

# Dungog Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

---

*“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 year ended 30 June 2018

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	
– On the Conduct of the Audit (Sect 417 [3])	

---

### Overview

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

198 Dowling Street  
Dungog NSW 2420

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

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

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

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

# Dungog Shire Council

## General Purpose Financial Statements for the year ended 30 June 2018

### Understanding Council's financial statements

---

#### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

#### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and 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 and ownership of the financial statements.

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and 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 value of Council's Infrastructure, Property, Plant and Equipment.

##### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "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 five primary financial statements.

#### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

#### Who uses the financial statements?

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

The public can make submissions to Council up to seven 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 2017

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 of the Australian Accounting Standards Board, 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
- accord with Council's accounting and other records.

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

**Signed in accordance with a resolution of Council made on 17 October 2018.**



Cr Tracy Norman  
MAYOR



Cr Digby Rayward  
COUNCILLOR



Coralie Nichols  
GENERAL MANAGER



Shaun Chandler  
RESPONSIBLE ACCOUNTING OFFICER

## Dungog Shire Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
6,941	Rates and annual charges	3a	6,979	6,812
1,058	User charges and fees	3b	1,082	1,078
301	Interest and investment revenue	3c	253	488
849	Other revenues	3d	889	750
4,159	Grants and contributions provided for operating purposes	3e,f	4,873	7,271
4,493	Grants and contributions provided for capital purposes	3e,f	7,689	6,145
<b>Other income:</b>				
–	Net share of interests in joint ventures and associates using the equity method	14	86	8
17,801	<b>Total income from continuing operations</b>		<b>21,851</b>	<b>22,552</b>
<b>Expenses from continuing operations</b>				
4,610	Employee benefits and on-costs	4a	4,743	4,426
101	Borrowing costs	4b	108	155
5,201	Materials and contracts	4c	3,977	6,578
6,153	Depreciation and amortisation	4d	6,091	6,164
2,101	Other expenses	4e	2,231	1,947
–	Net losses from the disposal of assets	5	1,099	1,150
18,166	<b>Total expenses from continuing operations</b>		<b>18,249</b>	<b>20,420</b>
(365)	<b>Operating result from continuing operations</b>		<b>3,602</b>	<b>2,132</b>
(365)	<b>Net operating result for the year</b>		<b>3,602</b>	<b>2,132</b>
(365)	Net operating result attributable to Council		3,602	2,132
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
(4,858)			<b>(4,087)</b>	<b>(4,013)</b>

## Dungog Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>3,602</b>	<b>2,132</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	2,930	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>2,930</b>	<b>–</b>
<b>Total other comprehensive income for the year</b>		<b>2,930</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>6,532</b>	<b>2,132</b>
Total comprehensive income attributable to Council		6,532	2,132

## Dungog Shire Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	1,168	9,414
Investments	6b	9,000	4,750
Receivables	7	797	1,812
Inventories	8	557	536
Other	8	38	55
<b>Total current assets</b>		<b>11,560</b>	<b>16,567</b>
<b>Non-current assets</b>			
Investments	6b	7,761	–
Receivables	7	53	56
Inventories	8	26	26
Infrastructure, property, plant and equipment	9	305,407	302,126
Investments accounted for using the equity method	14	157	71
<b>Total non-current assets</b>		<b>313,404</b>	<b>302,279</b>
<b>TOTAL ASSETS</b>		<b>324,964</b>	<b>318,846</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	886	881
Income received in advance	10	28	24
Borrowings	10	144	144
Provisions	11	1,787	2,084
<b>Total current liabilities</b>		<b>2,845</b>	<b>3,133</b>
<b>Non-current liabilities</b>			
Borrowings	10	1,102	1,254
Provisions	11	2,907	2,881
<b>Total non-current liabilities</b>		<b>4,009</b>	<b>4,135</b>
<b>TOTAL LIABILITIES</b>		<b>6,854</b>	<b>7,268</b>
<b>Net assets</b>		<b>318,110</b>	<b>311,578</b>
<b>EQUITY</b>			
Accumulated surplus	12	134,300	130,698
Revaluation reserves	12	183,810	180,880
<b>Total equity</b>		<b>318,110</b>	<b>311,578</b>

## Dungog Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		130,698	180,880	<b>311,578</b>	128,566	180,880	<b>309,446</b>
Net operating result for the year prior to correction of errors and changes in accounting policies		<b>3,602</b>	–	<b>3,602</b>	2,132	–	<b>2,132</b>
<b>Net operating result for the year</b>		<b>3,602</b>	–	<b>3,602</b>	<b>2,132</b>	–	<b>2,132</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9a	–	2,930	<b>2,930</b>	–	–	–
<b>Other comprehensive income</b>		–	<b>2,930</b>	<b>2,930</b>	–	–	–
<b>Total comprehensive income (c&amp;d)</b>		<b>3,602</b>	<b>2,930</b>	<b>6,532</b>	<b>2,132</b>	–	<b>2,132</b>
<b>Equity – balance at end of the reporting period</b>		<b>134,300</b>	<b>183,810</b>	<b>318,110</b>	<b>130,698</b>	<b>180,880</b>	<b>311,578</b>



## Dungog Shire Council

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
6,941	Rates and annual charges		6,950	6,629
1,007	User charges and fees		1,084	1,077
301	Investment and interest revenue received		253	488
8,097	Grants and contributions		12,562	13,766
–	Bonds, deposits and retention amounts received		4	33
749	Other		1,933	865
<b>Payments:</b>				
(4,610)	Employee benefits and on-costs		(5,040)	(4,562)
(5,201)	Materials and contracts		(3,893)	(6,830)
(101)	Borrowing costs		(108)	(84)
(2,101)	Other		(2,188)	(1,981)
<b>5,082</b>	<b>Net cash provided (or used in) operating activities</b>	13b	<b>11,557</b>	<b>9,401</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		–	250
–	Sale of real estate assets		–	94
–	Sale of infrastructure, property, plant and equipment		343	268
–	Deferred debtors receipts		5	7
<b>Payments:</b>				
–	Purchase of investment securities		(12,011)	–
(7,158)	Purchase of infrastructure, property, plant and equipment		(7,884)	(9,031)
–	Purchase of real estate assets		(104)	–
<b>(7,158)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(19,651)</b>	<b>(8,412)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(152)	Repayment of borrowings and advances		(152)	(144)
<b>(152)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(152)</b>	<b>(144)</b>
<b>(2,228)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(8,246)</b>	<b>845</b>
–	Plus: cash and cash equivalents – beginning of year	13a	9,414	8,569
<b>(2,228)</b>	<b>Cash and cash equivalents – end of the year</b>	13a	<b>1,168</b>	<b>9,414</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	16,761	4,750
	<b>Total cash, cash equivalents and investments</b>		<b>17,929</b>	<b>14,164</b>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Income from continuing operations	15
4	Expenses from continuing operations	21
5	Gains or losses from the disposal of assets	25
6(a)	Cash and cash equivalent assets	25
6(b)	Investments	26
6(c)	Restricted cash, cash equivalents and investments – details	27
7	Receivables	28
8	Inventories and other assets	29
9(a)	Infrastructure, property, plant and equipment	31
9(b)	Externally restricted infrastructure, property, plant and equipment	33
10	Payables and borrowings	34
11	Provisions	36
12	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	39
13	Statement of cash flows – additional information	40
14	Interests in other entities	40
15	Commitments for expenditure	43
16	Contingencies and other liabilities/assets not recognised	44
17	Financial risk management	47
18	Material budget variations	51
19	Fair value measurement	53
20	Related party transactions	67
21	Events occurring after the reporting date	68
22	Statement of developer contributions	69
23(a)	Statement of performance measures – consolidated results	73
<b>Additional council disclosures (unaudited)</b>		
23(b)	Statement of performance measures – consolidated results (graphs)	75
24	Council information and contact details	77

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

---

These financial statements were authorised for issue by Council on 17/10/2018.

Council has the power to amend and reissue these financial statements.

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

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

#### **(a) New and amended standards adopted by Council**

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

#### **(b) Historical cost convention**

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

#### **(c) Significant accounting estimates and judgements**

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

#### **Significant judgements in applying the Council's accounting policies**

- (iv) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

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

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

- 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

##### **(b) The Trust Fund**

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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. Any Trust monies and other assets subject to Council's control have been included in these reports.

