444	1,380
-	Net Losses from the Disposal of Assets	5	2,528	1,283
14,133	Total Expenses from Continuing Operations		19,456	14,223
4,571	Operating Result from Continuing Operations		3,536	777
4,571	Net Operating Result for the Year		3,536	777
4,571	Net Operating Result attributable to Council		3,519	768
-	Net Operating Result attributable to Non-controlling Interests		17	9
(3,153)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(6,301)	(2,477)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting one off timing differences due to changes in how the grant was paid in prior years-refer Note 3 (e)

Dungog Shire Council

Statement of Comprehensive Income for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		3,536	777
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	169,386
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(170)	-
Total Items which will not be reclassified subsequently to the Operating Result		(170)	169,386
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		(170)	169,386
Total Comprehensive Income for the Year		3,366	170,163
Total Comprehensive Income attributable to Council		3,349	170,154
Total Comprehensive Income attributable to Non-controlling Interests		17	9

Dungog Shire Council

Statement of Financial Position

as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	7,990	6,942
Investments	6b	5,000	3,500
Receivables	7	3,134	2,540
Inventories	8	1,073	1,256
Other	8	26	16
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		17,223	14,254
Non-Current Assets			
Investments	6b	-	-
Receivables	7	66	66
Inventories	8	26	26
Infrastructure, Property, Plant & Equipment	9	297,487	295,955
Investments accounted for using the equity method	19	60	39
Investment Property	14	-	-
Intangible Assets	25	-	-
Non-current assets classified as "held for sale"	22	-	-
Total Non-Current Assets		297,639	296,086
TOTAL ASSETS		314,862	310,340
LIABILITIES			
Current Liabilities			
Payables	10	1,657	999
Borrowings	10	155	181
Provisions	10	2,242	1,800
Total Current Liabilities		4,054	2,980
Non-Current Liabilities			
Payables	10	95	96
Borrowings	10	553	710
Provisions	10	2,512	2,275
Total Non-Current Liabilities		3,160	3,081
TOTAL LIABILITIES		7,214	6,061
Net Assets		307,648	304,279
EQUITY			
Retained Earnings	20	125,959	122,440
Revaluation Reserves	20	181,630	181,800
Council Equity Interest		307,589	304,240
Non-controlling Equity Interests		59	39
Total Equity		307,648	304,279

Dungog Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		122,440	181,800	304,240	39	304,279
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		122,440	181,800	304,240	39	304,279
c. Net Operating Result for the Year		3,519	-	3,519	17	3,536
d. Other Comprehensive Income						
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(170)	(170)	-	(170)
Other Comprehensive Income		-	(170)	(170)	-	(170)
Total Comprehensive Income (c&d)		3,519	(170)	3,349	17	3,366
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	3	3
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		125,959	181,630	307,589	59	307,648

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		145,707	12,414	158,121	30	158,151
a. Correction of Prior Period Errors	20 (c)	(24,035)	-	(24,035)	-	(24,035)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		121,672	12,414	134,086	30	134,116
c. Net Operating Result for the Year		768	-	768	9	777
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	169,386	169,386	-	169,386
Other Comprehensive Income		-	169,386	169,386	-	169,386
Total Comprehensive Income (c&d)		768	169,386	170,154	9	170,163
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		122,440	181,800	304,240	39	304,279

Dungog Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
6,162	Rates & Annual Charges		6,254	5,981
836	User Charges & Fees		987	984
440	Investment & Interest Revenue Received		468	463
10,613	Grants & Contributions		14,488	5,057
-	Bonds, Deposits & Retention amounts received		-	67
521	Other		228	1,788
Payments:				
(4,083)	Employee Benefits & On-Costs		(3,858)	(3,986)
(4,618)	Materials & Contracts		(4,529)	(4,648)
(216)	Borrowing Costs		(54)	(64)
-	Bonds, Deposits & Retention amounts refunded		(20)	(134)
(1,713)	Other		(1,039)	(1,679)
<u>7,942</u>	Net Cash provided (or used in) Operating Activities	11b	<u>12,925</u>	<u>3,829</u>
Cash Flows from Investing Activities				
Receipts:				
24	Sale of Real Estate Assets		692	206
183	Sale of Infrastructure, Property, Plant & Equipment		217	86
-	Deferred Debtors Receipts		5	6
-	Distributions Received from Joint Ventures & Associates		3	-
Payments:				
-	Purchase of Investment Securities		(1,500)	(2,500)
(9,127)	Purchase of Infrastructure, Property, Plant & Equipment		(11,079)	(5,545)
-	Purchase of Real Estate Assets		(22)	(6)
-	Contributions Paid to Joint Ventures & Associates		(10)	(2)
<u>(8,920)</u>	Net Cash provided (or used in) Investing Activities		<u>(11,694)</u>	<u>(7,755)</u>
Cash Flows from Financing Activities				
Receipts:				
100	Proceeds from Borrowings & Advances		-	200
6	Other Financing Activity Receipts		-	-
Payments:				
(198)	Repayment of Borrowings & Advances		(183)	(443)
(1)	Other Financing Activity Payments		-	-
<u>(93)</u>	Net Cash Flow provided (used in) Financing Activities		<u>(183)</u>	<u>(243)</u>
<u>(1,071)</u>	Net Increase/(Decrease) in Cash & Cash Equivalents		<u>1,048</u>	<u>(4,169)</u>
6,822	plus: Cash & Cash Equivalents - beginning of year	11a	6,942	11,111
<u>5,751</u>	Cash & Cash Equivalents - end of the year	11a	<u>7,990</u>	<u>6,942</u>
Additional Information:				
	plus: Investments on hand - end of year	6b	5,000	3,500
	Total Cash, Cash Equivalents & Investments		<u>12,990</u>	<u>10,442</u>

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 2015

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	26
2(b)	Council Functions / Activities - Component Descriptions	27
3	Income from Continuing Operations	28
4	Expenses from Continuing Operations	33
5	Gains or Losses from the Disposal of Assets	37
6(a)	Cash & Cash Equivalent Assets	38
6(b)	Investments	38
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	39
7	Receivables	41
8	Inventories and Other Assets	42
9(a)	Infrastructure, Property, Plant & Equipment	43
9(b)	Externally Restricted Infrastructure, Property, Plant and Equipment	44
9(c)	Infrastructure, Property, Plant and Equipment - Current Year Impairments	44
10(a)	Payables, Borrowings and Provisions	45
10(b)	Description of (and movements in) Provisions	46
11	Statement of Cash Flows - Additional Information	47
12	Commitments for Expenditure	49
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	50
	13a (ii) Local Government Industry Graphs (Consolidated)	51
	13b Local Government Industry Indicators (by Fund)	53
14	Investment Properties	54 n/a
15	Financial Risk Management	54
16	Material Budget Variations	58
17	Statement of Developer Contributions	60
18	Contingencies and Other Liabilities/Assets not recognised	64
19	Interests in Other Entities	66
20	Equity - Retained Earnings and Revaluation Reserves	69
21	Financial Result & Financial Position by Fund	72
22	"Held for Sale" Non Current Assets & Disposal Groups	73 n/a
23	Events occurring after the Reporting Date	73
24	Discontinued Operations	73 n/a
25	Intangible Assets	74 n/a
26	Reinstatement, Rehabilitation and Restoration Liabilities	74
27	Fair Value Measurement	75

n/a - not applicable

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & 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

During the current year, the following relevant accounting standards became mandatory and have been adopted by Council:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

No specific impacts have resulted from the adoption of the above standard.

(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 2014.

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) certain financial assets and liabilities at fair value through profit or loss and available-for-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

sale financial assets 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 non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) 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.

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 Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

(i) Estimated fair values of infrastructure, property, plant and equipment.

(ii) Estimated remediation provisions.

Critical judgements in applying Council'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 it and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 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

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

functions have been included in the financial statements forming part of this report.

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

- Clarence Town School Arts
- Dungog Showground Management Committee
- 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	\$155,317
Total expenditure from continuing operations	\$-125,113
Total net assets held (ie Equity)	\$30,204

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 Arrangements

Joint Ventures

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

Any interests in Joint Ventures are accounted for using the equity method and are carried at cost.

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

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

(iv) County Councils

Council is not a member of any County Councils.

(v) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

Council does not enter into Finance Leases.

Operating Leases

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

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

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and 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.

(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.

(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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 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.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 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 are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

- **Operational Land**
- **Buildings – Specialised/Non Specialised**
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Community Land**
- **Other Structures**
- **Roads, Bridges, Footpaths, Earthworks**
- **Stormwater drainage**

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.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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
----------------------------	-----------

Building

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

Other Structures	> \$2,000
------------------	-----------

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

Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000
Other Infrastructure	> \$10,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using either the curved method or straight line method (Plant & Equipment) 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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 15 yrs
	Other 30 – 60 yrs
	Structure 60 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	80 yrs
Swimming Pools	80 years
Other Open Space / Recreational Assets	50 years
Other Infrastructure	25 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

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.

(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

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

restoration techniques or experience at other locations.

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

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

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

(r) 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.

(s) 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.

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(u) Borrowing costs

Borrowing costs are expensed.

(v) Provisions

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

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Provisions are not recognised for future operating losses.

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

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

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

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

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

(w) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the 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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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 Richard Boyfield, Representative of Mercer Consulting (Australia) Pty Ltd, AFS Licence No 411770, on 30 June 2015 for the period ending 30 June 2015.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 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 2015 was \$ 145,825.70.

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 \$ 153,772 as at 30 June 2015.

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 30/06/15.

(x) Self insurance

Council does not self insure.

(y) 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.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(z) Taxes

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

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

Goods & 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.

(aa) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

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.

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014 - 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

Not applicable to Local Government per se;

None

(ab) Rounding of amounts

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

(ac) Comparative Figures

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

(ad) 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 2015

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
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	-	-	-	459	748	517	(459)	(748)	(517)	-	-	-	360
Administration	224	484	564	1,580	1,575	1,423	(1,356)	(1,091)	(859)	-	-	10,742	10,394
Public Order & Safety	121	157	131	685	487	656	(564)	(330)	(525)	122	50	3,152	3,555
Health	60	5	12	142	28	26	(82)	(23)	(14)	-	-	3	4
Environment	1,643	2,029	2,105	1,777	1,856	1,910	(134)	173	195	144	202	4,038	2,348
Community Services & Education	92	100	102	205	278	174	(113)	(178)	(72)	1	10	1,717	1,912
Housing & Community Amenities	515	281	356	902	1,265	1,105	(387)	(984)	(749)	42	63	3,139	3,094
Water Supplies	-	-	8	-	-	-	-	-	8	-	-	-	271
Sewerage Services	-	-	1	-	-	-	-	-	1	-	-	-	52
Recreation & Culture	80	152	388	1,254	1,526	1,150	(1,174)	(1,374)	(762)	69	80	16,346	18,234
Mining, Manufacturing & Construction	84	91	105	603	297	353	(519)	(206)	(248)	-	-	2,437	2,404
Transport & Communication	8,808	11,646	4,577	6,003	10,932	6,487	2,805	714	(1,910)	1,517	799	270,646	264,960
Economic Affairs	152	278	205	523	464	422	(371)	(186)	(217)	-	-	2,582	2,713
Total Functions & Activities	11,779	15,223	8,554	14,133	19,456	14,223	(2,354)	(4,233)	(5,669)	1,895	1,204	314,802	310,301
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	11	7	-	-	-	-	11	7	-	-	60	39
General Purpose Income ¹	6,925	7,758	6,439	-	-	-	6,925	7,758	6,439	2,351	1,178	-	-
Operating Result from Continuing Operations	18,704	22,992	15,000	14,133	19,456	14,223	4,571	3,536	777	4,246	2,382	314,862	310,340

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 2015

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, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration and other community services.

HOUSING & COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens.

