

# Mid-Western Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

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*“a prosperous and progressive  
community that we proudly call home”*



## Mid-Western Regional Council

### General Purpose Financial Statements for the financial year ended 30 June 2012

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#### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Mid-Western Regional Council.
- (ii) Mid-Western Regional Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 07/09/12.  
Council has the power to amend and reissue the financial statements.
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## Mid-Western Regional Council

### General Purpose Financial Statements for the financial year ended 30 June 2012

## Understanding Council's Financial Statements

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### Introduction

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

### What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2012.

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

#### 1. An Income Statement

A summary of Council's financial performance for the year, listing all income & expenses.

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

#### 2. A Statement of Comprehensive Income

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

#### 3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

#### 4. A Statement of Changes in Equity

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

#### 5. A Statement of Cash Flows

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

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

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 5 Primary Financial Statements.

### About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

### Who uses the Financial Statements ?

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

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

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

## Mid-Western Regional Council

### General Purpose Financial Statements for the financial year ended 30 June 2012

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 15 August 2012.



Mr Des Kennedy  
MAYOR



Mr Max Walker  
COUNCILLOR



Mr Warwick Bennett  
GENERAL MANAGER



Mrs Clare Phelan  
RESPONSIBLE ACCOUNTING OFFICER



## Mid-Western Regional Council

### Statement of Comprehensive Income for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
<b>Net Operating Result for the year (as per Income statement)</b>		<b>8,360</b>	<b>4,765</b>
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	2,827	6,503
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	111	63
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(610)	(5,272)
Other Movements in Reserves	20b (ii)	-	-
<b>Total Other Comprehensive Income for the year</b>		<b>2,328</b>	<b>1,294</b>
<b>Total Comprehensive Income for the Year</b>		<b>10,688</b>	<b>6,059</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>10,688</b>	<b>6,059</b>
<b>Total Comprehensive Income attributable to Minority Interests</b>		<b>-</b>	<b>-</b>

## Mid-Western Regional Council

### Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011	Actual 2010
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash & Cash Equivalents	6a	36,249	25,354	30,030
Investments	6b	-	1,000	1,000
Receivables	7	4,909	6,073	4,433
Inventories	8	2,104	2,866	1,263
Other	8	-	13	-
Non-current assets classified as 'held for sale'	22	-	-	1,288
<b>Total Current Assets</b>		<b>43,262</b>	<b>35,306</b>	<b>38,014</b>
<b>Non-Current Assets</b>				
Investments	6b	1,442	2,331	2,268
Receivables	7	-	-	-
Inventories	8	-	254	1,547
Infrastructure, Property, Plant & Equipment	9	544,133	530,431	521,328
Investments accounted for using the equity method	19	-	-	-
Investment Property	14	-	-	-
Intangible Assets	25	395	438	321
Non-current assets classified as 'held for sale'	22	-	-	-
Other	8	-	-	-
<b>Total Non-Current Assets</b>		<b>545,970</b>	<b>533,454</b>	<b>525,464</b>
<b>TOTAL ASSETS</b>		<b>589,232</b>	<b>568,760</b>	<b>563,478</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	10	6,863	5,144	5,168
Borrowings	10	1,052	550	577
Provisions	10	5,702	4,596	4,855
<b>Total Current Liabilities</b>		<b>13,617</b>	<b>10,290</b>	<b>10,600</b>
<b>Non-Current Liabilities</b>				
Payables	10	-	-	-
Borrowings	10	13,170	6,732	7,216
Provisions	10	1,089	1,070	1,053
<b>Total Non-Current Liabilities</b>		<b>14,259</b>	<b>7,802</b>	<b>8,269</b>
<b>TOTAL LIABILITIES</b>		<b>27,876</b>	<b>18,092</b>	<b>18,869</b>
<b>Net Assets</b>		<b>561,356</b>	<b>550,668</b>	<b>544,609</b>
<b>EQUITY</b>				
Retained Earnings	20	305,475	294,208	289,443
Revaluation Reserves	20	255,881	256,460	255,166
Council Equity Interest		561,356	550,668	544,609
Minority Equity Interest		-	-	-
<b>Total Equity</b>		<b>561,356</b>	<b>550,668</b>	<b>544,609</b>