#### **Goods and Services Tax (GST)**

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

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

## Dungog Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

---

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

#### **New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

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

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

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## 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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate & client services	391	912	2,524	2,550	(2,133)	(1,638)	–	–	10,550	10,364
Public order and safety	61	65	604	683	(543)	(618)	–	–	2,884	2,719
Health	67	72	166	155	(99)	(83)	–	–	1	18
Community services and education	1,004	112	197	172	807	(60)	889	1	1,450	2,290
Housing and community amenities	2,866	2,855	3,164	3,835	(298)	(980)	152	368	10,742	8,443
Recreation and culture	1,121	89	1,757	1,574	(636)	(1,485)	850	49	14,654	9,882
Mining, manufacture and construction	118	195	457	492	(339)	(297)	–	–	1,076	620
Transport and communication	7,816	8,663	8,889	10,530	(1,073)	(1,867)	2,032	3,922	281,531	281,927
Economic affairs	225	257	491	429	(266)	(172)	–	–	2,469	2,512
General purpose income	8,182	9,332	–	–	8,182	9,332	2,567	3,618	157	71
<b>Total functions and activities</b>	<b>21,851</b>	<b>22,552</b>	<b>18,249</b>	<b>20,420</b>	<b>3,602</b>	<b>2,132</b>	<b>6,490</b>	<b>7,958</b>	<b>324,964</b>	<b>318,846</b>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### 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:**

##### **Corporate & client services**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance. Also includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **Public order and safety**

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

##### **Health**

Includes health administration, food control, etc.

##### **Community services and education**

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

##### **Housing and community amenities**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons. Also includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **Recreation and culture**

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

##### **Mining, manufacture and construction**

Includes building control, quarries and pits and mineral resources.

##### **Transport and communication**

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

##### **Economic affairs**

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

##### **General purpose income**

Includes income from general rates, financial assistance grants, interest income and the share of gains/losses in associates and joint ventures.

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	3,033	2,897
Farmland	2,038	2,083
Business	317	323
<b>Total ordinary rates</b>	<b>5,388</b>	<b>5,303</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,394	1,314
Sanitary	17	18
Stormwater management services	41	41
Waste management services (non-domestic)	138	135
Section 611 charges	1	1
<b>Total annual charges</b>	<b>1,591</b>	<b>1,509</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>6,979</b>	<b>6,812</b>

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

#### Accounting policy for rates and annual charges

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

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.

<b>(b) User charges and fees</b>			<b>2018</b>	<b>2017</b>
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)				
Domestic waste management services			183	194
<b>Total specific user charges</b>			<b>183</b>	<b>194</b>
<b>Other user charges and fees</b>				
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>				
Building control			47	64
Inspection services			9	10
Planning and building regulation			257	265
Private works – section 67			8	18
Section 603 certificates			–	1
Septic tank applications			18	19
Town planning			48	47
Other			–	19
<b>Total fees and charges – statutory/regulatory</b>			<b>387</b>	<b>443</b>



## Dungog Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Caravan park	194	164
Cemeteries	38	36
Onsite sewerage management services	209	193
Inspections and construction certificates – roads	50	45
Tourism	3	2
Other	18	–
<b>Total fees and charges – other</b>	<b>512</b>	<b>441</b>
<b><u>TOTAL USER CHARGES AND FEES</u></b>	<b><u>1,082</u></b>	<b><u>1,078</u></b>

#### Accounting policy for user charges and fees

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

#### (c) Interest and investment revenue (including losses)

##### Interest

– Overdue rates and annual charges (incl. special purpose rates)	37	26
– Cash and investments	216	462
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>253</u></b>	<b><u>488</u></b>

##### Interest revenue is attributable to:

##### Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	37	26
General Council cash and investments	104	377

##### Restricted investments/funds – external:

Development contributions		
– Section 7.11	112	85
<b>Total interest and investment revenue recognised</b>	<b>253</b>	<b>488</b>

#### Accounting policy for interest and investment revenue

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

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
<b>(d) Other revenues</b>			
Rental income – other council properties		156	151
Fines – other		14	18
Legal fees recovery – other		1	1
Commissions and agency fees		132	105
Landfill recycling stations sales		163	78
Sales – general		–	2
Section 88 fee collected		324	277
Workers compensation and insurance rebates		82	36
Other		17	82
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>889</u></b>	<b><u>750</u></b>

#### Accounting policy for other revenue

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

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

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,601	2,265	–	–
Financial assistance – local roads component	901	1,287	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	65	66	–	–
<b>Total general purpose</b>	<b>2,567</b>	<b>3,618</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	32	32	–	–
Community care	3	1	–	–
Economic development	–	50	886	–
Environmental protection	31	96	–	–
Flood restoration	–	178	–	–
Heritage and cultural	5	6	–	–
Library	37	31	–	–
Library – special projects	–	–	7	12
Noxious weeds	58	58	–	4
Public halls	–	–	11	–
Recreation and culture	–	–	801	–
Street lighting	20	20	–	–
Transport (roads to recovery)	803	923	–	–
Transport (other roads and bridges funding)	1,218	729	–	2,200
Bus shelters	–	–	11	–
<b>Total specific purpose</b>	<b>2,207</b>	<b>2,124</b>	<b>1,716</b>	<b>2,216</b>
<b>Total grants</b>	<b>4,774</b>	<b>5,742</b>	<b>1,716</b>	<b>2,216</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	3,556	4,475	–	–
– State funding	1,218	1,267	1,716	2,216
	<b>4,774</b>	<b>5,742</b>	<b>1,716</b>	<b>2,216</b>

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	519	741
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>519</b>	<b>741</b>
<b>Total developer contributions</b>	22	<b>–</b>	<b>–</b>	<b>519</b>	<b>741</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire services		21	33	–	–
Business development		5	5	–	–
Kerb and gutter		–	–	–	9
Recreation and culture		–	–	–	9
Roads and bridges		–	–	49	64
RMS contributions (regional roads, block grant)		–	1,405	5,405	3,106
Tourism		1	2	–	–
Water supplies (excl. section 64 contributions)		2	3	–	–
Branding project		–	10	–	–
Emergency services levy		2	67	–	–
Waste management		57	–	–	–
Other		11	4	–	–
<b>Total other contributions – cash</b>		<b>99</b>	<b>1,529</b>	<b>5,454</b>	<b>3,188</b>
<b>Total other contributions</b>		<b>99</b>	<b>1,529</b>	<b>5,454</b>	<b>3,188</b>
<b>Total contributions</b>		<b>99</b>	<b>1,529</b>	<b>5,973</b>	<b>3,929</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>4,873</b>	<b>7,271</b>	<b>7,689</b>	<b>6,145</b>

**Accounting policy for contributions**

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

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

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

## Dungog Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	5,232	4,683
<b>Add:</b> operating grants recognised in the current period but not yet spent	2,050	4,119
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(5,232)	(3,570)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>2,050</u>	<u>5,232</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	5,088	4,261
<b>Add:</b> contributions recognised in the current period but not yet spent	628	827
<b>Unexpended and held as restricted assets (contributions)</b>	<u>5,716</u>	<u>5,088</u>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	4,559	4,205
Employee leave entitlements (ELE)	339	375
Superannuation	505	549
Workers' compensation insurance	97	105
Fringe benefit tax (FBT)	59	65
Training costs (other than salaries and wages)	33	43
Other	10	13
<b>Total employee costs</b>	<b>5,602</b>	<b>5,355</b>
Less: capitalised costs	(859)	(929)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>4,743</b>	<b>4,426</b>
Number of 'full-time equivalent' employees (FTE) at year end	61	66

#### Accounting policy for employee benefits and on-costs

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

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

<b>(b) Borrowing costs</b>			<b>2018</b>	<b>2017</b>
<b>(i) Interest bearing liability costs</b>				
Interest on loans			66	74
<b>Total interest bearing liability costs expensed</b>			<b>66</b>	<b>74</b>
<b>(ii) Other borrowing costs</b>				
Discount adjustments relating to movements in provisions (other than ELE)				
– Remediation liabilities	11		42	81
<b>Total other borrowing costs</b>			<b>42</b>	<b>81</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>			<b>108</b>	<b>155</b>

#### Accounting policy for borrowing costs

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

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	4,171	6,293
Contractor and consultancy costs	103	79
Auditors remuneration <sup>(2)</sup>	68	38
Legal expenses:		
– Legal expenses: planning and development	25	683
– Legal expenses: other	12	5
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	35	39
<b>Total materials and contracts</b>	<b>4,414</b>	<b>7,137</b>
Less: capitalised costs	(437)	(559)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>3,977</b>	<b>6,578</b>

#### Operating leases

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

#### 1. Operating lease payments are attributable to:

Computers	35	39
	<b>35</b>	<b>39</b>

#### 2. Auditor remuneration

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

#### Auditors of the Council – NSW Auditor-General:

##### (i) Audit and other assurance services

Audit and review of financial statements	68	38
<b>Remuneration for audit and other assurance services</b>	<b>68</b>	<b>38</b>
<b>Total Auditor-General remuneration</b>	<b>68</b>	<b>38</b>
<b>Total Auditor remuneration</b>	<b>68</b>	<b>38</b>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		474	534
Office equipment		3	3
Furniture and fittings		–	10
<b>Infrastructure:</b>			
– Buildings – specialised		507	491
– Other structures		95	92
– Roads		3,345	3,318
– Bridges		695	709
– Footpaths		11	11
– Stormwater drainage		453	436
– Swimming pools		70	69
– Other open space/recreational assets		327	300
<b>Other assets:</b>			
– Library books		35	34
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Asset reinstatement costs	9 & 11	76	157
<b>Total depreciation and amortisation costs</b>		<u>6,091</u>	<u>6,164</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u></b>			
		<u>6,091</u>	<u>6,164</u>