MINING, MANUFACTURING & CONSTRUCTION

Building control, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		2,645	2,530
Farmland		2,064	2,044
Business		313	305
Total Ordinary Rates		5,022	4,879
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,031	975
Sanitary		12	18
Stormwater Management Services		41	41
Waste Management Services (non-domestic)		110	103
Section 611 Charges		1	1
Total Annual Charges		1,195	1,138
TOTAL RATES & ANNUAL CHARGES		6,217	6,017

Council has used 2012 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 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		158	188
Total User Charges		158	188
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Control		42	50
Planning & Building Regulation		214	264
Private Works - Section 67		31	12
Town Planning		47	39
Septic Tank Applications		17	18
Other		21	20
Total Fees & Charges - Statutory/Regulatory		372	403
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Caravan Park		185	168
Cemeteries		40	37
Inspections & Construction Certificates - Roads		37	36
Onsite Sewerage Management Services		160	145
Tourism		2	4
Total Fees & Charges - Other		424	390
TOTAL USER CHARGES & FEES		954	981

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		26	28
- Interest earned on Investments (interest & coupon payment income)		439	437
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>465</u>	<u>465</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		26	28
General Council Cash & Investments		359	354
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		80	75
Water Fund Operations		-	7
Sewerage Fund Operations		-	1
<u>Total Interest & Investment Revenue Recognised</u>		<u>465</u>	<u>465</u>
(d) Other Revenues			
Rental Income - Other Council Properties		124	119
Fines - Other		20	18
Landfill Recycling Stations Sales		107	93
Legal Fees Recovery - Rates & Charges (Extra Charges)		-	1
Legal Fees Recovery - Other		8	12
Commissions & Agency Fees		110	134
Divest Water & Sewer Operation		-	300
Insurance Claim Recoveries		19	-
Section 88 Fee Collected		171	148
Workers Compensation & Insurance Rebates		49	37
Other		30	32
<u>TOTAL OTHER REVENUE</u>		<u>638</u>	<u>894</u>

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,429	696	-	-
Financial Assistance - Local Roads Component	851	416	-	-
Pensioners' Rates Subsidies - General Component	71	66	-	-
Total General Purpose	2,351	1,178	-	-

¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

Specific Purpose

Pensioners' Rates Subsidies:

- Domestic Waste Management	30	27	-	-
Community Care	1	2	-	-
Environmental Protection	67	128	-	-
Heritage & Cultural	3	2	-	-
Hunter Area Assistance Scheme	-	8	-	-
Library	30	29	6	6
Noxious Weeds	47	47	-	-
NSW Rural Fire Services	122	50	-	-
Public Amenities	-	-	20	55
Public Halls	8	20	-	-
Recreation & Culture	-	-	25	25
Street Lighting	19	6	-	-
Transport (Roads to Recovery)	-	401	-	-
Transport (Other Roads & Bridges Funding)	629	331	888	67
Total Specific Purpose	956	1,051	939	153
Total Grants	3,307	2,229	939	153

Grant Revenue is attributable to:

- Commonwealth Funding	2,351	1,178	-	-
- State Funding	956	717	939	153
- Other Funding	-	334	-	-
	3,307	2,229	939	153

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	603	279
Total Developer Contributions	17	-	603	279
Other Contributions:				
Rail Services Authority	-	22	-	-
Recreation & Culture	-	4	51	167
Roads & Bridges	34	-	-	-
RMS Contributions (Regional Roads, Block Grant)	1,486	1,078	8,244	2,655
Tourism	2	7	-	-
Other	41	42	-	-
Total Other Contributions	1,563	1,153	8,295	2,822
Total Contributions	1,563	1,153	8,898	3,101
TOTAL GRANTS & CONTRIBUTIONS	4,870	3,382	9,837	3,254

\$ '000	Actual 2015	Actual 2014
(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	3,910	3,406
add: Grants & contributions recognised in the current period but not yet spent:	664	518
less: Grants & contributions recognised in a previous reporting period now spent:	(162)	(14)
Net Increase (Decrease) in Restricted Assets during the Period	502	504
Unexpended and held as Restricted Assets	4,412	3,910
Comprising:		
- Specific Purpose Unexpended Grants	200	208
- Developer Contributions	4,212	3,550
- Other Contributions	-	152
	4,412	3,910

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		3,874	3,549
Employee Leave Entitlements (ELE)		545	439
Superannuation - Defined Contribution Plans		145	180
Superannuation - Defined Benefit Plans		337	266
Workers' Compensation Insurance		92	91
Fringe Benefit Tax (FBT)		67	53
Training Costs (other than Salaries & Wages)		57	72
Other		17	12
Total Employee Costs		5,134	4,662
less: Capitalised Costs		(1,100)	(523)
TOTAL EMPLOYEE COSTS EXPENSED		4,034	4,139
Number of "Equivalent Full Time" Employees at year end		65	65
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		53	63
Interest on Advances		1	1
Total Interest Bearing Liability Costs Expensed		54	64
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	82	79
Total Other Borrowing Costs		82	79
TOTAL BORROWING COSTS EXPENSED		136	143

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts			
Raw Materials & Consumables		4,978	4,221
Contractor & Consultancy Costs		148	68
Auditors Remuneration ⁽¹⁾		25	31
Legal Expenses:			
- Legal Expenses: Planning & Development		98	37
- Legal Expenses: Other		35	31
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payment ⁽²⁾		40	43
Total Materials & Contracts		5,324	4,431
less: Capitalised Costs		(590)	(186)
TOTAL MATERIALS & CONTRACTS		4,734	4,245
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):			
Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		25	31
Remuneration for audit and other assurance services		25	31
Total Auditor Remuneration		25	31
2. Operating Lease Payments are attributable to:			
Computers		40	43
		40	43

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
Plant and Equipment		-	-	621	617
Office Equipment		-	-	6	8
Furniture & Fittings		-	-	4	4
Buildings - Specialised		340	-	466	466
Other Structures		-	-	62	16
Infrastructure:					
- Roads		-	-	3,614	1,134
- Bridges		-	-	671	482
- Footpaths		-	-	14	13
- Stormwater Drainage		-	-	432	34
- Swimming Pools		-	-	80	24
- Other Open Space/Recreational Assets		-	-	356	92
Other Assets					
- Library Books		-	-	36	35
Asset Reinstatement Costs	9 & 26	-	-	108	108
Total Depreciation & Impairment Costs		340	-	6,470	3,033
less: Impairments (to)/from ARR [Equity]	9a	(230)	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>110</u>	<u>-</u>	<u>6,470</u>	<u>3,033</u>

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		49	56
Agency Collection Costs - Australia Post		19	18
Bad & Doubtful Debts		4	-
Bank Charges		12	13
Commissions		87	82
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		13	18
- NSW RB		15	15
- NSW Rural Fire Service Levy		139	153
- Waste Levy		182	146
Councillor Expenses - Mayoral Fee		14	13
Councillor Expenses - Councillors' Fees		78	77
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		14	16
Donations, Contributions & Assistance to other organisations (Section 356)		9	5
Electricity & Heating		113	128
Fees & Charges		4	4
Insurance		399	385
Newcastle Regional Library		28	24
Postage		21	22
Printing & Stationery		26	30
Street Lighting		84	99
Subscriptions & Publications		8	9
Telephone & Communications		43	36
Valuation Fees		49	17
Weight of loads Co-Operative		14	14
Other		20	-
<u>TOTAL OTHER EXPENSES</u>		<u>1,444</u>	<u>1,380</u>

Dungog Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		217	86
less: Carrying Amount of P&E Assets Sold / Written Off		(228)	(116)
Net Gain/(Loss) on Disposal		(11)	(30)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(2,569)	(1,251)
Net Gain/(Loss) on Disposal		(2,569)	(1,251)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		692	206
less: Carrying Amount of Real Estate Assets Sold / Written Off		(640)	(208)
Net Gain/(Loss) on Disposal		52	(2)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(2,528)</u>	<u>(1,283)</u>

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		390	-	119	-
Cash-Equivalent Assets ¹					
- Deposits at Call		350	-	173	-
- Short Term Deposits		7,250	-	6,650	-
Total Cash & Cash Equivalents		7,990	-	6,942	-
Investments (Note 6b)					
- Floating Rate Deposits (with Maturities > 3 months)		5,000	-	3,500	-
Total Investments		5,000	-	3,500	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		12,990	-	10,442	-

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. Cash & Cash Equivalents		7,990	-	6,942	-
----------------------------	--	-------	---	-------	---

Investments

b. "Held to Maturity" Investments	6(b-ii)	5,000	-	3,500	-
		5,000	-	3,500	-

Note 6(b-i)**Reconciliation of Investments classified as "Held to Maturity"**

Balance at the Beginning of the Year		3,500	-	1,000	-
Additions		1,500	-	2,500	-
Balance at End of Year		5,000	-	3,500	-

Comprising:

- Floating Rate Deposits (with Maturities > 3 months)		5,000	-	3,500	-
Total		5,000	-	3,500	-

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	12,990	-	10,442	-
attributable to:				
External Restrictions (refer below)	5,327	-	5,110	-
Internal Restrictions (refer below)	7,624	-	5,223	-
Unrestricted	39	-	109	-
	12,990	-	10,442	-

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	3,550	683	(21)	4,212
RMS (formerly RTA) Contributions (E)	152	10,368	(10,520)	-
Specific Purpose Unexpended Grants (F)	208	1	(9)	200
Water Supplies (G)	271	-	(271)	-
Sewerage Services (G)	52	-	(52)	-
Domestic Waste Management (G)	469	58	-	527
Aged Care Residential Loans	96	-	(1)	95
Bike Path	8	-	-	8
Deposits & Retentions	200	50	(69)	181
Kerb & Gutter	10	-	-	10
Pavement	54	-	-	54
Rail Services Australia	39	-	-	39
RLCIP Infrastructure Funding	1	-	-	1
External Restrictions - Other	5,110	11,160	(10,943)	5,327
Total External Restrictions	5,110	11,160	(10,943)	5,327

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 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 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	996	1,807	(1,222)	1,581
Employees Leave Entitlement	807	84	-	891
Buildings & Grounds	316	36	(32)	320
Financial Assistance Grant	387	232	(268)	351
Insurance Equalisation	264	61	(48)	277
Other Waste Management	442	35	(105)	372
RB Unexpended	500	429	(17)	912
Settlement for the Aged	129	83	(72)	140
Shire Properties	261	44	(55)	250
Special Projects	520	1,508	(395)	1,633
Town Funds	146	-	(26)	120
Discontinued Funds Transfer	450	322	-	772
Other	5	-	-	5
Total Internal Restrictions	5,223	4,641	(2,240)	7,624
TOTAL RESTRICTIONS	10,333	15,801	(13,183)	12,951

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		278	-	315	-
Interest & Extra Charges		-	-	3	-
User Charges & Fees		8	-	12	-
Private Works		27	-	13	-
Accrued Revenues					
- Other Income Accruals		43	-	59	-
Deferred Debtors		2	66	7	66
Government Grants & Subsidies		376	-	157	-
Kerb & Guttering		8	-	12	-
Rates Legal Costs Recovery		18	-	23	-
RMS (formerly RTA)		2,243	-	1,863	-
Other Debtors		131	-	76	-
Total		3,134	66	2,540	66
less: Provision for Impairment					
Nil					
TOTAL NET RECEIVABLES		3,134	66	2,540	66
Externally Restricted Receivables					
Water Supply					
- Other		-	-	8	-
Sewerage Services					
- Other		-	-	1	-
Total External Restrictions		-	-	9	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		3,134	66	2,531	66
TOTAL NET RECEIVABLES		3,134	66	2,540	66

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 8.50% (2014 9.00%).
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 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		248	26	866	26
Stores & Materials		825	-	389	-
Trading Stock		-	-	1	-
Total Inventories		1,073	26	1,256	26
Other Assets					
Prepayments		26	-	16	-
Total Other Assets		26	-	16	-
TOTAL INVENTORIES / OTHER ASSETS		1,099	26	1,272	26

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Other Disclosures**(a) Details for Real Estate Development**

Residential		248	-	866	-
Industrial/Commercial		-	26	-	26
Total Real Estate for Resale		248	26	866	26

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

Represented by:

Acquisition Costs		-	26	29	26
Development Costs		248	-	837	-
Total Costs		248	26	866	26
Total Real Estate for Resale		248	26	866	26

Movements:

Real Estate assets at beginning of the year		866	26	1,067	27
- Purchases and other costs		22	-	7	(1)
- WDV of Sales (exp)	5	(640)	-	(208)	-
Total Real Estate for Resale		248	26	866	26

(b) Inventory Write Downs

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

Dungog Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period							as at 30/6/2015				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	Impairment Loss (recognised in Equity)	Impairment Reversal (via Equity)	WIP Transfers	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment											Dep'n	Impairment	
Capital Work in Progress	2,317	-	-	-	2,317	3,111	-	-	-	-	-	(2,186)	3,242	-	-	-	3,242
Plant & Equipment	-	8,425	4,586	-	3,839	378	(227)	(621)	-	-	-	-	-	8,472	5,103	-	3,369
Office Equipment	-	624	604	-	20	2	-	(6)	-	-	-	-	-	625	609	-	16
Furniture & Fittings	-	220	185	-	35	18	(20)	(4)	-	-	-	-	-	183	154	-	29
Land:																	
- Operational Land	-	6,349	-	-	6,349	-	-	-	-	-	-	-	-	6,349	-	-	6,349
- Community Land	-	4,510	-	-	4,510	-	-	-	-	-	-	-	-	4,510	-	-	4,510
Buildings - Specialised	-	29,465	21,809	-	7,656	144	(15)	(466)	(110)	(230)	-	-	-	29,512	22,193	340	6,979
Other Structures	-	1,461	661	-	800	-	(7)	(62)	-	-	-	-	-	1,316	585	-	731
Infrastructure:																	
- Roads	-	202,777	71,280	60	131,437	5,363	(1,897)	(3,614)	-	-	60	2,186	-	206,759	73,224	-	133,535
- Bridges	-	54,633	32,835	-	21,798	134	(514)	(671)	-	-	-	-	-	52,380	31,633	-	20,747
- Footpaths	-	1,242	189	-	1,053	-	-	(14)	-	-	-	-	-	1,242	203	-	1,039
- Bulk Earthworks (non-depreciable)	-	87,307	-	-	87,307	1,557	-	-	-	-	-	-	-	88,864	-	-	88,864
- Stormwater Drainage	-	32,710	9,128	-	23,582	69	-	(432)	-	-	-	-	-	32,779	9,560	-	23,219
- Swimming Pools	-	1,687	1,062	-	625	48	(12)	(80)	-	-	-	-	-	1,719	1,138	-	581
- Other Open Space/Recreational Assets	-	4,877	2,172	-	2,705	72	(105)	(356)	-	-	-	-	-	4,699	2,383	-	2,316
Other Assets:																	
- Library Books	-	641	510	-	131	42	-	(36)	-	-	-	-	-	683	546	-	137
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																	
- Tip & Quarry Assets	-	2,240	449	-	1,791	141	-	(108)	-	-	-	-	-	2,381	557	-	1,824
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	2,317	439,168	145,470	60	295,955	11,079	(2,797)	(6,470)	(110)	(230)	60	-	3,242	442,473	147,888	340	297,487