## Mid-Western Regional Council

### Statement of Changes in Equity for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2012</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		284,741	256,460	<b>541,201</b>	-	<b>541,201</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	9,467	-	<b>9,467</b>	-	<b>9,467</b>
<b>Revised Opening Balance</b> (as at 1/7/11)		<b>294,208</b>	<b>256,460</b>	<b>550,668</b>	-	<b>550,668</b>
<b>c. Net Operating Result for the Year</b>		<b>8,360</b>	-	<b>8,360</b>	-	<b>8,360</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	2,827	<b>2,827</b>	-	<b>2,827</b>
- Revaluations: Other Reserves	20b (ii)	-	111	<b>111</b>	-	<b>111</b>
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(610)	<b>(610)</b>	-	<b>(610)</b>
- Other Movements	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>2,328</b>	<b>2,328</b>	-	<b>2,328</b>
<b>Total Comprehensive Income</b> (c&d)		<b>8,360</b>	<b>2,328</b>	<b>10,688</b>	-	<b>10,688</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		2,907	(2,907)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>305,475</b>	<b>255,881</b>	<b>561,356</b>	-	<b>561,356</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2011</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		283,775	255,166	<b>538,941</b>	-	<b>538,941</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	5,668	-	<b>5,668</b>	-	<b>5,668</b>
<b>Revised Opening Balance</b> (as at 1/7/10)		<b>289,443</b>	<b>255,166</b>	<b>544,609</b>	-	<b>544,609</b>
<b>c. Net Operating Result for the Year</b>		<b>4,765</b>	-	<b>4,765</b>	-	<b>4,765</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	6,503	<b>6,503</b>	-	<b>6,503</b>
- Revaluations: Other Reserves	20b (ii)	-	63	<b>63</b>	-	<b>63</b>
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(5,272)	<b>(5,272)</b>	-	<b>(5,272)</b>
- Other Movements	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>1,294</b>	<b>1,294</b>	-	<b>1,294</b>
<b>Total Comprehensive Income</b> (c&d)		<b>4,765</b>	<b>1,294</b>	<b>6,059</b>	-	<b>6,059</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>294,208</b>	<b>256,460</b>	<b>550,668</b>	-	<b>550,668</b>

## Mid-Western Regional Council

### Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
21,008	Rates & Annual Charges		21,253	20,445
9,371	User Charges & Fees		13,309	8,247
1,070	Investment & Interest Revenue Received		1,841	1,757
17,416	Grants & Contributions		24,630	21,558
-	Bonds, Deposits & Retention amounts received		593	757
1,403	Other		3,827	4,914
<b>Payments:</b>				
(18,292)	Employee Benefits & On-Costs		(17,588)	(17,392)
(10,896)	Materials & Contracts		(12,664)	(12,696)
(1,192)	Borrowing Costs		(704)	(506)
-	Bonds, Deposits & Retention amounts refunded		(422)	(335)
(3,882)	Other		(6,697)	(4,952)
<b>16,006</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>27,378</b>	<b>21,797</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
-	Sale of Investment Securities		29,493	32,200
-	Sale of Real Estate Assets		1,697	-
1,382	Sale of Infrastructure, Property, Plant & Equipment		1,044	895
<b>Payments:</b>				
-	Purchase of Investment Securities		(27,500)	(32,200)
(37,186)	Purchase of Infrastructure, Property, Plant & Equipment		(28,127)	(26,408)
-	Purchase of Real Estate Assets		(30)	(449)
<b>(35,804)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(23,423)</b>	<b>(25,962)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
15,700	Proceeds from Borrowings & Advances		7,578	-
<b>Payments:</b>				
(685)	Repayment of Borrowings & Advances		(554)	(439)
-	Repayment of Finance Lease Liabilities		(84)	(72)
<b>15,015</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>6,940</b>	<b>(511)</b>
<b>(4,783)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>10,895</b>	<b>(4,676)</b>
21,439	plus: Cash & Cash Equivalents - beginning of year	11a	25,354	30,030
<b>16,656</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>36,249</b>	<b>25,354</b>
Additional Information:				
	plus: Investments on hand - end of year	6b	1,442	3,331
<b>Total Cash, Cash Equivalents &amp; Investments</b>			<b>37,691</b>	<b>28,685</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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n/a - not applicable