#### Accounting policy for depreciation, amortisation and impairment expenses

##### Depreciation and amortisation

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

##### Impairment of non-financial assets

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

##### Impairment of financial assets

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



## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	52	39
Agency collection costs – Australia Post	25	20
Commissions	92	75
Contributions/levies to other levels of government		
– NSW RB	30	32
– NSW rural fire service levy	289	288
– Waste levy	326	289
Councillor expenses – mayoral fee	13	14
Councillor expenses – councillors' fees	76	77
Councillors' expenses (incl. mayor) – other (excluding fees above)	10	6
Donations, contributions and assistance to other organisations (Section 356)	1	2
Electricity and heating	121	99
Fees and charges	8	12
Insurance	343	390
Newcastle regional library	17	16
Postage	23	26
Printing and stationery	44	31
Street lighting	106	103
Subscriptions and publications	11	13
Telephone and communications	45	39
Valuation fees	64	1
Weight of loads co-operative	15	15
Other	520	360
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>2,231</u></b>	<b><u>1,947</u></b>

#### Accounting policy for other expenses

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

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		343	268
Less: carrying amount of plant and equipment assets sold/written off		<u>(387)</u>	<u>(240)</u>
<b>Net gain/(loss) on disposal</b>		<u><b>(44)</b></u>	<u><b>28</b></u>
<b>Infrastructure</b>	9		
Less: carrying amount of infrastructure assets sold/written off		<u>(1,055)</u>	<u>(1,174)</u>
<b>Net gain/(loss) on disposal</b>		<u><b>(1,055)</b></u>	<u><b>(1,174)</b></u>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		–	94
Less: carrying amount of real estate assets sold/written off		<u>–</u>	<u>(98)</u>
<b>Net gain/(loss) on disposal</b>		<u><b>–</b></u>	<u><b>(4)</b></u>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<u><u><b>(1,099)</b></u></u>	<u><u><b>(1,150)</b></u></u>

#### Accounting policy for disposal of assets

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

#### Note 6(a). Cash and cash equivalent assets

<b>Cash and cash equivalents</b>			
Cash on hand and at bank		665	363
Cash-equivalent assets			
– Deposits at call		503	551
– Short-term deposits		<u>–</u>	<u>8,500</u>
<b>Total cash and cash equivalents</b>		<u><b>1,168</b></u>	<u><b>9,414</b></u>

#### Accounting policy for cash and cash equivalents

For Statement of Cash Flow 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 Statement of Financial Position.

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	500	7,761	4,750	
b. 'Held to maturity'	8,500	–	–	–
<b>Total investments</b>	<b>9,000</b>	<b>7,761</b>	<b>4,750</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>				
	<b>10,168</b>	<b>7,761</b>	<b>14,164</b>	<b>–</b>
<b>Financial assets at fair value through the profit and loss</b>				
NCD's, FRN's (with maturities > 3 months)	500	7,761	4,750	–
<b>Total</b>	<b>500</b>	<b>7,761</b>	<b>4,750</b>	<b>–</b>
<b>Held to maturity investments</b>				
Long term deposits	8,500	–	–	–
<b>Total</b>	<b>8,500</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Accounting policy for investments****Classification**

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

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

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

**(b) Held to maturity investments**

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

**Recognition and de-recognition**

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

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

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	10,168	7,761	14,164	–
<b>attributable to:</b>				
External restrictions (refer below)	1,311	7,761	6,588	–
Internal restrictions (refer below)	8,226	–	7,324	–
Unrestricted	631	–	252	–
	<b>10,168</b>	<b>7,761</b>	<b>14,164</b>	<b>–</b>

\$ '000	2018	2017
---------	------	------

## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended loans – general	238	351
---	-----	-----

**External restrictions – included in liabilities**

	<b>238</b>	<b>351</b>
--	------------	------------

**External restrictions – other**

Developer contributions – general	5,716	5,088
Specific purpose unexpended grants	2,050	144
Domestic waste management	761	701
Bike path	8	8
Deposits and retentions	195	192
Kerb and gutter	10	10
Pavement	54	54
Rail services australia	39	39
RLCIP infrastructure funding	1	1

**External restrictions – other**

	<b>8,834</b>	<b>6,237</b>
--	--------------	--------------

**Total external restrictions**

	<b>9,072</b>	<b>6,588</b>
--	--------------	--------------

**Internal restrictions**

Plant and vehicle replacement	1,620	1,659
Employees leave entitlement	1,161	1,042
Buildings and grounds	421	416
Discontinued funds transfer	749	749
Insurance equalisation	268	268
Other waste management	386	333
RB unexpended	597	868
Settlement for the aged	170	162
Shire properties	351	220
Special projects	2,391	1,495
Town funds	112	112

**Total internal restrictions**

	<b>8,226</b>	<b>7,324</b>
--	--------------	--------------

**TOTAL RESTRICTIONS**

	<b>17,298</b>	<b>13,912</b>
--	---------------	---------------

## Dungog Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	456	–	427	–
User charges and fees	9	–	9	–
Private works	10	–	8	–
Accrued revenues				
– Other income accruals	75	–	116	–
Deferred debtors	–	53	2	56
Hunter Water Corp – water main relocatio	–	–	200	–
Net GST receivable	44	–	60	–
Kerb and guttering	11	–	26	–
Rates legal costs recovery	11	–	12	–
RMS (formerly RTA)	–	–	811	–
Contributions	78	–	–	–
Other debtors	103	–	141	–
<b>Total</b>	<b>797</b>	<b>53</b>	<b>1,812</b>	<b>56</b>
<b>Less: provision for impairment</b>				
Nil				
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>797</u></b>	<b><u>53</u></b>	<b><u>1,812</u></b>	<b><u>56</u></b>

There are no restrictions applicable to the above assets.

#### Accounting policy for receivables

##### Recognition and measurement

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

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

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

##### Accounting policy for receivables (continued)

##### Impairment

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

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

#### Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale (refer below)	158	26	54	26
Stores and materials	399	–	482	–
<b>Total inventories at cost</b>	<b>557</b>	<b>26</b>	<b>536</b>	<b>26</b>
<b>TOTAL INVENTORIES</b>	<b>557</b>	<b>26</b>	<b>536</b>	<b>26</b>
<b>(b) Other assets</b>				
Prepayments	38	–	55	–
<b>TOTAL OTHER ASSETS</b>	<b>38</b>	<b>–</b>	<b>55</b>	<b>–</b>

##### Externally restricted assets

There are no restrictions applicable to the above assets.

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>					
<b>(a) Details for real estate development</b>					
Residential		158	26	54	26
<b>Total real estate for resale</b>		<b>158</b>	<b>26</b>	<b>54</b>	<b>26</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		158	26	54	26
<b>Total costs</b>		<b>158</b>	<b>26</b>	<b>54</b>	<b>26</b>
<b>Total real estate for resale</b>		<b>158</b>	<b>26</b>	<b>54</b>	<b>26</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		54	26	153	26
– Purchases and other costs		104	–	(1)	–
– WDV of sales (expense)	5	–	–	(98)	–
<b>Total real estate for resale</b>		<b>158</b>	<b>26</b>	<b>54</b>	<b>26</b>