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals \$10,417,852 and New Assets \$680,792.
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Actual				Actual			
	2015				2014			
Class of Asset	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management								
Plant & Equipment	-	163	12	151	-	163	11	152
Buildings	-	46	24	22	-	46	23	23
Other Structures	-	2	1	1	-	2	1	1
Other Assets	-	104	68	36	-	109	87	22
Total DWM	-	315	105	210	-	320	122	198
Other Restricted Assets								
- Stormwater Drainage	-	32,779	9,560	23,219	-	32,710	9,128	23,582
Total Other Restrictions	-	32,779	9,560	23,219	-	32,710	9,128	23,582
TOTAL RESTRICTED I,PP&E	-	33,094	9,665	23,429	-	33,030	9,250	23,780

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

\$ '000	Notes	Actual 2015	Actual 2014
(i) Impairment Losses recognised in the Income Statement:			
- Impairment of Alison Court Aged Units		(110)	-
Total Impairment Losses		(110)	-
IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L	4(d)	(110)	-
(ii) Impairment Losses recognised direct to Equity (ARR):			
- Impairment of Alison Court Aged Units		(230)	-
Total Impairment Losses		(230)	-
(iii) Reversals of Impairment Losses previously recognised direct to Equity (ARR):			
- Reversal of Cross Keys Bridge Impairment		60	-
Total Impairment Reversals		60	-
IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)	20 (ii)	(170)	-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,405	-	765	-
Payments Received In Advance		65	-	22	-
Accrued Expenses:					
- Other Expenditure Accruals		6	-	11	-
Security Bonds, Deposits & Retentions		181	-	201	-
Alison Court - Aged Care Advances		-	95	-	96
Total Payables		1,657	95	999	96
Borrowings					
Loans - Secured ¹		153	546	179	701
Government Advances		2	7	2	9
Total Borrowings		155	553	181	710
Provisions					
Employee Benefits:					
Annual Leave		542	-	515	-
Sick Leave		8	-	8	-
Long Service Leave		1,352	98	1,217	84
Sub Total - Aggregate Employee Benefits		1,902	98	1,740	84
Asset Remediation/Restoration (Future Works) ²⁶		-	2,414	-	2,191
Provision for Impairment - Roads, bridges, footpaths		340	-	60	-
Total Provisions		2,242	2,512	1,800	2,275
Total Payables, Borrowings & Provisions		4,054	3,160	2,980	3,081

(i) Liabilities relating to Restricted Assets

There are no restricted assets (external or internal) applicable to the above liabilities.

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 2015

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

\$ '000	Actual 2015	Actual 2014
---------	----------------	----------------

(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	1,559	1,423
	<u>1,559</u>	<u>1,423</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2014		2015			Closing Balance as at 30/6/15
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	515	326	(299)	-	-	542
Sick Leave	8	-	-	-	-	8
Long Service Leave	1,301	237	(88)	-	-	1,450
Asset Remediation	2,191	223	-	-	-	2,414
Other	60	280	-	-	-	340
TOTAL	4,075	1,066	(387)	-	-	4,754

- 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.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	7,990	6,942
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		7,990	6,942
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		3,536	777
Adjust for non cash items:			
Depreciation & Amortisation		6,470	3,033
Net Losses/(Gains) on Disposal of Assets		2,528	1,283
Non Cash Capital Grants and Contributions		-	(32)
Impairment Losses Recognition - I,PP&E		110	-
Unwinding of Discount Rates on Reinstatement Provisions		82	79
Share of Net (Profits) or Losses of Associates/Joint Ventures		(11)	(7)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(599)	(1,568)
Decrease/(Increase) in Inventories		(435)	(67)
Decrease/(Increase) in Other Assets		(10)	194
Increase/(Decrease) in Payables		640	88
Increase/(Decrease) in other accrued Expenses Payable		(5)	1
Increase/(Decrease) in Other Liabilities		22	(114)
Increase/(Decrease) in Employee Leave Entitlements		176	162
Increase/(Decrease) in Other Provisions		421	-
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		12,925	3,829

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(c) Non-Cash Investing & Financing Activities			
Clarence Town Tennis Clubhouse		-	32
Total Non-Cash Investing & Financing Activities		-	32
(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 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(a) Capital Commitments (exclusive of GST)			
Nil			
(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		16	19
Later than one year and not later than 5 years		10	27
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		26	46

b. Non Cancellable Operating Leases include the following assets:

Computer & Other Plant/Equipment

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 Joint Operations - Commitments

For Capital Commitments and Other Commitments relating to Investments in Joint Operations, refer to Note 19 (c)

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(3,784)</u>	-28.79%	-10.23%	3.76%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	13,144			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. ALL Grants & Contributions)</u>	<u>8,274</u>	36.00%	55.74%	49.65%
Total continuing operating revenue ⁽¹⁾	22,981			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>11,896</u>	4.77x	5.87	5.11
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>2,495</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	<u>2,932</u>	9.19x	3.37	12.08
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	<u>319</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>278</u>	4.24%	5.03%	4.61%
Rates, Annual and Extra Charges Collectible	<u>6,561</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	<u>7,990</u>	9.90 mths	7.60	12.00
Payments from cash flow of operating and financing activities	<u>807</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate & land for resale not expected to be sold in the next 12 months

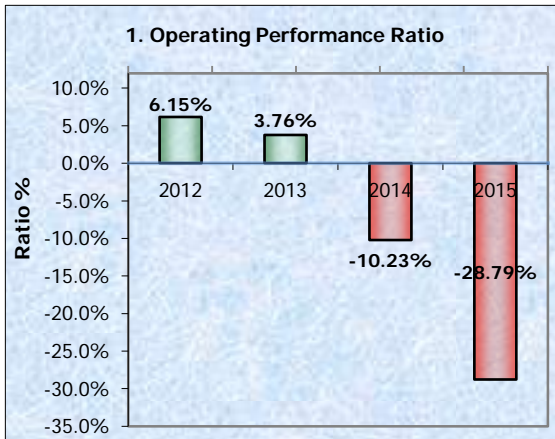
⁽³⁾ Refer to Note 10(a).

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

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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



Purpose of Operating Performance Ratio

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

Commentary on 2014/15 Result

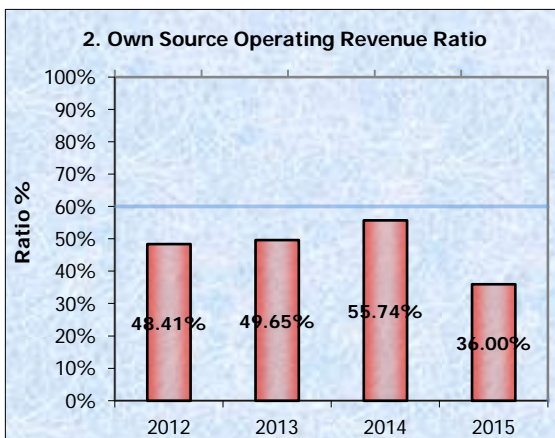
2014/15 Ratio -28.79%

Significant increase in Depreciation following the adoption of Fair Value methodology in 2013/14 for all Assets and Infrastructure as per AASB 113, and the write off of Assets and Infrastructure, due to the Natural Disaster of April 2015.

Benchmark: Minimum $\geq 0.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Own Source Operating Revenue Ratio

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

Commentary on 2014/15 Result

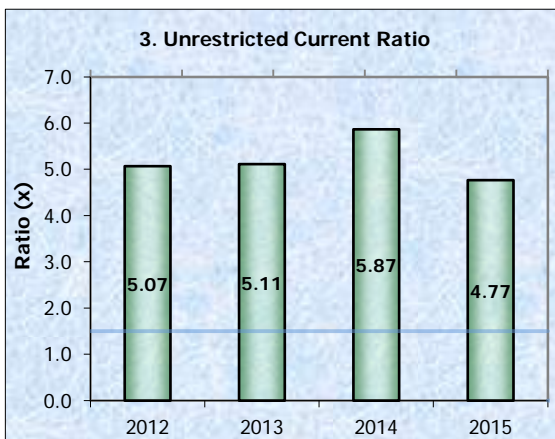
2014/15 Ratio 36.00%

Result has been negatively impacted by the Natural Disaster Funding together with State Government funding for Main Road 301, which is a one off grant funding.

Benchmark: Minimum $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Unrestricted Current Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 4.77x

Unrestricted ratio highlights Councils ability to satisfactorily meet short term obligations as they fall due. Councils position remains solid.

Benchmark: Minimum ≥ 1.50

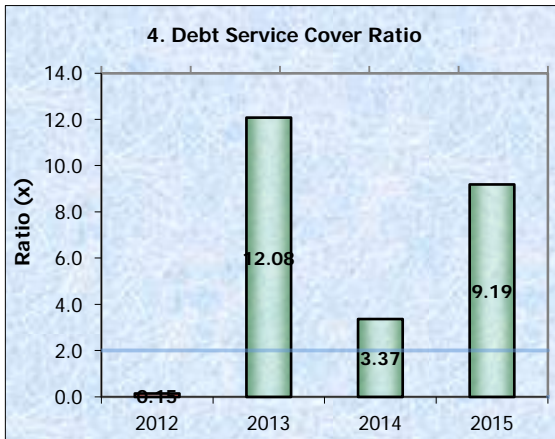
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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



Purpose of Debt Service Cover Ratio

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

Commentary on 2014/15 Result

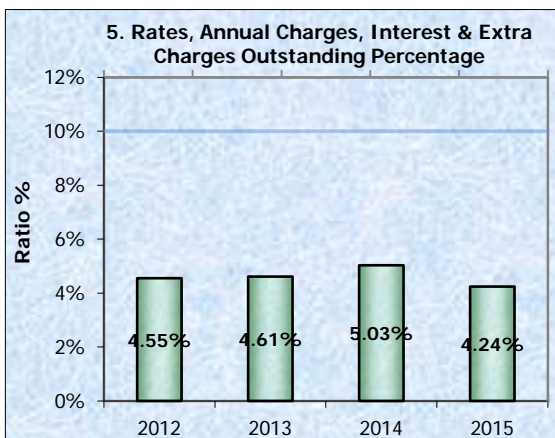
2014/15 Ratio 9.19x

Council continues to hold sufficient funds to service existing debt levels.

Benchmark: Minimum ≥ 2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2014/15 Result

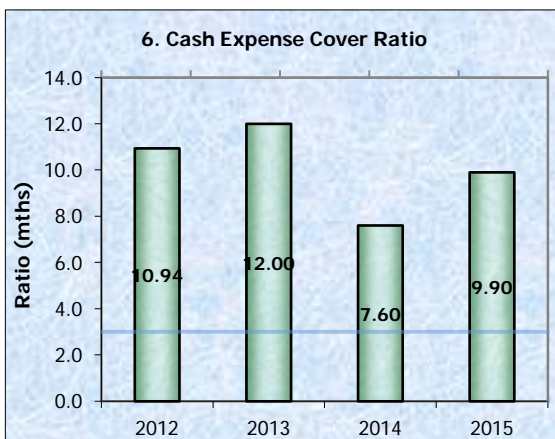
2014/15 Ratio 4.24%

Rate and charges outstanding percentage has improved during the period and are well below the benchmark of 10%. Indicating Council's rate recovery efforts remain strong and effective.

Benchmark: Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Cash Expense Cover Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 9.90 mths

Council is able to pay immediate expenses without additional cashflow for a period of 9 months.

Benchmark: Minimum ≥ 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Water 2015	Sewer 2015	General ⁵ 2015
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	n/a	n/a	-28.79%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: n/a	n/a	-10.31%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. ALL Grants & Contributions)</u>	n/a	n/a	36.00%
Total continuing operating revenue ⁽¹⁾	prior period: n/a	n/a	55.72%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽²⁾</u>	n/a	n/a	4.77x
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	prior period: n/a	n/a	5.87
4. Debt Service Cover Ratio			
<u>Operating Result⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation</u>	n/a	n/a	9.19x
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	prior period: n/a	n/a	3.36
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	n/a	n/a	4.24%
Rates, Annual and Extra Charges Collectible	prior period: n/a	n/a	5.03%
6. Cash Expense Cover Ratio			
<u>Current Year's Cash and Cash Equivalents + All Term Deposits</u> x12	n/a	n/a	9.90 mths
Payments from cash flow of operating and financing activities	prior period: n/a	n/a	7.25

Notes

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

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	7,990	6,942	7,990	6,942
Investments				
- "Held to Maturity"	5,000	3,500	5,000	3,500
Receivables	3,200	2,606	3,200	2,606
Total Financial Assets	16,190	13,048	16,190	13,048
Financial Liabilities				
Payables	1,687	1,073	1,687	1,073
Loans / Advances	708	891	708	891
Total Financial Liabilities	2,395	1,964	2,395	1,964

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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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
2015				
Possible impact of a 10% movement in Market Values	140	140	(140)	(140)
2014				
Possible impact of a 1% movement in Interest Rates	104	104	(104)	(104)

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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:

		2015	2015	2014	2014
		Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables - %					
Current (not yet overdue)		0%	95%	0%	95%
Overdue		100%	5%	100%	5%
		100%	100%	100%	100%
(ii) Ageing of Receivables - value					
Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
Current	Current	-	2,748	-	2,158
< 1 year overdue	0 - 30 days overdue	220	149	315	88
> 5 years overdue	> 90 days overdue	58	25	-	45
		278	2,922	315	2,291

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 maturity table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2015									
Trade/Other Payables	181	1,506	-	-	-	-	-	1,687	1,687
Loans	-	169	124	124	124	124	208	873	708
Total Financial Liabilities	181	1,675	124	124	124	124	208	2,560	2,395
2014									
Trade/Other Payables	201	872	-	-	-	-	-	1,073	1,073
Loans	-	169	169	124	124	124	332	1,042	891
Total Financial Liabilities	201	1,041	169	124	124	124	332	2,115	1,964

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:

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	1,687	0.0%	1,073	0.0%
Loans & Advances - Fixed Interest Rate	708	6.6%	891	6.6%
	<u>2,395</u>		<u>1,964</u>	

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 29 June 2014.