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

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

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

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

###### (iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

###### (iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

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

###### (v) Basis of Accounting

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

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

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

###### (vi) Changes in Accounting Policies

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

Council has amended its accounting policy in relation to the residual value of sewer reticulation mains. As a result of technological advances that allow for the

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

relining of reticulation mains, Council has recognised a 40% residual value on the construction of mains.

The effect of this change in accounting policy is disclosed in the notes to the accounts [refer Note 20(d)].

#### (vii) Critical Accounting Estimates

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated tip remediation provisions.

#### **Critical judgements in applying the entity's accounting policies**

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

future Section 94 income and expenditure in Note 17.

#### **(b) Revenue recognition**

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

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

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

Revenue is measured on major income categories as follows:

#### **Rates, Annual Charges, Grants and Contributions**

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

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

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

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

#### User Charges, Fees and Other Income

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

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

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

#### Sale of Infrastructure, Property, Plant and Equipment

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

#### Interest and Rents

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

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

#### (c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and **(ii)** all the related operating results (for the financial year ended the 30th June 2012).

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

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

#### (i) The Consolidated Fund

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

- *General Purpose Operations*
- *Water Supply*
- *Waste Water Services*
- *Mudgee Showground Committee (s355)*
- *Mudgee Sports Council (s355)*
- *Gulgong Sports Council (s355)*
- *Red Hill Centre Committee (s355)*

#### (ii) The Trust Fund

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

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

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

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

#### (iii) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

#### (iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

#### (v) County Councils

Council is not a member of any County Councils.

#### (vi) Additional Information

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

#### (d) Leases

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

#### Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

#### Operating Leases

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

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

##### (f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

##### (ii) Loans and receivables

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

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

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

##### (iii) Held-to-maturity investments

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

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

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

##### (iv) Available-for-sale financial assets

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

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

##### Financial Assets – Reclassification

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

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

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

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

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

##### General Accounting & Measurement of Financial Instruments:

###### (i) Initial Recognition

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

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

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

###### (ii) Subsequent Measurement

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

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

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

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

##### Impairment

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

##### (iii) Types of Investments

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

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

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

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

##### (g) Fair value estimation

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

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

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

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

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

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

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

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

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

##### (h) Receivables

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

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

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

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

collect all amounts due according to the original terms of each receivable.

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

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

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

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

#### (i) Inventories

##### Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

##### Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

##### Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**  
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**  
(External Valuation)
- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**  
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**  
(Internal Valuation)

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### - Other Structures

(Internal Valuation)

##### - Other Assets

(Internal Valuation)

#### Initial Recognition

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

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

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

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

#### Subsequent costs

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

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

#### Asset Revaluations (including Indexation)

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

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.

- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

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

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

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

#### Capitalisation Thresholds

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

<b>Land</b>	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

<b>Plant &amp; Equipment</b>	
Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant & Equipment	> \$2,000

<b>Buildings &amp; Land Improvements</b>	
Park Furniture & Equipment	> \$2,000

Building	
- construction/extensions	100% Capitalised
- renovations	> \$5,000

Other Structures	> \$2,000
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## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### Water & Sewer Assets

Reticulation extensions	> \$10,000
Other	> \$10,000

##### Stormwater Assets

Drains & Culverts	> \$2,000
Other	> \$2,000

##### Transport Assets

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

- Bridge : Other	80 years
- Kerb, Gutter & Paths	60 to 75 years

##### Water & Sewer Assets

- Dams and reservoirs	80 to 100 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	45 to 80 years
- Pumps and telemetry	25 to 70 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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#### Depreciation

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

Land is not depreciated.