#### Accounting policy

##### Raw materials and stores, work in progress and finished goods

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

##### Land held for resale/capitalisation of borrowing costs

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

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

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	2,237	–	2,237	965	–	–	–	(2,237)	–	–	965	–	965
Plant and equipment	9,249	5,632	3,617	924	203	(387)	(474)	–	–	–	9,583	5,701	3,882
Office equipment	625	616	9	–	–	–	(3)	–	–	–	625	619	6
Furniture and fittings	252	252	–	–	1	–	–	–	–	–	252	252	–
<b>Land:</b>													
– Operational land	6,643	–	6,643	–	–	–	–	–	–	333	6,976	–	6,976
– Community land	3,760	–	3,760	–	–	–	–	–	–	1,711	5,471	–	5,471
<b>Infrastructure:</b>													
– Buildings – specialised	30,201	22,937	7,264	125	–	–	(507)	–	–	1,006	32,389	24,503	7,886
– Other structures	1,647	691	956	–	–	–	(95)	–	(14)	–	1,606	759	847
– Roads	213,379	77,661	135,718	4,226	–	(1,055)	(3,345)	664	–	–	217,045	80,840	136,205
– Bridges	55,625	32,951	22,674	–	–	–	(695)	–	–	–	55,625	33,646	21,979
– Footpaths	1,242	230	1,012	–	–	–	(11)	–	–	–	1,242	241	1,001
– Bulk earthworks (non-depreciable)	90,356	–	90,356	841	–	–	–	749	–	–	91,946	–	91,946
– Stormwater drainage	33,653	10,428	23,225	535	–	–	(453)	823	–	–	35,010	10,881	24,129
– Swimming pools	1,719	1,283	436	–	–	–	(70)	–	–	66	2,525	2,093	432
– Other open space/recreational assets	5,535	2,983	2,552	33	5	–	(327)	–	(172)	–	5,978	3,889	2,089
<b>Other assets:</b>													
– Library books	753	616	137	–	38	–	(35)	–	–	–	790	651	139
<b>Reinstatement, rehabilitation and restoration assets</b> (refer Note 11):													
– Tip & quarry assets	2,381	851	1,530	–	–	–	(76)	–	–	–	2,381	927	1,454
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>459,257</b>	<b>157,131</b>	<b>302,126</b>	<b>7,649</b>	<b>247</b>	<b>(1,442)</b>	<b>(6,091)</b>	<b>(0)</b>	<b>(186)</b>	<b>3,116</b>	<b>470,409</b>	<b>165,002</b>	<b>305,407</b>

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



## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles & Road Making Equipment	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
		<b>Stormwater assets</b>	
		Drains	80 to 100
		Culverts	50 to 80
		Flood control structures	80 to 100
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Bulk earthworks	Infinite
Sealed roads: structure	50	Swimming pools	80
Sealed roads: other	30 to 60	Other open space/recreational assets	50
Unsealed roads	20	Other infrastructure	25
Bridge: concrete	100	Flood control structures	80 to 100
Bridge: timber	80		
Road pavements	60		
Kerb, gutter and footpaths	40		

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

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Accounting policy for infrastructure, property, plant and equipment (continued)

###### Land under roads

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

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

###### Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

###### Rural Fire Service assets

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

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

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

\$ '000	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	138	86	52	138	67	71
Buildings	183	29	154	183	26	157
Other structures	2	2	–	2	2	–
Other assets	128	66	62	128	58	70
<b>Total DWM</b>	<b>451</b>	<b>183</b>	<b>268</b>	<b>451</b>	<b>153</b>	<b>298</b>
<b>Other restricted assets</b>						
– Stormwater drainage	35,046	10,880	24,166	34,475	10,428	24,047
<b>Total other restrictions</b>	<b>35,046</b>	<b>10,880</b>	<b>24,166</b>	<b>34,475</b>	<b>10,428</b>	<b>24,047</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>35,497</b>	<b>11,063</b>	<b>24,434</b>	<b>34,926</b>	<b>10,581</b>	<b>24,345</b>

## Dungog Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	688	–	687	–
Accrued expenses:				
– Other expenditure accruals	3	–	3	–
Security bonds, deposits and retentions	195	–	191	–
<b>Total payables</b>	<b>886</b>	<b>–</b>	<b>881</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	28	–	24	–
<b>Total income received in advance</b>	<b>28</b>	<b>–</b>	<b>24</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	142	1,101	142	1,251
Government advances	2	1	2	3
<b>Total borrowings</b>	<b>144</b>	<b>1,102</b>	<b>144</b>	<b>1,254</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>1,058</b>	<b>1,102</b>	<b>1,049</b>	<b>1,254</b>

**(a) Payables and borrowings relating to restricted assets**

There are restricted assets, in relation to a \$238k unexpended loan facility, applicable to the above payables and borrowings

<sup>1</sup> Loans are secured over the general rating income of Council

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

**(b) Changes in liabilities arising from financing activities**

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	1,393	(150)	–	–	–	1,243
Government advances	5	(2)	–	–	–	3
<b>TOTAL</b>	<b>1,398</b>	<b>(152)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,246</b>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
<b>(c) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Bank overdraft facilities <sup>(1)</sup>	300	300
Credit cards/purchase cards	30	30
<b>Total financing arrangements</b>	<b>330</b>	<b>330</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	–	4
<b>Total drawn financing arrangements</b>	<b>–</b>	<b>4</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	30	26
<b>Total undrawn financing arrangements</b>	<b>330</b>	<b>326</b>

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

#### Accounting policy for payables and borrowings

##### Payables

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

##### Borrowings

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

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

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

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	569	–	599	–
Sick leave	8	–	8	–
Long service leave	1,097	94	1,364	94
<b>Sub-total – aggregate employee benefits</b>	<b>1,674</b>	<b>94</b>	<b>1,971</b>	<b>94</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	2,813	–	2,787
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>2,813</b>	<b>–</b>	<b>2,787</b>
<b>Other provisions:</b>				
Provision for impairment – aged units	113	–	113	–
<b>Sub-total – other provisions</b>	<b>113</b>	<b>–</b>	<b>113</b>	<b>–</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>1,787</u></b>	<b><u>2,907</u></b>	<b><u>2,084</u></b>	<b><u>2,881</u></b>

#### (a) Provisions relating to restricted assets

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

\$ '000	2018	2017
---------	------	------

#### (b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,624	1,922
	<b><u>1,624</u></b>	<b><u>1,922</u></b>

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	599	8	1,458	–	–	2,065
Other	(30)	–	(267)	–	–	(297)
<b>Total ELE provisions at end of year</b>	<b>569</b>	<b>8</b>	<b>1,191</b>	<b>–</b>	<b>–</b>	<b>1,768</b>

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	590	8	1,603	–	–	2,201
Other	9	–	(145)	–	–	(136)
<b>Total ELE provisions at end of year</b>	<b>599</b>	<b>8</b>	<b>1,458</b>	<b>–</b>	<b>–</b>	<b>2,065</b>

2018	Other provisions			Total
	Impairment aged units	Self-insurance	Asset remediation	
At beginning of year	113	–	2,787	2,900
<b>Changes to provision:</b>				
Additional provisions	–	–	26	26
<b>Total other provisions at end of year</b>	<b>113</b>	<b>–</b>	<b>2,813</b>	<b>2,926</b>

2017	Other provisions			Total
	Impairment aged units	Self-insurance	Asset remediation	
At beginning of year	113	–	2,716	2,829
<b>Changes to provision:</b>				
Unwinding of discount	–	–	71	71
<b>Total other provisions at end of year</b>	<b>113</b>	<b>–</b>	<b>2,787</b>	<b>2,900</b>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

##### **Nature and purpose of non-employee benefit provisions**

###### **Asset remediation**

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

###### **Accounting policy for provisions**

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

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

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

###### **Employee benefits**

###### **Short-term obligations**

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

###### **Other long-term employee benefit obligations**

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

###### **Restoration**

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

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

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

---

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

###### ***Rehabilitation***

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

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

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

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

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

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

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

---

##### **Nature and purpose of reserves**

###### **Infrastructure, property, plant and equipment revaluation reserve**

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



## Dungog Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	1,168	9,414
Less bank overdraft	13	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>1,168</b>	<b>9,414</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>3,602</b>	<b>2,132</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		6,091	6,164
Net losses/(gains) on disposal of assets		1,099	1,150
Unwinding of discount rates on reinstatement provisions		–	71
Share of net (profits) or losses of associates/joint ventures		(86)	(8)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		1,013	285
Decrease/(increase) in inventories		83	344
Decrease/(increase) in other assets		17	(33)
Increase/(decrease) in payables		1	(596)
Increase/(decrease) in other accrued expenses payable		–	(1)
Increase/(decrease) in other liabilities		8	29
Increase/(decrease) in employee leave entitlements		(297)	(136)
Increase/(decrease) in other provisions		26	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>11,557</b>	<b>9,401</b>

#### Note 14. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	86	8	157	71
<b>Total</b>	<b>86</b>	<b>8</b>	<b>157</b>	<b>71</b>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 14. Interests in other entities (continued)

\$ '000

#### Joint arrangements

##### (i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

##### (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Strategic Services Australia Limited	Joint venture	Accrual	157	71
<b>Total carrying amounts – material joint ventures</b>			<b>157</b>	<b>71</b>

##### (b) Details

Name of entity	Principal activity
Strategic Services Australia Limited	To improve quality and efficiency of local government services in the Hunter region.