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	2015 Budget	2015 Actual	2015 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	6,162	6,217	55	1%	F
User Charges & Fees	836	954	118	14%	F
Higher than budgeted Onsite Sewerage Management Fees and Higher than budgeted Caravan Park Income					
Interest & Investment Revenue	441	465	24	5%	F
Other Revenues	521	638	117	22%	F
Higher than budgeted revenues and insurance claim revenue					
Operating Grants & Contributions	2,889	4,870	1,981	69%	F
Higher than budgeted funding largely due to Natural Disaster Funding					
Capital Grants & Contributions	7,724	9,837	2,113	27%	F
Higher than budgeted funding due to carry over of previous year MR301 funding due to timing of works.					
Net Gains from Disposal of Assets	131	-	(131)	(100%)	U
Lower than budgeted sales due to reduced number of vehicles sold.					
Joint Ventures & Associates - Net Profits	-	11	11	0%	F
Unbudgeted Joint Venture					

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	4,083	4,034	49	1%	F
Borrowing Costs	126	136	(10)	(8%)	U
Interest payments for Loan borrowing taken up in 2013/14 not budgeted.					
Materials & Contracts	4,618	4,734	(116)	(3%)	U
Depreciation & Amortisation	3,593	6,470	(2,877)	(80%)	U
Higher than budgeted depreciation expense due to the initial revaluation of Assets in 2013/14 to Fair Value.					
Impairment Expenses	-	110	(110)	0%	U
Impairment expense relating to the Natural Disaster Event of April 2015 - unbudgeted.					
Other Expenses	1,713	1,444	269	16%	F
Lower than budget contribution to Rural Fire Services and lower than budgeted Insurance premium.					
Net Losses from Disposal of Assets	-	2,528	(2,528)	0%	U
Write off of Roads assets resulting from new capital works undertaken on MR301 and the Write off of Infrastructure and Assets due to the Natural Disaster of April 2015.					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	7,942	12,925	4,983	62.7%	F
Higher than budgeted grant funding for MR301 due to grants deferred from 2013/14 paid in 2014/15.					
Cash Flows from Investing Activities	(8,920)	(11,694)	(2,774)	31.1%	U
Carry over of Capital Works under taken in 2014/15 originally budgeted in 2013/14.					
Cash Flows from Financing Activities	(93)	(183)	(90)	96.8%	U
Budgeted loan borrowing not taken up.					

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	972	3	-	8	-	-	983	-	-	983	-
Traffic Facilities	32	-	-	-	-	-	32	-	-	32	-
Open Space	937	600	-	69	-	-	1,606	494	-	2,100	-
Community Facilities	1,123	-	-	3	(21)	-	1,105	-	-	1,105	-
Bushfire	296	-	-	-	-	-	296	-	-	296	-
Other	179	-	-	-	-	-	179	-	-	179	-
S94 Contributions - under a Plan	3,539	603	-	80	(21)	-	4,201	494	-	4,695	-
Total S94 Revenue Under Plans	3,539	603	-	80	(21)	-	4,201				-
S94 not under Plans	11	-	-	-	-	-	11	-	-	11	-
Total Contributions	3,550	603	-	80	(21)	-	4,212	494	-	4,706	-

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	28	3	-	1	-	-	32	-	-	32	-
Traffic Facilities	7	-	-	-	-	-	7	-	-	7	-
Open Space	17	-	-	-	-	-	17	-	-	17	-
Community Facilities	29	-	-	1	-	-	30	-	-	30	-
Bushfire	21	-	-	-	-	-	21	-	-	21	-
Total	102	3	-	2	-	-	107	-	-	107	-

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	337	-	-	7	-	-	344	-	-	344	-
Open Space	51	-	-	1	-	-	52	-	-	52	-
Community Facilities	115	-	-	2	(21)	-	96	-	-	96	-
Bushfire	28	-	-	-	-	-	28	-	-	28	-
Other	2	-	-	-	-	-	2	-	-	2	-
Total	533	-	-	10	(21)	-	522	-	-	522	-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	766	217	-	18	-	-	1,001	174	-	1,175	-
Parklands	47	6	-	1	-	-	54	7	-	61	-
Swimming Pools	241	41	-	6	-	-	288	33	-	321	-
Indoor Sports	247	44	-	6	-	-	297	36	-	333	-
Local Community Centre	87	16	-	2	-	-	105	14	-	119	-
District Community Centre	60	11	-	1	-	-	72	10	-	82	-
Youth Venue	45	9	-	1	-	-	55	6	-	61	-
Arts & Crafts Centre	12	3	-	-	-	-	15	2	-	17	-
Aged Facilities	42	8	-	1	-	-	51	5	-	56	-
Library	131	24	-	3	-	-	158	22	-	180	-
Pre School	154	32	-	4	-	-	190	18	-	208	-
Rural Sub-Arterial Roads	171	16	-	4	-	-	191	19	-	210	-
Rural Local Roads	388	67	-	9	-	-	464	72	-	536	-
Traffic Management	27	-	-	1	-	-	28	-	-	28	-
Bikeways Facilities	50	8	-	1	-	-	59	10	-	69	-
Fire Service	252	45	-	6	-	-	303	29	-	332	-
Section 94 Administration	60	31	-	1	-	-	92	22	-	114	-
Unsealed Roads & Bridges	3	-	-	-	-	-	3	1	-	4	-
Other	121	22	-	3	-	-	146	14	-	160	-
Total	2,904	600	-	68	-	-	3,572	494	-	4,066	-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	9	-	-	-	-	-	9	-	-	9	-
Total	11	-	-	-	-	-	11	-	-	11	-

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 its Defined Benefit Scheme obligations in accordance with AASB 119.

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 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 2015

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iv) Strategic Services Australia Limited (previously Hunter Councils Limited)

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.

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.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

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;

Controlled Entities (Subsidiaries)

Note 19(a)

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

Joint Ventures & Associates

Note 19(b)

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

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

Joint Operations

Note 19(c)

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

Unconsolidated Structured Entities

Note 19(d)

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, Joint Arrangements and Associates not recognised

Note 19(e)

Accounting Recognition:

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

(ii) Joint Ventures and Associates as per 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	Actual	Actual	Actual
	2015	2014	2015	2014
Joint Ventures	11	7	60	39
Associates	-	-	-	-
Total	11	7	60	39

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council has no interest in any Controlled Entities (Subsidiaries).

(b) Joint Ventures and Associates

Council has incorporated the following Joint Ventures and Associates into it's consolidated Financial Statements.

(a) Net Carrying Amounts - Council's Share

Name of Entity	Nature of Relationship	2015	2014
Strategic Services Australia Limited (previously Hunter Councils Limited)	Joint Venture	60	39
Total Carrying Amounts - Material Joint Ventures and Associates		60	39

(b) Details

Name of Entity	Principal Activity
Strategic Services Australia Limited (previously Hunter Councils Limited)	To improve quality & efficiency of Local Govt Services in the Hunter

(c) Relevant Interests & Fair Values

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2015	2014	2015	2014	2015	2014
Strategic Services Australia Limited (previously Hunter Councils Limited)	3%	3%	3%	3%	8%	3%

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(b) Joint Ventures and Associates (continued)

(d) Summarised Financial Information for Joint Ventures & Associates

	Strategic Services Australia Limited (previously Hunter Councils Limited)	
	2015	2014
Statement of Financial Position		
Current Assets		
Cash and Cash Equivalents	109	279
Other Current Assets	536	190
Total Current Assets	645	469
Non-Current Assets	4,562	4,484
Current Liabilities		
Other Current Liabilities	1,393	580
Total Current Liabilities	1,393	580
Non-Current Liabilities	1,731	3,004
Net Assets	2,083	1,369
Reconciliation of the Carrying Amount		
Opening Net Assets (1 July)	1,369	1,107
Profit/(Loss) for the period	620	262
Other- Movement in Asset Revaluation Reserve	94	
Closing Net Assets	2,083	1,369
Council's share of Net Assets (%)	2.9%	2.9%
Council's share of Net Assets (\$)	60	39
Statement of Comprehensive Income		
Income	2,375	1,434
Interest Income	4	3
Depreciation & Amortisation	(186)	(139)
Interest Expense	-	(116)
Income Tax Expense	(180)	(73)
Other Expenses	(1,593)	(940)
Profit/(Loss) for Period	420	169
Other Comprehensive Income	200	93
Total Comprehensive Income	620	262
Council's share of Income (%)	2.8%	2.9%
Council's share of Profit/(Loss) (\$)	11	7
Council's share of Comprehensive Income (\$)	17	8

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(c) Joint Operations

Council has no interest in any Joint Operations.

(d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities

(e) Subsidiaries, Joint Arrangements & Associates not recognised

All Subsidiaries, Joint Arrangements and Associates have been recognised in this Financial Report.

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		122,440	145,707
a. Correction of Prior Period Errors	20 (c)	-	(24,035)
b. Net Operating Result for the Year		3,519	768
Balance at End of the Reporting Period		125,959	122,440
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		181,630	181,800
Total		181,630	181,800
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		181,800	12,414
- Revaluations for the year	9(a)	-	169,386
- (Impairment of revalued assets) / Impairment reversals	9(a),(c)	(170)	-
- Balance at End of Year		181,630	181,800
TOTAL VALUE OF RESERVES		181,630	181,800

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors as disclosed in last year's financial statements:			
During the revaluation exercise in the 2014 year, an understatement in prior years Depreciation of some Assets was identified and an adjustment was made against the current year IPPE and Retained Earnings to correct the errors, as it was found to be impractical to restate the prior year comparatives.			(24,035)
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/13 (relating to adjustments for the 30/6/13 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/14 (relating to adjustments for the 30/6/14 year end)		-	(24,035)
Total Prior Period Adjustments - Prior Period Errors		-	(24,035)

(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 2015

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
	Water	Sewer	General¹
Continuing Operations			
Income from Continuing Operations			
Rates & Annual Charges	-	-	6,217
User Charges & Fees	-	-	954
Interest & Investment Revenue	-	-	465
Other Revenues	-	-	638
Grants & Contributions provided for Operating Purposes	-	-	4,870
Grants & Contributions provided for Capital Purposes	-	-	9,837
Other Income			
Net Gains from Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	11
Total Income from Continuing Operations	-	-	22,992
Expenses from Continuing Operations			
Employee Benefits & on-costs	-	-	4,034
Borrowing Costs	-	-	136
Materials & Contracts	-	-	4,734
Depreciation & Amortisation	-	-	6,470
Impairment	-	-	110
Other Expenses	-	-	1,444
Net Losses from the Disposal of Assets	-	-	2,528
Total Expenses from Continuing Operations	-	-	19,456
Operating Result from Continuing Operations	-	-	3,536
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	-	-	3,536
Net Operating Result attributable to each Council Fund	-	-	3,519
Net Operating Result attributable to Non-controlling Interests	-	-	17
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	-	-	(6,301)

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 2015

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

Statement of Financial Position by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
	Water	Sewer	General ¹
ASSETS			
Current Assets			
Cash & Cash Equivalents	-	-	7,990
Investments	-	-	5,000
Receivables	-	-	3,134
Inventories	-	-	1,073
Other	-	-	26
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	-	-	17,223
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	66
Inventories	-	-	26
Infrastructure, Property, Plant & Equipment	-	-	297,487
Investments Accounted for using the equity method	-	-	60
Total Non-Current Assets	-	-	297,639
TOTAL ASSETS	-	-	314,862
LIABILITIES			
Current Liabilities			
Payables	-	-	1,657
Borrowings	-	-	155
Provisions	-	-	2,242
Total Current Liabilities	-	-	4,054
Non-Current Liabilities			
Payables	-	-	95
Borrowings	-	-	553
Provisions	-	-	2,512
Total Non-Current Liabilities	-	-	3,160
TOTAL LIABILITIES	-	-	7,214
Net Assets	-	-	307,648
EQUITY			
Retained Earnings	-	-	125,959
Revaluation Reserves	-	-	181,630
Total Equity	-	-	307,648

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 2015

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 Date

Events that occur between the end of the reporting period (ending 30 June 2015) 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 19/10/15.

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 2015.

(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 2015 and which are only indicative of conditions that arose after 30 June 2015.

Council is aware of the following "non-adjusting events" that merit disclosure;

Alison Court Aged Accommodation - During the Natural Disaster Event of April 2015, eighteen of the twenty units at Alison Court sustained significant damage. Council received advice on 31st August 2015, their claim has been declined by the Insurance Company. Council has made application for funding through the Natural Disaster Relief and Recovery Arrangements, the outcome of which is currently unknown. Dependent upon the outcome, Council may hold a contingent liability in 2015/16 for the repair of the Units.