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

##### Plant & Equipment

- Office Equipment	5 years
- Office furniture	10 years
- Computer Equipment	5 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	8 to 13 years
- Other plant and equipment	5 to 15 years

##### Other Equipment

- Playground equipment	50 years
- Benches, seats etc	50 years

##### Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

##### Stormwater Drainage

- Drains	80 years
- Culverts	80 years

##### Transportation Assets

- Sealed Roads : Surface	13 to 25 years
- Sealed Roads : Structure	52 to 100 years
- Unsealed roads	6 to 30 years
- Bridge : Concrete	80 years

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

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

#### Disposal and De-recognition

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

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

#### (k) Land

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (l) Land under roads

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

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

##### (m) Intangible Assets

###### IT Development and Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

##### (n) Crown Reserves

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

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

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating the

reserves are recognised within Council's Income Statement.

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

##### (o) Rural Fire Service assets

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

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

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

##### (p) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

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

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

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

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

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

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

##### (s) Impairment of assets

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in

circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the “deprival value” of the asset which is approximated as its written down replacement cost.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

##### (t) Payables

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

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

##### (u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

##### (v) Borrowing costs

Borrowing costs are expensed.

##### (w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

##### (x) Employee benefits

##### (i) Short Term Obligations

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

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

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

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

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

##### (ii) Other Long Term Obligations

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

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

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 5 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

settlement beyond 12 months – even though it is not anticipated that all employees with more than 5 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### (iii) Retirement benefit obligations

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

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

##### Defined Benefit Plans

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

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

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

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

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

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

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

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

##### Defined Contribution Plans

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

##### (iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2012.

##### (y) Self insurance

Council does not self insure.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

##### **Exceptions**

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

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

##### **(aa) Taxes**

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

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

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

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

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

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

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

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

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

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

##### **(ab) New accounting standards and UIG interpretations**

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

##### **Council has not adopted any of these standards early.**

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

##### **Applicable to Local Government with implications:**

***AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)***

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

investments, for example, will therefore have to be recognised directly in profit or loss.

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

The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

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

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

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

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

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

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

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

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

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

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

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

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

first applied in the financial statements for the annual reporting period ending 30 June 2014.

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

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

**Applicable to Local Government but no implications for Council;**

None

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

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

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

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

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

The amendments will have to be implemented retrospectively.

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

**Not applicable to Local Government per se;**

None

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

**(ac) Rounding of amounts**

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

**(ad) Comparative Figures**

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

**(ae) Disclaimer**

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

# Mid-Western Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Governance	66	66	63	445	389	418	(379)	(323)	(355)	-	-	-	-
Administration & Management	22,226	23,543	22,285	9,040	8,303	8,472	13,186	15,240	13,813	5,355	4,319	46,569	41,860
Regulatory Control	354	375	395	898	1,018	836	(544)	(643)	(441)	256	293	41	78
Development & Environmental Services	641	1,013	686	2,111	2,061	1,802	(1,470)	(1,048)	(1,116)	103	82	49	42
Community Services	1,720	2,502	2,164	2,108	2,553	2,460	(388)	(51)	(296)	2,007	1,716	3,906	813
Cemeteries	146	132	183	307	317	309	(161)	(185)	(126)	-	-	1,965	388
Waste Management	4,067	4,844	4,235	3,613	3,971	3,450	454	873	785	374	321	8,416	7,288
Stormwater & Drainage	39	93	82	470	766	521	(431)	(673)	(439)	189	188	9,164	9,020
Water Supply	5,300	4,743	3,757	4,060	4,626	4,802	1,240	117	(1,045)	751	591	67,431	68,079
Sewer Services	3,156	4,693	2,836	3,468	3,131	2,942	(312)	1,562	(106)	1,460	61	65,290	47,416
Libraries	145	244	114	908	895	851	(763)	(651)	(737)	222	85	2,595	290
Corporate & Community Buildings	(23)	19	117	823	713	841	(846)	(694)	(724)	11	140	36,403	58,184
Swimming Pools	138	84	85	814	950	819	(676)	(866)	(734)	-	-	2,869	870
Parks & Reserves	655	407	985	3,261	3,493	2,963	(2,606)	(3,086)	(1,978)	433	1,106	31,591	29,611
Roads & Bridges	7,823	11,587	11,244	15,057	16,326	15,940	(7,234)	(4,739)	(4,696)	3,469	2,948	278,800	280,760
Carparking, Cycleways, Streetscaping & Footpaths	17	221	123	1,191	1,290	1,209	(1,174)	(1,069)	(1,086)	143	102	11,344	9,750
Mudgee Airport	134	150	138	334	387	338	(200)	(237)	(200)	-	-	4,170	3,312
Economic Development & Tourism	1,394	949	853	1,042	355	812	352	594	41	-	-	18,629	10,999
<b>Total Functions &amp; Activities</b>	<b>47,998</b>	<b>55,665</b>	<b>50,345</b>	<b>49,950</b>	<b>51,544</b>	<b>49,785</b>	<b>(1,952)</b>	<b>4,121</b>	<b>560</b>	<b>14,773</b>	<b>11,952</b>	<b>589,232</b>	<b>568,760</b>
S94 & S64 Contributions (incl. Interest)	3,343	4,239	4,205	-	-	-	3,343	4,239	4,205	-	-		
<b>Operating Result from Continuing Operations</b>	<b>51,341</b>	<b>59,904</b>	<b>54,550</b>	<b>49,950</b>	<b>51,544</b>	<b>49,785</b>	<b>1,391</b>	<b>8,360</b>	<b>4,765</b>	<b>14,773</b>	<b>11,952</b>	<b>589,232</b>	<b>568,760</b>