##### (c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017
Strategic Services Australia Limited	2.88%	2.88%	2.88%	2.88%	7.69%	7.69%

##### (d) Summarised financial information for joint ventures

	Strategic Services Australia Limited	
	2018	2017
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,050	217
Other current assets	1,738	1,393
<b>Non-current assets</b>	<b>471</b>	<b>4,128</b>
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	682	2,575
Other current liabilities	1,068	477
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	40	219
<b>Net assets</b>	<b>5,469</b>	<b>2,467</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	2,468	2,139
Profit/(loss) for the period	3,001	308
<b>Closing net assets</b>	<b>5,469</b>	<b>2,447</b>
<b>Council's share of net assets (%)</b>	<b>2.9%</b>	<b>2.9%</b>
<b>Council's share of net assets (\$)</b>	<b>157</b>	<b>71</b>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 14. Interests in other entities (continued)

\$ '000

#### Joint arrangements (cont'd)

##### (d) Summarised financial information for joint ventures (cont'd)

	<b>Strategic Services Australia Limited</b>	
	2018	2017
<b>Statement of comprehensive income</b>		
Income	7,454	6,555
Depreciation and amortisation	(177)	(221)
Interest expense	(128)	(97)
Other expenses	(6,623)	(5,929)
<b>Profit/(loss) from continuing operations</b>	<b>526</b>	<b>308</b>
Profit/(loss) from discontinued operations	2,475	–
<b>Profit/(loss) for period</b>	<b>3,001</b>	<b>308</b>
<b>Total comprehensive income</b>	<b>3,001</b>	<b>308</b>
<b>Share of income – Council (%)</b>	<b>2.9%</b>	<b>2.9%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>86</b>	<b>9</b>
<b>Total comprehensive income – Council (\$)</b>	<b>86</b>	<b>9</b>

#### Accounting policy for joint arrangements

The Council has determined that it has only joint ventures

##### Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

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

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

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

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Plant and equipment	–	51
<b>Total commitments</b>	<b>–</b>	<b>51</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	–	51
<b>Total payable</b>	<b>–</b>	<b>51</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	–	51
<b>Total sources of funding</b>	<b>–</b>	<b>51</b>
<b>(b) Operating lease commitments (non-cancellable)</b>		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	2	13
Later than one year and not later than 5 years	1	4
<b>Total non-cancellable operating lease commitments</b>	<b>3</b>	<b>17</b>

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

Computer and other plant/equipment.

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

**Conditions relating to operating leases:**

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Contingencies and other assets/liabilities not recognised

##### 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.

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any 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 planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$171,356.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### LIABILITIES NOT RECOGNISED (continued):

##### 1. Guarantees (continued)

##### (i) Defined benefit superannuation contribution plans (continued)

Council's expected contributions to the Fund for the next annual reporting period is \$126,670.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.16% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### **LIABILITIES NOT RECOGNISED** (continued):

##### **1. Guarantees** (continued)

##### **(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.

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

Council is joint guarantor for a loan of \$2.86 million which was drawn down on the 1st July 2003 by Hunter Councils Limited. The total loan approved was for \$3.4 million of which Council's exposure will be \$97,795.

##### **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.

##### **ASSETS NOT RECOGNISED:**

##### **(i) Infringement notices/fines**

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

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

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

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

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	1,168	9,414	1,168	9,414
Investments				
– 'Designated at fair value on initial recognition'	8,261	4,750	8,261	4,750
– 'Held to maturity'	8,500	–	8,500	–
Receivables	850	1,868	850	1,868
<b>Total financial assets</b>	<b>18,779</b>	<b>16,032</b>	<b>18,779</b>	<b>16,032</b>
<b>Financial liabilities</b>				
Payables	886	881	886	881
Loans/advances	1,246	1,398	1,246	1,398
<b>Total financial liabilities</b>	<b>2,132</b>	<b>2,279</b>	<b>2,132</b>	<b>2,279</b>

Fair value is determined as follows:

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



## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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

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

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

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

The 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
<b>2018</b>				
Possible impact of a 1% movement in interest rates	179	179	(179)	(179)
<b>2017</b>				
Possible impact of a 1% movement in interest rates	140	140	(140)	(140)

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	55%	0%	13%
Overdue	100%	45%	100%	87%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>			<b>2018</b>	<b>2017</b>
<b>Rates and annual charges</b>				
< 1 year overdue			358	336
> 1 year overdue			98	91
			<b>456</b>	<b>427</b>
<b>Other receivables</b>				
Current			215	193
> 30 days overdue			179	1,248
			<b>394</b>	<b>1,441</b>

## Dungog Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables	0.00%	195	647	-	-	842	886
Loans and advances	4.86%	-	144	424	721	1,289	1,246
<b>Total financial liabilities</b>		<b>195</b>	<b>791</b>	<b>424</b>	<b>721</b>	<b>2,131</b>	<b>2,132</b>
<b>2017</b>							
Trade/other payables	0.00%	191	706	-	-	897	881
Loans and advances	4.93%	-	145	619	724	1,488	1,398
<b>Total financial liabilities</b>		<b>191</b>	<b>851</b>	<b>619</b>	<b>724</b>	<b>2,385</b>	<b>2,279</b>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 20 June 2017 and is not required to be audited.

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

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

**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	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	6,941	6,979	38	1%	<b>F</b>
User charges and fees	1,058	1,082	24	2%	<b>F</b>
Interest and investment revenue Interest rates on investments lower then projected.	301	253	(48)	(16%)	<b>U</b>
Other revenues	849	889	40	5%	<b>F</b>
Operating grants and contributions Early receipt of FAG contributions	4,159	4,873	714	17%	<b>F</b>
Capital grants and contributions Higher than budget due to significant level of reimbursable work undertaken on road network and boat ramp funding.	4,493	7,689	3,196	71%	<b>F</b>
Joint ventures and associates - net profits Unbudgeted joint venture item.	-	86	86	0%	<b>F</b>

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>4,610</b>	<b>4,743</b>	<b>(133)</b>	(3%)	<b>U</b>
<b>Borrowing costs</b>	<b>101</b>	<b>108</b>	<b>(7)</b>	(7%)	<b>U</b>
Lower than budgeted bank expenses.					
<b>Materials and contracts</b>	<b>5,201</b>	<b>3,977</b>	<b>1,224</b>	24%	<b>F</b>
Lower than budgeted due to heavily modified road network capital improvements programme.					
<b>Depreciation and amortisation</b>	<b>6,153</b>	<b>6,091</b>	<b>62</b>	1%	<b>F</b>
<b>Other expenses</b>	<b>2,101</b>	<b>2,231</b>	<b>(130)</b>	(6%)	<b>U</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>1,099</b>	<b>(1,099)</b>	0%	<b>U</b>
Loss due to write-off of road assets resulting from capital renewals undertaken during the year.					

## Budget variations relating to Council's Cash Flow Statement include:

<b>Cash flows from operating activities</b>	<b>5,082</b>	<b>11,557</b>	<b>6,475</b>	127.4%	<b>F</b>
Higher than budgeted cash flow from charges revenue, grants and contributions.					
<b>Cash flows from investing activities</b>	<b>(7,158)</b>	<b>(19,651)</b>	<b>(12,493)</b>	174.5%	<b>U</b>
Higher than budgeted cash flow from grants and contributions.					
<b>Cash flows from financing activities</b>	<b>(152)</b>	<b>(152)</b>	<b>–</b>	0.0%	<b>F</b>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. 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 and recognised at fair values:

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Operational land	–	6,976	–	6,976
Community land	–	5,471	–	5,471
Buildings	–	–	7,886	7,886
Other structures	–	–	3,368	3,368
Roads	–	–	136,205	136,205
Bridges	–	–	21,979	21,979
Footpaths	–	–	1,001	1,001
Bulk earthworks	–	–	91,946	91,946
Stormwater drainage	–	–	24,129	24,129
Other assets	–	–	139	139
Restoration assets	–	–	1,454	1,454
Plant and Equipment	–	–	3,888	3,888
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>12,447</b>	<b>291,995</b>	<b>304,442</b>

## Dungog Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Operational land	–	6,643	–	6,643
Community land	–	3,760	–	3,760
Buildings	–	–	7,264	7,264
Other structures	–	–	3,944	3,944
Roads	–	–	135,718	135,718
Bridges	–	–	22,674	22,674
Footpaths	–	–	1,012	1,012
Bulk earthworks	–	–	90,356	90,356
Stormwater drainage	–	–	23,225	23,225
Other assets	–	–	137	137
Restoration assets	–	–	1,530	1,530
Plant and Equipment	–	–	3,626	3,626
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>10,403</b>	<b>289,486</b>	<b>299,889</b>

**(2) Transfers between level 1 and 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 year ended 30 June 2018

#### Note 19. 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 (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

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

##### **Infrastructure, property, plant and equipment**

###### **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 Council's operational land was undertaken as at 30 June 2018 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 2015 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 year ended 30 June 2018

#### Note 19. 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 2018.

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 classified into Regional, Rural Local Sealed, Rural Local Unsealed, Urban Local Sealed and Urban Local Unsealed Roads categories 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 - road assets have 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 year ended 30 June 2018

#### Note 19. 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 year ended 30 June 2018

#### Note 19. 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 year ended 30 June 2018

#### Note 19. 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 - timber bridge assets have 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 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 year ended 30 June 2018

#### Note 19. 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 - non-timber bridge assets have 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 year ended 30 June 2018

#### Note 19. 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 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 year ended 30 June 2018

#### Note 19. 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 year ended 30 June 2018

#### Note 19. 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 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 year ended 30 June 2018

#### Note 19. 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 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 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 year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

---

##### **Landfill and quarry assets**

See note 11 for background and breakdown of these assets.