Note 24. Discontinued Operations

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 25. Intangible Assets

\$ '000

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.

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2015	2014
Tips - Dungog Shire	2031	1,154	1,135
Quarries - Dungog Shire	various	1,260	1,056
Balance at End of the Reporting Period	10(a)	2,414	2,191

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	2,191	2,112
Amounts capitalised to new or existing assets:		
- Clarence Town Quarry	141	-
Amortisation of discount (expensed to borrowing costs)	82	79
Total - Reinstatement, rehabilitation and restoration provision	2,414	2,191

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 2015

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment

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

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

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

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

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

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

2015	Fair Value Measurement Hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements				
Infrastructure, Property, Plant & Equipment				
Plant & Equipment	-	-	3,369	3,369
Office Equipment	-	-	16	16
Furniture & Fittings	-	-	29	29
Operational Land	-	-	6,349	6,349
Community Land	-	-	4,510	4,510
Buildings	-	-	6,979	6,979
Other Structures	-	-	3,628	3,628
Roads	-	-	133,535	133,535
Bridges	-	-	20,747	20,747
Footpaths	-	-	1,039	1,039
Bulk Earthworks	-	-	88,864	88,864
Stormwater Drainage	-	-	23,219	23,219
Other Assets	-	-	137	137
Restoration Assets	-	-	1,824	1,824
Total Infrastructure, Property, Plant & Equipment	-	-	294,245	294,245

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	Fair Value Measurement Hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements				
Infrastructure, Property, Plant & Equipment				
Plant & Equipment	-	-	3,839	3,839
Office Equipment	-	-	20	20
Furniture & Fittings	-	-	35	35
Operational Land	-	-	6,349	6,349
Community Land	-	-	4,510	4,510
Buildings	-	-	7,656	7,656
Other Structures	-	-	4,130	4,130
Roads	-	-	131,437	131,437
Bridges	-	-	21,798	21,798
Footpaths	-	-	1,053	1,053
Bulk Earthworks	-	-	87,307	87,307
Stormwater Drainage	-	-	23,582	23,582
Other Assets	-	-	131	131
Restoration Assets	-	-	1,791	1,791
Total Infrastructure, Property, Plant & Equipment	-	-	293,638	293,638

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Current Replacement Costs (CRC)

Current Replacement Cost is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits.

Residual Value (RV)

The Residual Value of an asset is the estimated amount that would be obtained today from disposal of the asset after deducting the estimated costs of disposal.

Condition Assessment

Condition assessment of the various assets has been undertaken IPWEA guidelines and Council requirements using the skills of consultants, experienced engineering and operational staff. All assets, with the exception of unsealed roads, have been rated using a 1 to 5 rating system where a rating of 1 represents "as new" condition and a rating of 5 represents "very poor" condition requiring renewal of the asset. Unsealed Roads have been rated utilising a 1 to 3 rating system where a rating of 1 represents "as new" condition and a rating of 3 represents "very poor" condition requiring renewal of the asset.

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Infrastructure, Property, Plant & Equipment

PLANT & EQUIPMENT, OFFICE EQUIPMENT AND FURNITURE & FITTINGS

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The purchase cost of these assets is taken as their fair value. There has been no change in the valuation process during the period.

OPERATIONAL LAND

The valuation of Councils operational land was undertaken as at 30 June 2013 by Nicholas Brady Valuations (NICHOLAS BRADY AAPI (VAL,P&M) Certified Practising Valuer, Real Estate Valuers, Registration No. 3609).

The land value has been assessed by Direct Comparison on a rate per square metre, and has been valued in accordance with the Dungog Shire Council Draft LEP 2013. The valuations were based on the Draft LEP 2013 as the "market place" would also have due regard to the proposed zoning. Sale prices of comparable land parcels were considered where appropriate. The most significant unobservable input into the valuation of operational land is the price per square metre. These assets have been classified as using Level 3 valuation inputs due to the professional judgement required and used by the Valuer to determine the price per square metre. There have been no changes in the valuation process during the period.

COMMUNITY LAND

Land values based on the 2012 valuation made by the Valuer-General were used to value Council's Community Land, where the Valuer-General did not provide a Land Value, an average unit rate based on similar properties was used taking into regard the highest or best use for the land. As these rates are not

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

considered to be observable market evidence they have been classified as Level 3 valuation inputs. There has been no change in the valuation process during the period.

BUILDINGS

Council's buildings were valued using the summation (cost) approach by Nicholas Brady Valuations (NICHOLAS BRADY AAPI (VAL, P&M) Certified Practising Valuer, Real Estate Valuers, Registration No. 3609) as at 30 June 2013.

Having regard to the specialised nature of the majority of the improvements, Council's buildings were valued by the Summation Approach, whereby the depreciated replacement cost of the improvements is added to the land value.

The replacement cost of each building was estimated taking into account different components within the building, their use and useful lives. The unit rate could be supported by market evidence making it a Level 2 input, however, inputs such as estimates of residual use, and patterns of consumption required significant professional judgement and impact significantly on the final determination of fair value. As such these assets have been valued using Level 3 unobservable inputs. There have been no changes in the valuation process during the period.

ROADS

Roads have been broken down into Regional, Rural Local Sealed, Rural Local Unsealed, Urban Local Sealed and Urban Local Unsealed Roads for condition rating and valuation purposes.

Sealed Roads - All

Data Collection - Data collection for sealed roads was undertaken by external consultants utilising video and in-vehicle roughness count technologies. Where an intersection occurs, the pavement values are attributed to the through road.

Componentisation - The road asset has been componentised in accordance with required guidelines. Sealed Roads have been broken down into three (3) components being Earthworks (non-depreciable), Pavement and Seal. The pavement and seal have been separated due to different life expectations for these two components. Costs are based upon existing road dimensions.

Condition - Condition assessment was undertaken by external consultants utilising video and in-vehicle roughness count technologies. The roads have been segmented and the pavement condition information detailed for each segment. Condition indicators were collected as follows:-

- Regional Roads:-
 - Roughness - NAASRA standards used
 - Pavement Defects - by area
 - Surface Defects - by area
 - Cracking - all cracking types recorded by area
- Local Sealed Roads (Rural and Urban):-
 - Pavement Defects - by area
 - Surface Defects - by area
 - Cracking - all cracking types recorded by area

From the above condition indicators, a 1 to 5 rating system was utilised to identify the condition of the asset.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Percentage Life Remaining - The rating of the road was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:-

Rating	Factor Applied	Percentage Depreciated	% Life Remaining
1	0	0%	100%
2	4	16%	84%
3	9	36%	64%
4	16	64%	36%
5	25	100%	0%

Useful Life - Traffic volumes and geographical location play little part in the life of a road asset as it is assumed that the asset was designed for the traffic loadings to be carried. Useful lives have therefore been determined based upon experience, observed lives of assets and industry standards as follows:-

- Earthworks - No Useful Life has been applied as Earthworks do not depreciate over time.
- Pavement - The useful life of a sealed pavement was adopted as 60 years based upon the following:
 - 0 year - Year of construction
 - 15 years - Reseal
 - 30 years - Rehabilitation
 - 45 years - Reseal
 - 60 years - Full reconstruction
- Seal - The useful life of the seal was based on 15 years as per industry standard;

Current Replacement Cost (CRC) - The CRC has been determined as follows:-

- Earthworks - CRC is based on topography to determine the amount of earthworks required and current costings for the construction of the earthworks in today's dollars;
- Pavement - CRC has been based upon the cost to rehabilitate these roads utilising the average of three (3) recent projects undertaken by Council;
- Seal - CRC has been based upon current contracted sealing costs through Dungog Shire Council's involvement with the Regional Procurement Tenders.

Residual Values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of sealed roads, it was determined that the following residual values apply:-

- Earthworks - Have an indefinite life/residual value and will therefore not be depreciated;
- Pavements - Whilst pavements may have some residual value in terms of the possibility of the in-situ material being re-used in the rehabilitation of the pavement. It has, however, been determined that existing pavements would need to be treated (stabilised) or replaced at the end of their useful lives and the cost of such would more or less negate the value of that pavement component. Therefore, the residual value has been determined to have no material value in the calculation of depreciation;
- Seals - These have no financial implications on the application of the next seal. Therefore there is no residual value.

Depreciation - All sealed road assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data Limitations – Inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

fair value. Additionally due to limitations in the historical records of very long lived assets there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

Unsealed Roads - All

Data Collection - Data collection for unsealed roads was undertaken via physical measurement by Council staff to determine dimensions. Where an intersection occurs, the pavement values are attributed to the through road.

Componentisation - The road asset has been componentised in accordance with required guidelines. As there is no "surface" on unsealed roads, the unsealed road asset has been broken down into two (2) components being Earthworks (non-depreciable) and Pavement. Costs are based upon existing road dimensions.

Condition - The roads have been segmented and assessment undertaken by experienced Council engineering and operational staff. As the surface condition of unsealed roads is highly changeable due to weather and climatic conditions, the condition was then based upon the depth of gravel on individual sections. From these indicators, a 1 to 3 rating system was utilised to identify the condition of the asset.

Percentage Life Remaining - As the rating of the road was based upon depth of gravel and it is expected that this depth will deteriorate consistently over time, the percentage of life remaining was based upon a straight line depreciation model. This process may be reviewed for future revaluations.

Useful Life - Useful lives have been determined based upon experience, observed lives of assets and industry standards as follows:-

- Earthworks - No Useful Life has been applied as Earthworks do not depreciate over time.
- Pavement - The useful life of the unsealed pavement was adopted as 20 years based upon experience and observed lives of assets.

Current Replacement Cost (CRC) - The CRC has been determined as follows:-

- Earthworks - CRC has been based on topography to determine the amount of earthworks required and current costings for the construction of the earthworks in today's dollars;
- Pavement - CRC has been based upon the minimum gravel depths as determined by Council standards as set out in Council's "Road Strategy", normal Council practice and current costings for the construction of the pavement in today's dollars.

Residual Values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of unsealed roads, it was determined that the following residual values apply:-

- Earthworks - Have an indefinite life/residual value and will therefore not be depreciated;
- Pavements - In the case of unsealed road pavements, full depreciation or end of useful life is determined when there is no residual gravel on the pavement. By definition, there is no material available to be re-used therefore there is no residual value for the determination of depreciation;

Depreciation - All unsealed road assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data Limitations – Inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

fair value. Additionally due to limitations in the historical records of very long lived assets there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

BRIDGES

In accordance with the definitions used by the Grants Commission, a structure with an opening of greater than 6m in deck length is assessed as a bridge. Bridges have been broken down into Timber Structures (full or part timber construction) and Non-Timber Structures (primarily concrete or concrete/steel structures) for condition rating and valuation purposes.

Timber Bridges

Data Collection - Data collection for timber bridges was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - The timber bridge asset has been componentised into two (2) components being Substructure and Superstructure. The substructure and superstructure have been separated to allow for differential condition rating of these two components.

Condition - Condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of each component of the asset and an average condition of these two components adopted as the overall bridge condition.

Percentage Life Remaining - The rating of the timber bridge was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:-

Rating	Percentage Depreciated	% Life Remaining
1	0%	100%
2	36%	64%
3	64%	36%
4	84%	16%
5	100%	0%

Useful Life - Useful lives have therefore been determined based upon experience, observed lives of assets and industry standards. The useful life of a timber bridge has been adopted as 50 years.

Current Replacement Cost (CRC) - The CRC has been determined based upon experience, observed lives of assets and industry standards.

Residual Values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of timber bridges there would be no residual components that would have any value in the replacement of the asset with a concrete structure. Therefore there is no residual value applied.

Depreciation - All timber bridges have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data Limitations – Inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

fair value. Additionally due to limitations in the historical records of very long lived assets there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

Non-Timber Bridges

Data Collection - Data collection for non-timber bridges was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - The non-timber bridge asset has not been componentised any further than it being a single asset.

Condition - Condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of the asset.

Percentage Life Remaining - As non-timber bridges deteriorate at a different rate to timber bridges, the following exponential decay curve was utilised to calculate the percentage of life remaining:-

Rating	Percentage Depreciated	% Life Remaining
1	0%	100%
2	16%	84%
3	36%	64%
4	64%	36%
5	100%	0%

Useful Life - Useful lives have therefore been determined based upon experience, observed lives of assets and industry standards. The useful life of a non-timber bridge has been adopted as 80 years.

Current Replacement Cost (CRC) - The CRC has been determined based upon the Rawlinson's Australian Construction Handbook, recent bridge tenders received by Council and industry standards.

Residual Values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of non-timber bridges there would be no residual components that would be expected to last double the 80 year useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - All non-timber bridges have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Data Limitations – Inputs such as estimated patterns of consumption, residual values, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there may be some uncertainty regarding the actual design, specifications and dimensions of some assets.

RURAL STORMWATER DRAINAGE & CAUSEWAYS

Drainage structures on the Rural Road network have been broken down into Culvert Structures and Causeways.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Culvert Structures

Data Collection - Data collection was undertaken via physical measurement by Council staff to determine dimensions. There is a limitation in the data due to only 23% of Unsealed Rural Roads, 48% of Sealed Rural Roads and 96% of Regional Roads stormwater network being inspected and the data from this applied across the entire Rural stormwater network.

Componentisation - The culvert asset has been componentised into two (2) components being the culvert pipe or box section and the headwall component. These have been separated to allow for differential condition rating of these two components.