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 2(b). Council Functions / Activities - Component Descriptions

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

#### **GOVERNANCE**

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

#### **ADMINISTRATION & MANAGEMENT**

Corporate Support, engineering and works services, operations support, fire control, emergency services.

#### **REGULATORY CONTROL**

Animal and pest control, noxious weeds control, parking control.

#### **DEVELOPMENT & ENVIRONMENTAL SERVICES**

Town planning, strategic planning, environmental protection, food control, building control.

#### **COMMUNITY SERVICES**

Community services administration, family day care, child care, youth services, aged and disabled services, community housing, other community services.

#### **CEMETERIES**

Public cemeteries.

#### **WASTE MANAGEMENT**

Domestic waste management, landfill and transfer station operation, recycling, other waste management.

#### **WATER SUPPLIES SEWERAGE SERVICES**

#### **LIBRARIES**

Public libraries

#### **CORPORATE & COMMUNITY BUILDINGS**

Public halls, community centres, museums, corporate buildings.

#### **SWIMMING POOLS**

Public swimming pools.

#### **PARKS & RESERVES**

Passive parks, sporting grounds, public conveniences.

#### **ROADS & BRIDGES**

Local rural and local urban roads, regional roads, state roads.

#### **CARPARKING, CYCLEWAYS, STREETSCAPING & FOOTPATHS**

Footpaths and cycleways, carparks, street lighting, streetscaping, bus shelters.

#### **MUDGEER AIRPORT**

Mudgeer airport operations.

#### **ECONOMIC DEVELOPMENT & TOURISM**

Caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		7,399	7,239
Farmland		4,277	4,259
Mining		1,065	762
Business		1,120	1,175
<b>Total Ordinary Rates</b>		<b>13,861</b>	<b>13,435</b>
<b>Special Rates</b>			
Hunter Valley Catchment Special Rate		11	11
<b>Total Special Rates</b>		<b>11</b>	<b>11</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		985	902
Water Supply Services		983	1,067
Sewerage Services		3,292	2,965
Waste Management Services (non-domestic)		2,089	1,951
<b>Total Annual Charges</b>		<b>7,349</b>	<b>6,885</b>
<b><u>TOTAL RATES &amp; ANNUAL CHARGES</u></b>		<b><u>21,221</u></b>	<b><u>20,331</u></b>