Values are estimates of rehabilitation costs, and these included capping of landfill, revegetation of roadside quarries, 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 year ended 30 June 2018

## Note 19. 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.**

	Buildings specialised	Other structures	Roads	Bridges
<b>Opening balance – 1/7/16</b>	7,668	3,528	136,852	22,212
Purchases (Cost)	87	836	3,357	1,172
Disposals (WDV)	–	–	(1,173)	(1)
Depreciation and impairment	(491)	(461)	(3,318)	(709)
<b>Closing balance – 30/6/17</b>	<b>7,264</b>	<b>3,944</b>	<b>135,718</b>	<b>22,674</b>
Purchases (GBV)	125	38	4,226	–
Disposals (WDV)	–	–	(1,055)	–
Depreciation and impairment	(507)	(492)	(3,348)	(695)
Revaluation increment/(decrement)	1,004	(122)	–	–
Transfer from WIP	–	–	664	–
<b>Closing balance – 30/6/18</b>	<b>7,886</b>	<b>3,368</b>	<b>136,205</b>	<b>21,979</b>
	Bulk earthworks	Footpaths	Stormwater drainage	Other assets
<b>Opening balance – 1/7/16</b>	89,762	1,012	23,225	138
<b>Closing balance – 30/6/17</b>	<b>90,356</b>	<b>1,012</b>	<b>23,225</b>	<b>138</b>
Purchases (Cost)	841	–	535	34
Depreciation and impairment	–	(11)	(453)	(32)
Transfer from WIP	749	–	822	–
<b>Closing balance – 30/6/18</b>	<b>91,946</b>	<b>1,001</b>	<b>24,129</b>	<b>139</b>
			Plant & equipment	Restoration assets
<b>Opening balance – 1/7/16</b>			3,625	1,687
<b>Closing balance – 30/6/17</b>			<b>3,625</b>	<b>1,530</b>
Purchases (GBV)			1,127	–
Disposals (WDV)			(387)	–
Depreciation and impairment			(477)	(76)
<b>Closing balance – 30/6/18</b>			<b>3,888</b>	<b>1,454</b>

**(5). Highest and best use**

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

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Related party transactions

---

\$ '000

---

##### a. Key management personnel

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

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

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	938	807
Post-employment benefits	82	93
<b>Total</b>	<b>1,020</b>	<b>900</b>

## Dungog Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Events occurring after the reporting date

---

---

Council is aware of the following 'non-adjusting events' that merit disclosure:

Council is aware that on Friday 12<sup>th</sup> October 2018, a favourable ruling was made in the Land and Environment Court of New South Wales, in relation to matters concerning Martins Creek Quarry. This matter is still subject to appeal and is not final. While Council may receive compensation in due course, there is insufficient information presently available to make an estimate of the value, if any.

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	367	–	–	6	–	–	373	–
Traffic facilities	7	–	–	–	–	–	7	–
Open space	4,517	519	–	101	–	–	5,137	–
Community facilities	132	–	–	2	–	–	134	–
Bushfire	52	–	–	1	–	–	53	–
Other	2	–	–	–	–	–	2	–
<b>S7.11 contributions – under a plan</b>	<b>5,077</b>	<b>519</b>	<b>–</b>	<b>110</b>	<b>–</b>	<b>–</b>	<b>5,705</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>5,077</b>	<b>519</b>	<b>–</b>	<b>110</b>	<b>–</b>	<b>–</b>	<b>5,705</b>	<b>–</b>
S7.11 not under plans	11	–	–	–	–	–	11	–
<b>Total contributions</b>	<b>5,088</b>	<b>519</b>	<b>–</b>	<b>110</b>	<b>–</b>	<b>–</b>	<b>5,716</b>	<b>–</b>

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S7.11 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	11	–	–	–	–	–	11	
Traffic facilities	7	–	–	–	–	–	7	
Open space	18	–	–	–	–	–	18	
Community facilities	32	–	–	–	–	–	32	
Bushfire	22	–	–	1	–	–	23	
<b>Total</b>	<b>90</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>91</b>	<b>–</b>

## 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	356	–	–	6	–	–	362	
Open space	29	–	–	1	–	–	30	
Community facilities	100	–	–	2	–	–	102	
Bushfire	30	–	–	–	–	–	30	
Other	2	–	–	–	–	–	2	
<b>Total</b>	<b>517</b>	<b>–</b>	<b>–</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>526</b>	<b>–</b>

## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S7.11 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Sports fields	1,391	178	–	32	–	–	1,602	
Parklands	70	6	–	1	–	–	77	
Swimming pools	374	36	–	8	–	–	418	
Indoor sports	388	37	–	9	–	–	434	
Local community centre	136	14	–	4	–	–	154	
District community centre	94	9	–	2	–	–	105	
Youth venue	72	8	–	1	–	–	81	
Arts and crafts centre	21	2	–	–	–	–	23	
Aged facilities	67	7	–	1	–	–	75	
Library	207	20	–	5	–	–	232	
Pre school	252	27	–	6	–	–	285	
Rural sub-arterial roads	239	15	–	6	–	–	260	
Rural local roads	298	60	–	7	–	–	365	
Traffic management	32	–	–	1	–	–	33	
Bikeways facilities	78	9	–	1	–	–	88	
Fire service	399	38	–	9	–	–	446	
Section 94 administration	154	47	–	7	–	–	208	
Unsealed roads and bridges	3	6	–	–	–	–	9	
Other	194	–	–	–	–	–	194	
<b>Total</b>	<b>4,470</b>	<b>519</b>	<b>–</b>	<b>100</b>	<b>–</b>	<b>–</b>	<b>5,089</b>	<b>–</b>



## Dungog Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S7.11 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2	-	-	-	-	-	2	
Open space	9	-	-	-	-	-	9	
<b>Total</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>-</b>

## Dungog Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(3,074)</u>	<b>-21.84%</b>	-17.51%	-10.07%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>14,076</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>9,203</u>	<b>42.28%</b>	40.49%	40.57%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>21,765</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>10,249</u>	<b>8.39x</b>	8.24x	5.43x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>1,221</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>3,125</u>	<b>12.02x</b>	11.53x	14.62x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>260</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>456</u>	<b>6.13%</b>	6.03%	3.57%	< 10% regional & rural
Rates, annual and extra charges collectible	<b>7,443</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>9,668</u>	<b>10.19 Mths</b>	8.3 Mths	9.4 Mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<b>948</b>				

## Notes

<sup>(1)</sup> 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 and associates.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Notes 10 and 11.

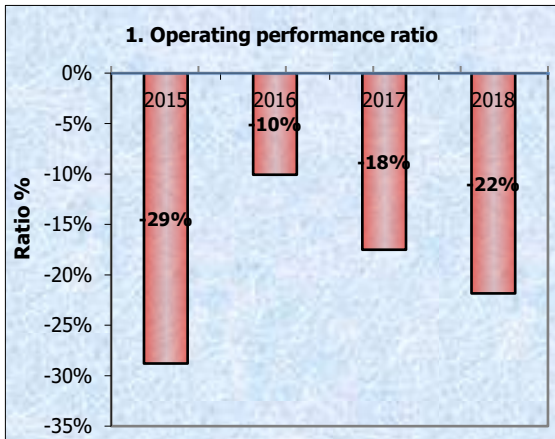
<sup>(4)</sup> Refer to Note 10(b) and 11(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

**END OF AUDITED FINANCIAL STATEMENTS**

# Dungog Shire Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 23(b). Statement of performance measures – consolidated results (graphs)



**Purpose of operating performance ratio**

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

**Commentary on 2017/18 result**

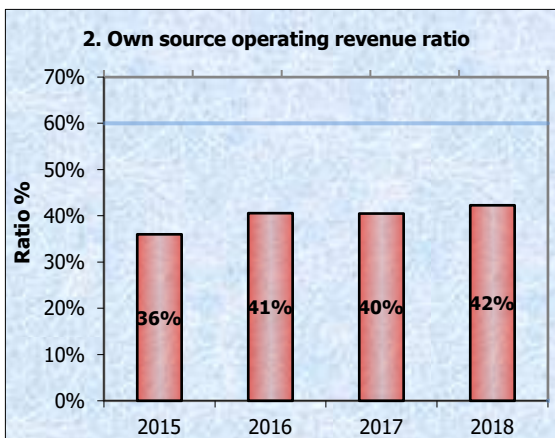
**2017/18 ratio -21.84%**

Council's operating performance ratio decreased due to higher operating expenditure associated with road maintenance

Benchmark: — Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves 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 and contributions.