Condition - Condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each structure. A 1 to 5 rating system was then utilised to identify the condition of each component of the asset and an average condition of these two components adopted as the overall culvert structure condition.

Percentage Life Remaining - The rating of the structure was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:-

Rating	Percentage Depreciated	% Life Remaining
1	0%	100%
2	16%	84%
3	36%	64%
4	64%	36%
5	100%	0%

Useful Life - Useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - The CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual Values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete culvert structures, there would be no residual components that would be expected to last double the initial useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - All concrete culvert structures have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Causeways

Data Collection - Data collection for Causeways was undertaken via physical measurement by Council staff to determine dimensions.

Componentisation - The causeway asset has been componentised into two (2) components being the culvert pipe or box section (if existing) and the causeway component. These have been separated to allow for differential condition rating of these two components.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Condition - Condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each bridge. A 1 to 5 rating system was then utilised to identify the condition of the asset.

Percentage Life Remaining - The rating of the structure was then used to calculate the percentage of life remaining based upon an exponential decay curve as shown below:-

Rating	Percentage Depreciated	% Life Remaining
1	0%	100%
2	16%	84%
3	36%	64%
4	64%	36%
5	100%	0%

Useful Life - Useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - The CRC has been determined has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual Values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete causeway structures, there would be no residual components that would be expected to last double the 80 year useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - All causeway structures have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

URBAN STORMWATER DRAINAGE

Data Collection - Data collection was undertaken via physical measurement by Council staff and Council records to determine dimensions.

Componentisation - The asset has been componentised into individual components within the asset class.

Condition - Condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each structure. A 1 to 5 rating system was then utilised to identify the condition of each component of the asset and an average condition of these two components adopted as the overall culvert structure condition.

Percentage Life Remaining - The rating of the asset was then utilised to determine the percentage of life remaining.

Useful Life - Useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - The CRC has been determined has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Residual Values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of concrete culvert structures, there would be no residual components that would be expected to last double the initial useful life and therefore would not have any value in the replacement of the asset. Therefore there is no residual value applied.

Depreciation - All concrete culvert structures have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

FOOTPATH, KERB & GUTTER AND GUARDRAIL

Ancillary Items on the Road network have been broken down into Footpaths, Kerb & Gutter and Guardrail Assets.

Footpaths and Kerb & Gutter

Data Collection - Data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - Footpaths, bike paths and kerb & gutter have been segmented to different locations and identified as individual assets.

Condition - Condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each asset. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage Life Remaining - The rating of the asset was then used to calculate the percentage of life remaining.

Useful Life - Useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - The CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual Values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of these assets, there would be no residual components that would be expected to last double the initial useful life. Whilst there may be a residual earthworks value, this would be negated by the cost to remove the existing fully depreciated asset. Therefore there is no residual value applied.

Depreciation - All of these assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Guardrail

Data Collection - Data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - Guardrail sections have been identified as individual assets.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Condition - Condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each section. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage Life Remaining - The rating of the guardrail was then used to calculate the percentage of life remaining.

Useful Life - Useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - The CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual Values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of guardrail, there would be no residual components that would be expected to last double the initial useful life. Therefore there is no residual value applied.

Depreciation - All guardrail assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

PARK ASSETS (Non-Building) & OTHER STRUCTURES

Data Collection - Data collection was undertaken via physical measurement by Council staff to determine dimensions and use of aerial photography for confirmation.

Componentisation - Asset have been identified as individual assets.

Condition - Condition assessment was undertaken by experienced Council engineering and operational staff. Condition information was detailed for each section. A 1 to 5 rating system was then utilised to identify the condition of each asset.

Percentage Life Remaining - The rating of the asset was then used to calculate the percentage of life remaining.

Useful Life - Useful lives have been determined based upon experience, observed lives of assets and industry standards.

Current Replacement Cost (CRC) - The CRC has been determined based upon experience, observed lives of assets, industry standards and Rawlinson's Australian Construction Handbook.

Residual Values - In practice, the residual value of many assets or components of such are often insignificant and therefore immaterial in the calculation of the depreciable amount. In the case of these assets, there would be no residual components that would be expected to last double the initial useful life. Therefore there is no residual value applied.

Depreciation - All of these assets have been assessed as to their condition. The remaining life of the asset has then been determined based on the condition assessment, the percentage life remaining and the overall useful life of the asset. The residual depreciable value of the asset was then divided by the remaining useful life to determine the annual depreciation rate.

Dungog Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

LANDFILL AND QUARRY ASSETS

See note 26 for background and breakdown of these assets.

Values are estimates of rehabilitation costs, and these included capping of landfill, revegetation of roadside quarry's, battering of high walls, safety fencing and other associated restoration works.

There is extensive professional judgement which impacts significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the design, specification and dimensions of these assets.

Inputs include discount rates, cost escalation, cost timing and regulation changes.

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Plant & Equipment	Office Equipment	Furniture & Fittings	Operational Land	Total
Adoption of AASB 13	3,736	28	23	5,970	9,757
Purchases (GBV)	803	-	16	379	1,198
Disposals (WDV)	(83)	-	-	-	(83)
Depreciation & Impairment	(617)	(8)	(4)	-	(629)
Closing Balance - 30/6/14	3,839	20	35	6,349	10,243
Purchases (GBV)	378	2	18	-	398
Disposals (WDV)	(227)	-	(20)	-	(247)
Depreciation & Impairment	(621)	(6)	(4)	-	(631)
Closing Balance - 30/6/15	3,369	16	29	6,349	9,763

	Community Land	Buildings Specialised	Other Structures	Roads	Total
Adoption of AASB 13	4,337	8,120	1,633	104,125	118,215
Transfers from/(to) another asset class	-	-	-	1,203	1,203
Purchases (GBV)	173	92	165	3,044	3,474
Disposals (WDV)	-	-	(34)	(1,250)	(1,284)
Depreciation & Impairment	-	(466)	(132)	(1,134)	(1,732)
FV Gains - Other Comprehensive Income	-	(90)	900	52,125	52,935
Prior year adjustment - Depreciation	-	-	1,598	(26,676)	(25,078)
Closing Balance - 30/6/14	4,510	7,656	4,130	131,437	147,733
Purchases (GBV)	-	144	120	7,609	7,873
Disposals (WDV)	-	(15)	(124)	(1,897)	(2,036)
Depreciation & Impairment	-	(806)	(498)	(3,614)	(4,918)
Closing Balance - 30/6/15	4,510	6,979	3,628	133,535	148,652

Dungog Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)**a. The following tables present the changes in Level 3 Fair Value Asset Classes.** (continued)

	Bridges	Bulk Earthworks	Footpaths	Stormwater Drainage	Total
Adoption of AASB 13	15,016	-	748	977	16,741
Purchases (GBV)	34	-	-	-	34
Depreciation & Impairment	(482)	-	(13)	(34)	(529)
FV Gains - Other Comprehensive Income	7,234	87,307	44	21,866	116,451
Prior year adjustment - Depreciation	(4)	-	274	773	1,043
Closing Balance - 30/6/14	21,798	87,307	1,053	23,582	133,740
Purchases (GBV)	134	1,557	-	69	1,760
Disposals (WDV)	(514)	-	-	-	(514)
Depreciation & Impairment	(671)	-	(14)	(432)	(1,117)
Closing Balance - 30/6/15	20,747	88,864	1,039	23,219	133,869

	Other Assets	Restoration Assets	Total
Adoption of AASB 13	132	1,899	2,031
Purchases (GBV)	34	-	34
Depreciation & Impairment	(35)	(108)	(143)
Closing Balance - 30/6/14	131	1,791	1,922
Purchases (GBV)	42	141	183
Depreciation & Impairment	(36)	(108)	(144)
Closing Balance - 30/6/15	137	1,824	1,961

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 2015.

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.

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.

AUDIT OPINION

In our 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 2015 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



Paul Cornall
Principal

19th October 2015

92 Rusden Street Armidale

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

19 October 2015

The Mayor
Dungog Shire Council
PO Box 95
DUNGOG NSW 2420

Armidale

92 Rusden Street
PO Box 114
Armidale NSW 2350

p +61 2 6773 8400

f +61 2 6772 9957

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 2015

We are pleased to report that we have completed the audit of Dungog Shire Council's ("the Council") financial statements and records for the year ended 30 June 2015 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 complies with Accounting Standards in Australia, in accordance with the *Local Government Act 1993*. This includes responsibility for maintaining 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

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 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 2015 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.

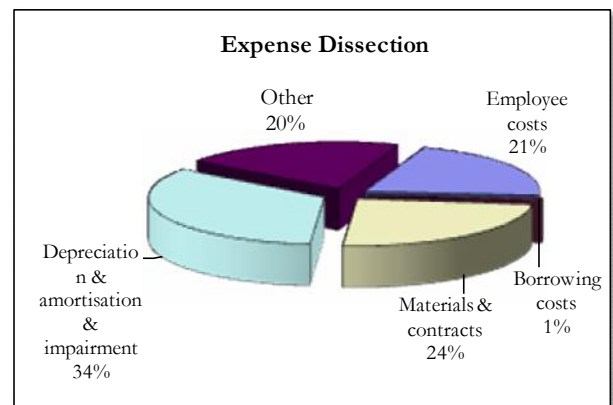
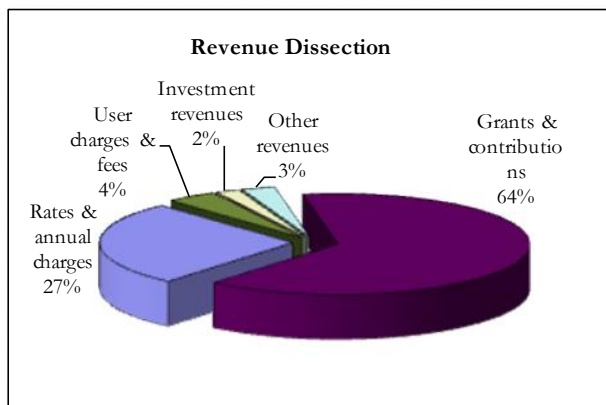


Additional Reporting Requirements

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 2015 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2015	2015	2014	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	6,162	6,217	6,017	3.3%	0.9%
User charges & fees	836	954	981	-2.8%	14.1%
Investment revenues	441	465	465	0.0%	5.4%
Other revenues from ordinary activities	521	638	894	-28.6%	22.5%
Grants & contributions for operating purposes	2,889	4,870	3,382	44.0%	68.6%
Grants & contributions for capital purposes	7,724	9,837	3,254	202.3%	27.4%
Gain from interests in joint ventures & associates	131	11	7	57.1%	0.0%
Total income from continuing operations	18,704	22,992	15,000	53.3%	22.9%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	4,083	4,034	4,139	-2.5%	-1.2%
Borrowing costs	126	136	143	-4.9%	7.9%
Materials and contracts	4,618	4,734	4,245	11.5%	2.5%
Depreciation, amortisation and impairment	3,593	6,580	3,033	4.6%	83.1%
Other expenses from ordinary activities	1,713	1,444	1,380	116.9%	-15.7%
Loss from disposal of assets	0	2,528	1,283	97.0%	100.0%
Total expenses from continuing operations	14,133	19,456	14,223	36.8%	37.7%
OPERATING RESULT FROM CONTINUING OPERATIONS	4,571	3,536	777	355.1%	-22.6%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(3,153)	(6,301)	(2,477)	-100.0%	99.8%



Council has reported a surplus from continuing activities of \$3.5m for 2015 compared with a surplus of \$0.8m in 2014. This result includes grants for capital purposes of \$9.8m. The expenditure of these grants is not recorded in this statement but in the Statement of Financial Position. Excluding the capital grants and contributions, Council recorded a loss of \$6.3m (2014: loss \$2.5m).

The results include depreciation of \$6.6m, which has more than doubled compared to 2014 due to the significant revaluation of infrastructure assets (mainly roads, bridges, drainage and footpaths).



Therefore, excluding capital grant income, Council is presently unable to generate sufficient surplus revenues to cover any of its long term infrastructure depreciation. Council's significant challenge is being able to increase future non-grant revenues, reduce costs or be more efficient with its future asset management processes to be able to fund its infrastructure replacement needs.

Revenues from continuing activities increased by \$8m or 53% compared to 2014 due mainly to an increase in grants & contributions for operating and capital purposes. Grants for operating purposes increased as the Financial Assistance Grants (FAG's) returned to normal levels (in 2014 there was only three instalments as the government ceased prepaying instalments in the prior year) and there were increases in grants for flood damage works. Grants and contributions for capital purposes increased due to monies received for the upgrade of Clarence Town road and also contributions for flood damage infrastructure replacements, especially the emergency access roads built to temporarily replace bridges destroyed by the flood event.

Expenditure from continuing activities, excluding depreciation, has increased by \$1.8m or 15% compared to 2014 as a result of general CPI increases in operating costs, costs associated with flood repairs and higher losses from disposal of assets due to the write off of the remaining value of infrastructure assets replaced, mainly portions of Clarence Town road and those assets impacted by flood damage.

Comparison of actual to budget performance

The budget amounts shown in the Income Statement 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 \$3.5m compares with the original budget surplus of \$4.6m.