**Commentary on 2017/18 result**

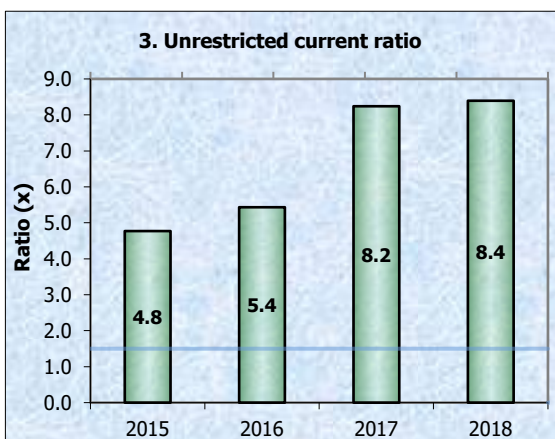
**2017/18 ratio 42.28%**

Own source operating revenue has remained relatively consistent to prior year levels, being significantly below benchmark requirements of 60%.

Benchmark: — Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves 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 2017/18 result**

**2017/18 ratio 8.39x**

A reduction in goods and services payables has improved Council's ability to meet short term obligations.

Benchmark: — Minimum  $\geq 1.50$

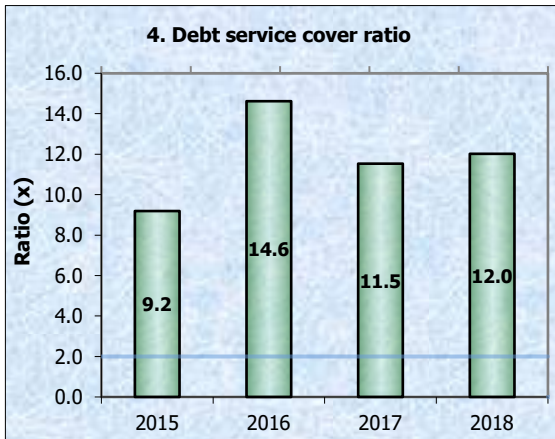
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark

# Dungog Shire Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 23(b). Statement of performance measures – consolidated results (graphs)



**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 2017/18 result**

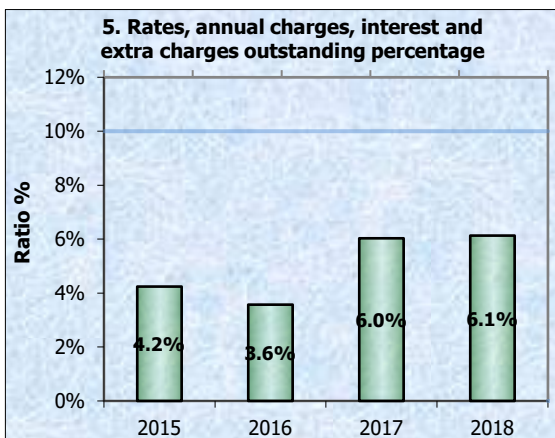
**2017/18 ratio 12.02x**

Council continues to maintain its capacity to service debt obligations.

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and 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 2017/18 result**

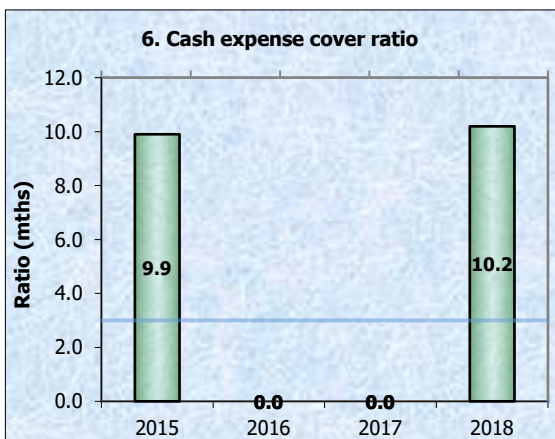
**2017/18 ratio 6.13%**

The level of outstanding property debts remains relatively low to benchmark.

Benchmark: Maximum <10.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result**

**2017/18 ratio 10.19 Mths**

Council remains able to pay its immediate expenses without additional cashflow, for a period in excess of 10 months

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark

## Dungog Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 24. Council information and contact details

---

**Principal place of business:**

198 Dowling Street  
Dungog NSW 2420

**Contact details**

**Mailing address:**

PO Box 95  
Dungog NSW 2420

**Opening hours:**

8:45am to 4:30pm  
Monday to Friday

**Telephone:** 02 4995 7777

**Facsimile:** 02 4995 7750

**Internet:** [www.dungog.nsw.gov.au](http://www.dungog.nsw.gov.au)

**Email:** [shirecouncil@dungog.nsw.gov.au](mailto:shirecouncil@dungog.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Coralie Nichols

**Elected members**

**MAYOR**

Cr Tracy Norman

**RESPONSIBLE ACCOUNTING OFFICER**

Shaun Chandler

**AUDITORS**

Auditor General NSW

**Other information**

**ABN:** 62 610 350 256



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial report**  
**Dungog Shire Council**

To the Councillors of the Dungog Shire Council

## **Opinion**

I have audited the accompanying financial report of Dungog Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

## **Basis for Opinion**

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

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

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

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

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

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

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.



My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large initial 'J' and 'S'.

James Sugumar  
Director

30 October 2018  
SYDNEY

# Dungog Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

---

*“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 year ended 30 June 2018

Council has no material Business Activities

# Dungog Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

---

*“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 year ended 30 June 2018

Contents		Page
<b>Special Schedules <sup>1</sup></b>		
<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2</b>	Permissible income for general rates	4
<b>Special Schedule 2</b>	Independent Auditors Report	5
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	n/a
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	n/a
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	n/a
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	n/a
<b>Notes to Special Schedules 3 and 5</b>		n/a
<b>Special Schedule 7</b>	Report on Infrastructure Assets	6

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

---

### 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 1 – Net Cost of Services  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,022</b>	<b>–</b>	<b>–</b>	<b>(1,022)</b>
<b>Administration</b>	<b>1,502</b>	<b>347</b>	<b>44</b>	<b>(1,111)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	538	25	–	(513)
Beach control	–	–	–	–
Enforcement of local government regulations	33	11	–	(22)
Animal control	33	25	–	(8)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>604</b>	<b>61</b>	<b>–</b>	<b>(543)</b>
<b>Health</b>	<b>27</b>	<b>8</b>	<b>–</b>	<b>(19)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	139	59	–	(80)
Other environmental protection	110	57	–	(53)
Solid waste management	1,697	2,047	–	350
Street cleaning	40	–	–	(40)
Drainage	–	–	–	–
Stormwater management	86	42	–	(44)
<b>Total environment</b>	<b>2,072</b>	<b>2,205</b>	<b>–</b>	<b>133</b>
<b>Community services and education</b>				
Administration and education	61	4	–	(57)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	136	112	885	861
Children's services	–	3	–	3
<b>Total community services and education</b>	<b>197</b>	<b>119</b>	<b>885</b>	<b>807</b>
<b>Housing and community amenities</b>				
Public cemeteries	36	38	–	2
Public conveniences	129	–	–	(129)
Street lighting	116	20	–	(96)
Town planning	827	231	–	(596)
Other community amenities	123	431	–	308
<b>Total housing and community amenities</b>	<b>1,231</b>	<b>720</b>	<b>–</b>	<b>(511)</b>
<b>Water supplies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Sewerage services</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Dungog Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	224	40	7	(177)
Museums	94	–	–	(94)
Art galleries	–	–	–	–
Community centres and halls	273	10	11	(252)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	365	16	235	(114)
Swimming pools	365	–	–	(365)
Parks and gardens (lakes)	435	1	801	367
Other sport and recreation	1	–	–	(1)
<b>Total recreation and culture</b>	<b>1,757</b>	<b>67</b>	<b>1,054</b>	<b>(636)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	312	118	–	(194)
Other mining, manufacturing and construction	145	–	–	(145)
<b>Total mining, manufacturing and const.</b>	<b>457</b>	<b>118</b>	<b>–</b>	<b>(339)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	778	1	–	(777)
Urban roads – regional	54	–	–	(54)
Sealed rural roads (SRR) – local	3,061	2,109	5,562	4,610
Sealed rural roads (SRR) – regional	2,751	–	685	(2,066)
Unsealed rural roads (URR) – local	986	–	–	(986)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	1	–	–	(1)
Bridges on SRR – local	932	–	53	(879)
Bridges on URR – local	120	–	–	(120)
Bridges on regional roads	143	–	–	(143)
Parking areas	–	–	–	–
Footpaths	52	–	–	(52)
Aerodromes	–	–	–	–
Other transport and communication	11	–	–	(11)
<b>Total transport and communication</b>	<b>8,889</b>	<b>1,516</b>	<b>6,300</b>	<b>(1,073)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	187	194	–	7
Other economic affairs	304	31	–	(273)
<b>Total economic affairs</b>	<b>491</b>	<b>225</b>	<b>–</b>	<b>(266)</b>
<b>Totals – functions</b>	<b>18,249</b>	<b>5,386</b>	<b>8,283</b>	<b>(4,580)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>8,096</b>		<b>8,096</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>86</b>		<b>86</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>18,249</b>	<b>13,568</b>	<b>8,283</b>	<b>3,602</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Dungog Shire Council

Special Schedule 2 – Permissible income for general rates  
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	5,525	5,430
Plus or minus adjustments <sup>(2)</sup>	b	19	13
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>5,544</b>	<b>5,443</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
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	128	82
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>5,672</b>	<b>5,524</b>
Plus (or minus) last year's carry forward total	l	16	–
Less valuation objections claimed in the previous year	m	(17)	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>(1)</b>	<b>–</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>5,671</b>	<b>5,524</b>
Less notional general income yield	p	5,671	5,525
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>(0)</b>	<b>(1)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	17
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>(0)</b>	<b>16</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) 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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.





## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Dungog Shire Council

To the Councillors of Dungog Shire Council

### Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Dungog Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter – Basis of Accounting

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

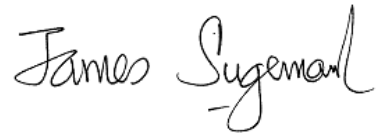
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large initial 'J' and a long, sweeping underline.

James Sugumar  
Director

30 October 2018  
SYDNEY

## Dungog Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	6,662	28,201	490	263	7,888	32,391		1%	12%	74%	13%
	<b>Sub-total</b>	<b>6,662</b>	<b>28,201</b>	<b>490</b>	<b>263</b>	<b>7,886</b>	<b>32,391</b>	<b>0.0%</b>	<b>1.0%</b>	<b>12.0%</b>	<b>74.0%</b>	<b>13.0%</b>
<b>Other structures</b>	Other structures	133	466	40	–	847	1,606	14%	22%	35%	21%	8%
	<b>Sub-total</b>	<b>133</b>	<b>466</b>	<b>40</b>	<b>–</b>	<b>847</b>	<b>1,606</b>	<b>14.0%</b>	<b>22.0%</b>	<b>35.0%</b>	<b>21.0%</b>	<b>8.0%</b>
<b>Roads</b>	Sealed roads	8,746	24,579	2,690	1,982	125,010	199,204	16%	43%	29%	7%	6%
	Unsealed roads	2,511	14,348	240	562	11,199	17,845	0%	1%	19%	80%	0%
	Bridges	3,010	7,177	350	469	21,979	55,625	9%	10%	67%	5%	9%
	Footpaths	28	144	20	41	1,001	1,242	30%	21%	37%	11%	1%
	Other road assets					91,947	91,947	100%				0%
	<b>Sub-total</b>	<b>14,295</b>	<b>46,248</b>	<b>3,300</b>	<b>3,054</b>	<b>251,131</b>	<b>365,863</b>	<b>35.3%</b>	<b>25.1%</b>	<b>27.0%</b>	<b>8.5%</b>	<b>4.6%</b>

## Dungog Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	796	4,551	190	25	24,129	35,010	9%	67%	11%	13%	0%
	<b>Sub-total</b>	<b>796</b>	<b>4,551</b>	<b>190</b>	<b>25</b>	<b>24,129</b>	<b>35,010</b>	<b>9.0%</b>	<b>67.0%</b>	<b>11.0%</b>	<b>13.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	265	1,515	100	45	421	2,525	0%	40%	0%	60%	0%
	Other	629	3,593	660	186	2,100	5,989	0%	40%	0%	60%	0%
	<b>Sub-total</b>	<b>894</b>	<b>5,108</b>	<b>760</b>	<b>231</b>	<b>2,521</b>	<b>8,514</b>	<b>0.0%</b>	<b>40.0%</b>	<b>0.0%</b>	<b>60.0%</b>	<b>0.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>22,780</b>	<b>84,574</b>	<b>4,780</b>	<b>3,573</b>	<b>286,514</b>	<b>443,384</b>	<b>29.9%</b>	<b>26.9%</b>	<b>24.2%</b>	<b>14.7%</b>	<b>4.8%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Dungog Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<b>5,760</b>	<b>104.67%</b>	92.37%	216.31%	>= 100%
Depreciation, amortisation and impairment	<b>5,503</b>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>22,780</b>	<b>7.95%</b>	7.01%	11.91%	< 2.00%
Net carrying amount of infrastructure assets	<b>286,514</b>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<b>3,573</b>	<b>74.75%</b>	72.33%	59.92%	> 100%
Required asset maintenance	<b>4,780</b>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>84,574</b>	<b>19.07%</b>	10.10%	0.00%	
Gross replacement cost	<b>443,384</b>				

## Notes

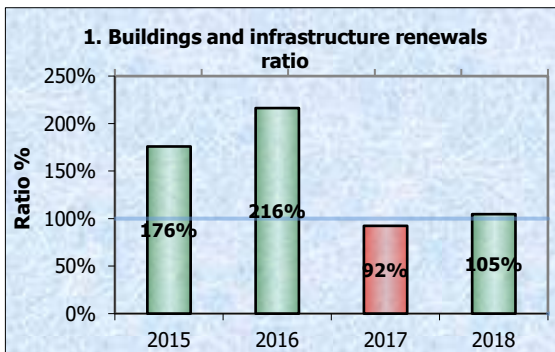
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

# Dungog Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



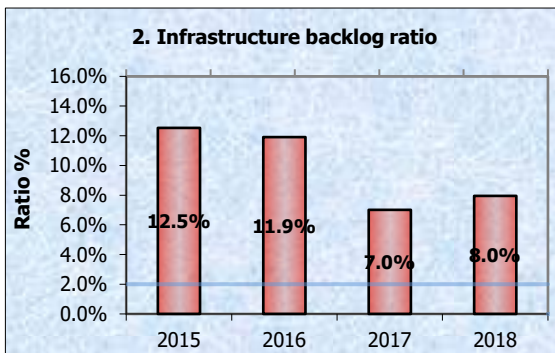
**Purpose of asset renewals ratio**

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

Commentary on 2017/18 result	
<b>2017/18 Ratio</b>	<b>104.67%</b>
Improvement from prior year	

Benchmark: ——— Minimum >=100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



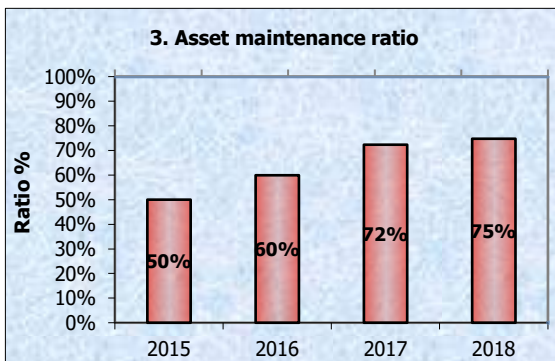
**Purpose of infrastructure backlog ratio**

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

Commentary on 2017/18 result	
<b>2017/18 Ratio</b>	<b>7.95%</b>
Reflects a deterioration from prior period.	

Benchmark: ——— Maximum <2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



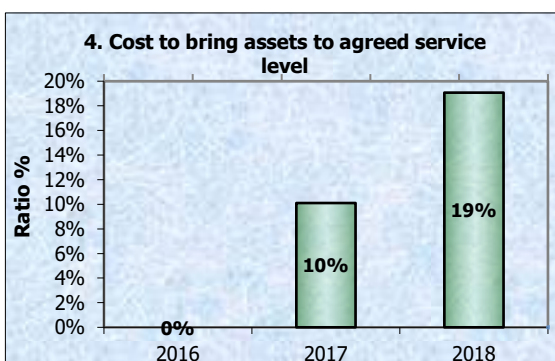
**Purpose of asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result	
<b>2017/18 Ratio</b>	<b>74.75%</b>
Reflects an improvement from prior period, however still below benchmark requirements.	

Benchmark: ——— Minimum >100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of agreed service level ratio**

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

Commentary on 2017/18 result	
<b>2017/18 Ratio</b>	<b>19.07%</b>
Whilst Council has invested in asset renewals, further investment is required to bring assets to agreed service levels.	