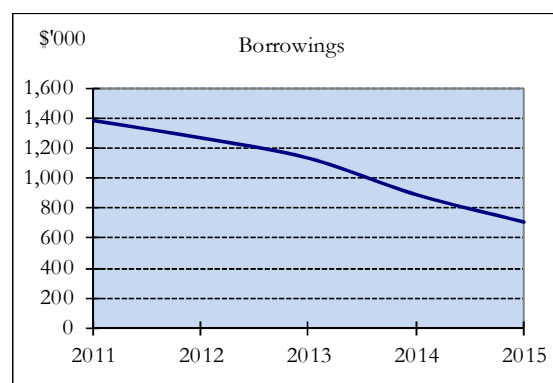
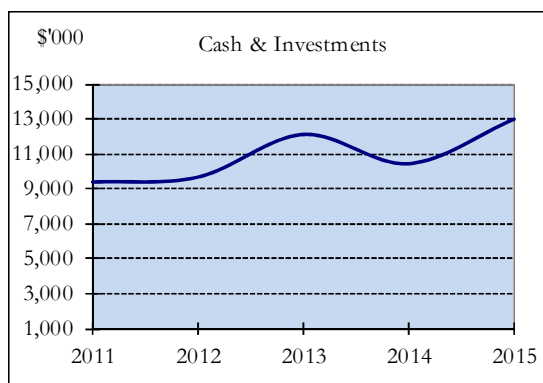
The \$1.1m variation between the actual results and the original budget was principally due to the following:

- Capital Grants and contributions income (favourable to budget \$2.1m) – There were delays in completion of works in the 2014 year for the Regional Roads project (mainly Clarence Town Road) leading to deferral in grant funding to the 2015 year.
- Operating grants and contributions income (favourable to budget \$2m) - Due to grants obtained for major flood damage that occurred in the shire.
- Depreciation and amortisation (unfavourable to budget \$2.9m) – The original budget did not make provision for increased depreciation on assets following the revaluation in prior years and also the impact of quarry remediation asset depreciation not included in the original budget.
- Net loss from disposal of assets (unfavourable to budget \$2.5m) – The budget did not contemplate the write off of assets replaced as part of the Clarence Town road renewal or the impact of the major flood event that occurred in 2015.



The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30th June 2015. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2015 \$'000	2014 \$'000	Variance %
CURRENT ASSETS			
Cash and cash equivalents	7,990	6,942	15.1%
Investments	5,000	3,500	42.9%
Receivables	3,134	2,540	23.4%
Inventories	1,073	1,256	-14.6%
Other	26	16	62.5%
TOTAL CURRENT ASSETS	17,223	14,254	20.8%
CURRENT LIABILITIES			
Payables	1,657	999	65.9%
Borrowings	155	181	-14.4%
Provisions	2,242	1,800	24.6%
TOTAL CURRENT LIABILITIES	4,054	2,980	36.0%
NET CURRENT ASSETS	13,169	11,274	16.8%
NON-CURRENT ASSETS			
Inventory	26	26	0.0%
Receivables	66	66	0.0%
Other	60	39	53.8%
Infrastructure, Property Plant & Equipment	297,487	295,955	0.5%
TOTAL NON-CURRENT ASSETS	297,639	296,086	0.5%
NON-CURRENT LIABILITIES			
Payables	95	96	-1.0%
Provisions	2,512	2,275	10.4%
Borrowings	553	710	-22.1%
TOTAL NON-CURRENT LIABILITIES	3,160	3,081	2.6%
NET ASSETS	307,648	304,279	1.1%



Cash and investments increased by \$2.5m from 2014 due to the significant grants obtained for flood damage works and monies obtained for the Clarence Town road renewal.

Loans overall decreased by \$0.2m due to scheduled repayments.



Infrastructure property, plant and equipment increased by \$1.5m mainly due to asset additions, including Clarence Town Road upgrades of \$11m, offset by depreciation of \$6.6m and the write off of assets replaced of \$2.8m.

Other major balance sheet movements include:

- Receivables – There was an increase in unpaid grant and contribution debtors at the end of 2015;
- Payables – Due to the significant flood damage works there was an increase in accrued costs as at 30 June 2015; and
- Provisions – Council raised a provision for asset impairment of \$0.3m in relation to assets impacted by the flood. Further, staff took less leave in 2015 due to the significant works associated with the Clarence Town road project and flood event repairs required, resulting in higher unpaid leave provisions as the end of 2015.

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 restricted and unrestricted assets:

	Dom Waste \$'000	General \$'000	Total \$'000
Current Assets	527	16,696	17,223
Current Liabilities	-	4,054	4,054
Net Current Assets	527	12,642	13,169
Plus: Employee Provisions >12mths	-	1,559	1,559
Total Funds Before Restrictions	527	14,201	14,728
LESS: Restricted Cash & Investments (Included in Revenue)			
Developer Contributions	-	4,212	4,212
Specific Purpose Grants & Contributions	-	200	200
Deposits and Retentions	-	181	181
Other External Restrictions	-	211	211
	-	4,804	4,412
NET FUNDS AVAILABLE	527	9,397	10,316
LESS Internal Restrictions	-	6,931	6,931
Net Funds After All Restrictions	527	2,466	3,385

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	807	84	-	891
Plant replacement	996	1,807	1,994	809
Shire properties	261	44	55	250
Special projects	520	1,508	395	1,633
Town funds	146	-	26	120
Financial assistance grant	387	232	189	430
Settlement for the aged	129	83	72	140
Other waste management	442	35	105	372
Insurance equalisation	264	61	48	277
RBF unexpended	500	429	17	912
Other	771	358	32	1,097
	5,223	4,641	2,933	6,931



After funding all restrictions, Council’s general fund has reserves of \$2.5m, which is considered satisfactory to fund short to medium term needs.

The internal restriction for employee leave entitlements represents 44% of total leave liability. The level of employee leave funding is considered satisfactory based on Council’s employee age profile and that the 2016 budget includes expected leave payments for that period.

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	2015	2014	2013	2012	Benchmarks
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating reveune.	-28.8%	-10.2%	3.8%	6.2%	Tcorp >4% FFF >0% (3 yrs) Group 10 -16.07%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	36.0%	55.7%	49.7%	48.4%	Tcorp >60% FFF >60% (3 yrs) Group 10 62%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	4.77	5.87	5.11	5.07	Tcorp >1.5 Group 10 4.25
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	9.19	3.37	12.08	0.15	Tcorp >2 FFF >0% <20% Group 10 17.2
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	4.2%	5.0%	4.6%	4.6%	Tcorp <10% Group 10 7.85%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	9.9	7.6	12.0	10.9	Tcorp >3 Group 10 9.3

Operating performance

An operating performance deficit of 28.8% indicates that Councils operating revenue, excluding capital grants and contributions, is insufficient to cover operating expenditure, especially depreciation of infrastructure assets. This compares to the State average deficit of 8.76% and the Group 10 average deficit of 16.07% for 2014. The decline in this ratio for 2015 is due to higher expenses, especially depreciation that increased as a result of the revaluation of infrastructure assets in 2014. The Fit for Future benchmark is that councils should average breakeven or better over a three year period.



Owned source operating revenue

A ratio of 36% for the 2015 year highlights that Council has a higher dependence on grants and contributions compared to the State average of 70% and the Group 10 average of 62% for 2014. The TCorp benchmark for sustainability is to have a ratio of greater than 60% and the Fit for Future benchmark is to average greater than 60% over a three year period. The ratio has been significantly affected by high levels of flood damage funding and grants for the Clarence Town road upgrade.

Unrestricted Ratio

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as the domestic waste management function and specific purpose unexpended grants & contributions and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions in relation to the general function. The ratio of 4.77 as at 30 June 2015 indicates that there is \$4.77 of unrestricted current assets for every \$1.00 of current liabilities. Council's ratio of 4.77 compares to the State average of 3.61 and the Group 10 average of 4.25 for 2014. The ratio is above the TCorp benchmark of greater than 1.5.

Debt service cover ratio

The debt service cover ratio of 9.19 times indicates that council has \$9.19 before interest and depreciation to pay interest and principal repayments on current borrowings. This compares to the State average of 82.69 and the Group 10 average of 17.2 for 2014. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0 and the Fit for the Future guidelines is to have a ratio greater than 0 and less than 20. The increase in this ratio for 2015 is due to the impacts of higher revenues including the financial assistance grant.

Outstanding rate ratio

The outstanding rates and charges ratio of 4.2% is similar to the previous year. Council's outstanding rates ratio is lower than the State average of 6.25% and the Group 10 average of 7.85% for 2014. The TCorp benchmark for rural Council's is to have an outstanding rates ratio of less than 10%. The ratio is an indicator of Council's good debt collection processes.

Cash expense ratio

The ratio indicates that Council can pay 9.9 months of its expenses without additional cash inflows. This compares to the State average of 9.79 and the Group 10 average of 9.3 for 2014. The TCorp benchmark is to have reserves to meet at least 3 months of operating expenditure



Infrastructure Asset Performance Indicators (unaudited)

With the emphasis on “Fit for the Future” we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 as follows:

RATIO	PURPOSE	2015	2014	2013	2012	Benchmarks
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	175.9%	180.7%	213.7%	104.0%	Tcorp >100% FFF >100% (3 yrs) Group 10 79.5
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	13.0%	14.0%	41.0%	40.0%	Tcorp <20% FFF <1% Group 10 13.8%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	50.0%	50.0%	111.0%	108.0%	Tcorp >100% FFF >100% Group 10 89.5
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	1.3	1.4	1.9	1.3	Tcorp >1.1

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 2015 Council spent \$1.76 for every \$1 in estimated asset deterioration. The State average for the asset renewal ratio was \$0.87 and the Group 10 average was \$1.13 for the 2014 year. The Fit for Future benchmark is to have a three year average of greater than \$1.00.

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 four years and therefore, based on this ratio, Council’s expenditure on infrastructure has resulted in an improvement in infrastructure assets. It should be noted most of the renewal works has been grant funded and that Council’s infrastructure still requires significant works as outlined in Special Schedule 7, which discloses that the estimated cost to bring infrastructure assets to a satisfactory standard is \$23.7m.

Council should aim to continue to seek and obtain grant funding to maintain the current level of infrastructure spending to improve infrastructure asset condition.

Infrastructure backlog ratio

An infrastructure backlog ratio of 13% indicates that the infrastructure backlog represents 13.0% of the value of Councils infrastructure and compares to the State average of 8.7% and the Group 10 average of 13.8% for 2014. The TCorp benchmark is a ratio less than 20% and the “fit for future” benchmark is less than 2% which Council is not achieving.

*Asset maintenance ratio*

The Asset Maintenance ratio of 50% indicates that Council has undertaken insufficient maintenance to keep pace with required maintenance as determined by Council's engineers and maintenance staff. This compares negatively to the State average of 91% and Group 10 average of 89.5% for 2014. A ratio of greater than 1.0 is considered acceptable by TCorp and the Fit for the Future requirements. The ratio has been affected by the significant level of resources directed to infrastructure renewal works over the past four years.

Capital expenditure ratio

The capital expenditure ratio of 1.3 indicates that Council has expended \$1.30 on capital expenditure for every dollar of depreciation. The TCorp benchmark is for a Council to have a capital expenditure ratio of greater than 1.1.

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	Actual	Variance
	2015	2014	
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	22,425	14,340	56.4%
Proceeds from Assets Sales	909	292	211.3%
Repayment from Deferred Debtors	5	6	-16.7%
Proceeds from Borrowings	0	200	100.0%
Other	3	0	0.0%
TOTAL RECEIPTS	23,339	14,838	57.3%
CASH OUTFLOWS			
Operating Payments	9,500	10,511	-9.6%
Purchase of Investments	1,500	2,500	-40.0%
Purchase of Assets	11,101	5,551	100.0%
Repayment of Loans	183	443	-58.7%
Other	10	2	400.0%
TOTAL PAYMENTS	22,294	19,007	17.3%
TOTAL CASH MOVEMENT	1,045	(4,169)	-125.1%
Total Cash & Investments on Hand	12,990	10,442	24.4%

Cash and investments increased due to the higher operating cash surplus in 2015, including higher operating and capital grant incomes and higher proceeds on sale of land subdivision assets.

Cash outflows for Purchase of Assets of \$11.1m includes road and bridge construction totalling \$5.4m. This compares to the \$3.6m annual rate of depreciation of these assets. The remaining asset purchases included capital work in progress on the Clarence Town road of \$3.1m, bulk earthworks of \$1.6m and various other asset purchases of \$1m.

GENERAL

Reporting obligations under the Local Government Act

We note that, Council's core accounting systems and records are satisfactory and the audited financial statements will be submitted to the Office of Local Government within the legislated deadline of 31 October 2015.



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

A handwritten signature in blue ink that reads 'P.R. Cornall'.

Paul R Cornall

Principal

Dungog Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

*“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 2015

Contents

Page

Council has no material Business Activities

Dungog Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2015

*“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 2015

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. 3	Water Supply Operations - incl. Income Statement	5
- Special Schedule No. 4	Water Supply - Statement of Financial Position	9
- Special Schedule No. 5	Sewerage Service Operations - incl. 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	Report on Infrastructure Assets (as at 30 June 2015)	16
- Special Schedule No. 8	Financial Projections	n/a
- Special Schedule No. 9	Permissible Income Calculation	22

¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

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

Dungog Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	748	-	-	(748)
Administration	1,575	267	217	(1,091)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	391	127	-	(264)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	64	18	-	(46)
Animal Control	32	12	-	(20)
Other	-	-	-	-
Total Public Order & Safety	487	157	-	(330)
Health	28	5	-	(23)
Environment				
Noxious Plants and Insect/Vermin Control	129	48	-	(81)
Other Environmental Protection	169	137	-	(32)
Solid Waste Management	1,456	1,803	-	347
Street Cleaning	44	-	-	(44)
Drainage	-	-	-	-
Stormwater Management	58	41	-	(17)
Total Environment	1,856	2,029	-	173
Community Services and Education				
Administration & Education	42	5	-	(37)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	236	95	-	(141)
Children's Services	-	-	-	-
Total Community Services & Education	278	100	-	(178)
Housing and Community Amenities				
Public Cemeteries	50	40	-	(10)
Public Conveniences	87	-	20	(67)
Street Lighting	94	19	-	(75)
Town Planning	909	202	-	(707)
Other Community Amenities	125	-	-	(125)
Total Housing and Community Amenities	1,265	261	20	(984)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Dungog Shire Council

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

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	198	34	6	(158)
Museums	48	-	-	(48)
Art Galleries	-	-	-	-
Community Centres and Halls	250	1	8	(241)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	7	7
Sporting Grounds and Venues	374	15	77	(282)
Swimming Pools	341	1	1	(339)
Parks & Gardens (Lakes)	314	2	-	(312)
Other Sport and Recreation	1	-	-	(1)
Total Recreation and Culture	1,526	53	99	(1,374)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	181	91	-	(90)
Other Mining, Manufacturing & Construction	116	-	-	(116)
Total Mining, Manufacturing and Const.	297	91	-	(206)
Transport and Communication				
Urban Roads (UR) - Local	657	1	-	(656)
Urban Roads - Regional	61	-	-	(61)
Sealed Rural Roads (SRR) - Local	3,966	1	1,815	(2,150)
Sealed Rural Roads (SRR) - Regional	3,657	2,162	7,634	6,139
Unsealed Rural Roads (URR) - Local	1,474	-	-	(1,474)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	2	-	-	(2)
Bridges on SRR - Local	886	-	-	(886)
Bridges on URR - Local	26	-	-	(26)
Bridges on Regional Roads	143	-	-	(143)
Parking Areas	-	-	-	-
Footpaths	47	-	-	(47)
Aerodromes	-	-	-	-
Other Transport & Communication	13	33	-	20
Total Transport and Communication	10,932	2,197	9,449	714
Economic Affairs				
Camping Areas & Caravan Parks	161	185	-	24
Other Economic Affairs	303	41	52	(210)
Total Economic Affairs	464	226	52	(186)
Totals – Functions	19,456	5,386	9,837	(4,233)
General Purpose Revenues ⁽²⁾		7,758		7,758
Share of interests - joint ventures & associates using the equity method	-	11		11
NET OPERATING RESULT ⁽¹⁾	19,456	13,155	9,837	3,536

(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 2015

\$'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	179	703	882	-	181	-	-	53	153	548	701
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	179	703	882	-	181	-	-	53	153	548	701
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	2	7	9	-	2	-	-	1	2	5	7
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	2	7	9	-	2	-	-	1	2	5	7
Total Debt	181	710	891	-	183	-	-	54	155	553	708

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 2015

\$'000	Actuals 2015	Actuals 2014
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	-	-
- 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. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	-	-

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 2015

\$'000	Actuals 2015	Actuals 2014
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	-	1
9. Interest income	-	6
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>-</u>	<u>7</u>
14. Gain (or loss) on disposal of assets	-	-
15. Operating Result	<u>-</u>	<u>7</u>
15a. Operating Result (less grants for acquisition of assets)	-	7

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 2015

\$'000	Actuals 2015	Actuals 2014
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	-	-
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	-	-
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 2015

\$'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"/>	
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"/>	
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"/>	
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 2015

\$'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	-	-	-
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	-	-	-
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>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	-	-	-
38. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
41. NET ASSETS COMMITTED	<u>-</u>	<u>-</u>	<u>-</u>
EQUITY			
42. Accumulated surplus			-
43. Asset revaluation reserve			-
44. TOTAL EQUITY			<u>-</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 2015

\$'000	Actuals 2015	Actuals 2014
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	-	-
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	-	-

Dungog Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
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	-	1
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>-</u>	<u>1</u>
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	<u>-</u>	<u>1</u>
16a. Operating Result (less grants for acquisition of assets)	-	1

Dungog Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
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 Service Cross Subsidies
for the financial year ended 30 June 2015

\$'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"/>	
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"/>	
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"/>	
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 2015

\$'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	-	-	-
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>-</u>	<u>-</u>	<u>-</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>-</u>	<u>-</u>	<u>-</u>
EQUITY			
42. Accumulated surplus			-
44. Asset revaluation reserve			-
45. TOTAL EQUITY			<u>-</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 2015

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.

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings	Council Offices / Administration Centres	110	20	8	359	0%	90%	0%	10%	0%
	Council Works Depot	283	28	16	286	0%	60%	0%	40%	0%
	RFS	43	15	6	943	0%	90%	10%	0%	0%
	SES	1	3	4	271	0%	100%	0%	0%	0%
	Aged Units	34	15	13	641	0%	0%	86%	14%	0%
	Youth - DINS	7	2	1	291	0%	0%	100%	0%	0%
	Landfill	-	2	18	35	0%	100%	0%	0%	0%
	Pools	81	30	29	128	0%	0%	85%	15%	0%
	Sports Grounds	319	10	13	1,092	0%	10%	70%	10%	10%
	Council Public Halls	139	30	38	1,215	0%	75%	10%	10%	5%
	Libraries	17	5	7	221	0%	100%	0%	0%	0%
	Community Centres	56	8	6	488	0%	0%	50%	30%	20%
	Museums	53	6	1	469	0%	60%	30%	5%	5%
	Parks	50	5	5	44	5%	10%	30%	25%	30%
	Caravan Parks	40	6	7	227	0%	0%	80%	15%	5%
	Tourism	2	2	1	93	0%	100%	0%	0%	0%
	Saleyards	-	-	-	7	0%	0%	50%	50%	0%
	Real Estate Development	15	2	-	15	0%	0%	80%	20%	0%
	Public Amenities/Toilets	43	80	60	154	0%	20%	30%	30%	20%
	sub total	1,293	269	233	6,979	0.0%	47.3%	36.9%	10.9%	5.0%

Dungog Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Other Structures	Other Structures	-	20	-	731	14%	22%	35%	21%	8%
	sub total	-	20	-	731	14.0%	22.0%	35.0%	21.0%	8.0%
Roads	Sealed Roads	12,786	3,671	1,884	128,690	10%	44%	31%	7%	8%
	Unsealed Roads	3,371	1,229	474	4,846	0%	19%	81%	0%	0%
	Bridges	5,795	359	167	20,746	7%	11%	71%	6%	5%
	Footpaths	35	35	36	1,039	30%	21%	37%	11%	1%
	sub total	21,987	5,294	2,561	155,321	9.4%	38.7%	37.9%	6.7%	7.3%
Stormwater Drainage	Drainage	269	69	1	23,219	4%	14%	29%	53%	0%
	sub total	269	69	1	23,219	4.0%	14.0%	29.0%	53.0%	0.0%
Open Space/ Recreational Assets	Swimming Pools	150	10	8	2,897	0%	40%	0%	60%	0%
	sub total	150	10	8	2,897	0.0%	40.0%	0.0%	60.0%	0.0%
TOTAL - ALL ASSETS		23,699	5,662	2,803	189,147	8.3%	35.9%	36.2%	13.4%	6.2%

refer next page for Notes

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

Dungog Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

\$ '000	Amounts 2015	Indicator 2015	Prior Periods	
			2014	2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals				
<u>(Building, Infrastructure & Other Structures) ⁽¹⁾</u>	<u>10,615</u>	175.89%	180.67%	213.70%
Depreciation, Amortisation & Impairment	6,035			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>23,699</u>	12.53%	13.94%	40.90%
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	189,147			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>2,803</u>	0.50	0.50	1.11
Required Asset Maintenance	5,662			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>8,282</u>	1.28	1.39	1.85
Annual Depreciation	6,470			

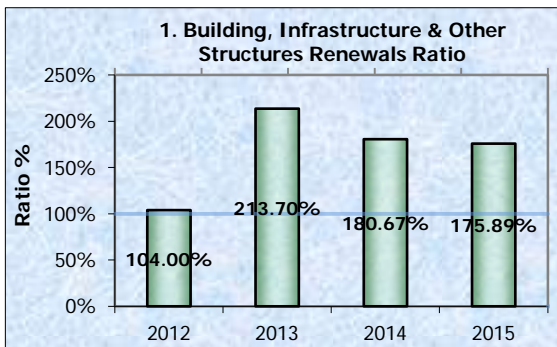
Notes

⁽¹⁾ 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, infrastructure & Other Structure assets only.

⁽²⁾ Written Down Value

Dungog Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015



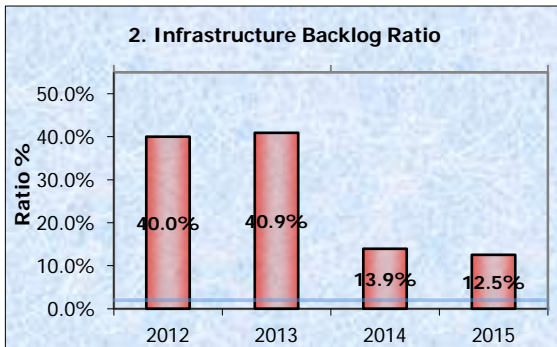
Purpose of Asset Renewals Ratio

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

2014/15 Ratio 175.89%

Benchmark: —— Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



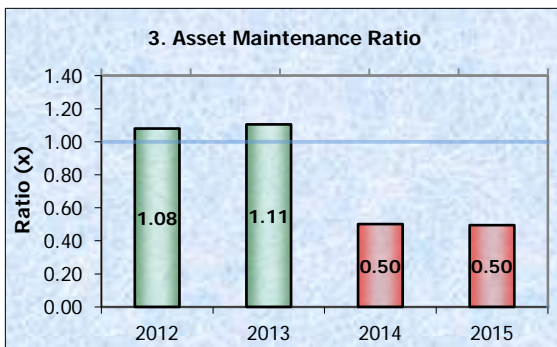
Purpose of Infrastructure Backlog Ratio

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

2014/15 Ratio 12.53%

Benchmark: —— Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Asset Maintenance Ratio

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

2014/15 Ratio 0.50 x

Benchmark: —— Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

2014/15 Ratio 1.28 x

Benchmark: —— Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark

Dungog Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015

\$ '000	Water 2015	Sewer 2015	General ⁽¹⁾ 2015
Infrastructure Asset Performance Indicators By Fund			
1. Building, Infrastructure & Other Structures			
Renewals Ratio			
Asset Renewals (Building, Infrastructure & Other Structures) ⁽²⁾	n/a	n/a	175.89%
Depreciation, Amortisation & Impairment			
prior period:	n/a	n/a	180.67%
2. Infrastructure Backlog Ratio			
Estimated Cost to bring Assets to a Satisfactory Condition	n/a	n/a	12.53%
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets			
prior period:	n/a	n/a	13.94%
3. Asset Maintenance Ratio			
Actual Asset Maintenance	n/a	n/a	0.50
Required Asset Maintenance			
prior period:	n/a	n/a	0.50
4. Capital Expenditure Ratio			
Annual Capital Expenditure	n/a	n/a	1.28
Annual Depreciation			
prior period:	n/a	n/a	1.39

Notes

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

⁽²⁾ 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, infrastructure & Other Structure assets only.

⁽³⁾ Written Down Value

Dungog Shire Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	4,981	5,150
Plus or minus Adjustments ⁽²⁾	b	53	29
Notional General Income	c = (a + b)	<u>5,034</u>	<u>5,179</u>
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	2.30%	2.40%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = d x (c-g)	-	-
or plus Rate peg amount	i = c x e	116	124
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	<u>5,150</u>	<u>5,303</u>
plus (or minus) last year's Carry Forward Total	l	(0)	(0)
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	<u>(0)</u>	<u>(0)</u>
Total Permissible income	o = k + n	<u>5,150</u>	<u>5,303</u>
less Notional General Income Yield	p	5,150	5,303
Catch-up or (excess) result	q = o - p	<u>(0)</u>	<u>(0)</u>
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	<u>(0)</u>	<u>(0)</u>

Notes

- The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

Armidale

92 Rusden Street
PO Box 114
Armidale NSW 2350

p +61 2 6773 8400
f +61 2 6772 9957
e armidale@forsyths.com.au

Forsyths Business Services Pty Ltd
ABN 66 182 781 401

DUNGOG SHIRE COUNCIL INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Dungog Shire Council for the year ending 30 June 2016.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for preparation and fair presentation of Special No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant preparation and fair presentation of Special Schedule No. 9 that is free from material mistreatment, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standard require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 and is free from material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement on Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

ARMIDALE | COONABARABRAN | GUNNEDAH | TAMWORTH

Dungog Shire Council

INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 9

Because of the inherent limitation of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of the entity's internal control.

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 Special Schedule No. 9 of Dungog Shire Council for the year ending 30 June 2016 is properly drawn up in all material respects, in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that the Special Schedule No. 9 has been prepared for distribution to the Office of Local Government for the purposes of confirming the Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the Special Schedule No. 9 may not be suitable for another purpose.

Forsyths

FORYSTHS BUSINESS SERVICES PTY LTD

P.R. Cornall

**Paul Cornall
Principal**

Dated at Armidale this 19th October 2015