Council has used 2007 year valuations provided by the NSW Valuer General in calculating its rates.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Water Supply Services		3,382	2,514
Sewerage Services		352	110
<b>Total User Charges</b>		<b>3,734</b>	<b>2,624</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building Regulation		936	685
Private Works - Section 67		254	142
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,190</b>	<b>827</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Aerodrome		164	150
Aged Care		234	224
Cemeteries		194	252
Childrens Services		135	111
Leaseback Fees - Council Vehicles		50	61
RMS (formerly RTA) Charges (State Roads not controlled by Council)		3,844	3,949
Saleyards		286	308
Swimming Centres		141	131
Waste Depot		867	840
Water Connection Fees		104	92
Waste Water Services		46	58
Parks & Sports Grounds		103	45
Other		3	6
<b>Total Fees &amp; Charges - Other</b>		<b>6,171</b>	<b>6,227</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>11,095</b>	<b>9,678</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		98	89
- Interest earned on Investments (interest & coupon payment income)		1,747	1,633
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>1,845</u></b>	<b><u>1,722</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		98	89
General Council Cash & Investments		815	752
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		143	169
- Section 64		111	122
Water Fund Operations		160	152
Sewerage Fund Operations		281	347
Domestic Waste Management operations		237	62
Other Externally Restricted Assets		-	29
<b><u>Total Interest &amp; Investment Revenue Recognised</u></b>		<b><u>1,845</u></b>	<b><u>1,722</u></b>
<b>(d). Other Revenues</b>			
Rental Income - Other Council Properties		632	535
Reversal of prior period revaluation decrements (applicable to I,PP&E)	9(a)	94	-
Fines		80	88
Legal Fees Recovery - Rates & Charges (Extra Charges)		151	135
Commissions & Agency Fees		12	14
Diesel Rebate		106	108
Insurance Claim Recoveries		133	214
Recycling Income (non domestic)		506	384
Sales - General		31	33
Sales - Ironed Out		35	41
Other		77	62
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>1,857</u></b>	<b><u>1,614</u></b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	4,493	3,560	-	-
Financial Assistance - Local Roads Component	2,594	2,054	-	-
Pensioners' Rates Subsidies - General Component	204	209	-	-
<b>Total General Purpose</b>	<b>7,291</b>	<b>5,823</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Water	61	65	-	-
- Sewerage	60	61	-	-
- Domestic Waste Management	75	74	-	-
Water Supplies	-	-	690	526
Sewerage Services	-	-	1,400	-
Aged Care	1,003	989	-	-
Bushfire & Emergency Services	628	556	111	70
Childrens Services	978	867	-	-
Doctors Residence	-	-	-	9
Employment & Training Programs	26	11	-	-
Environmental Programs	119	82	-	-
Healthy Communities	280	-	-	-
Heritage & Cultural	17	19	35	-
Library	87	85	100	-
Noxious Weeds	241	293	15	-
Recreation & Culture	284	55	155	1,182
Transport (Roads to Recovery)	-	-	1,038	1,064
Transport (Other Roads & Bridges Funding)	-	-	35	-
Youth Services	10	102	-	-
Other	-	5	34	14
<b>Total Specific Purpose</b>	<b>3,869</b>	<b>3,264</b>	<b>3,613</b>	<b>2,865</b>
<b>Total Grants</b>	<b>11,160</b>	<b>9,087</b>	<b>3,613</b>	<b>2,865</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	8,791	6,489	1,152	1,873
- State Funding	2,355	2,477	2,461	978
- Other Funding	14	121	-	14
	<b>11,160</b>	<b>9,087</b>	<b>3,613</b>	<b>2,865</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 93F - Contributions using Planning Agreements	-	-	2,299	2,996
S 94 - Contributions towards amenities/services	-	-	909	386
S 94A - Fixed Development Consent Levies	-	-	18	14
S 64 - Water Supply Contributions	-	-	460	320
S 64 - Sewerage Service Contributions	-	-	300	196
<b>Total Developer Contributions</b>	<b>17</b>	<b>-</b>	<b>3,986</b>	<b>3,912</b>
<b>Other Contributions:</b>				
Bushfire Services	-	23	-	-
Environment Programs	1	18	-	-
Occupational Health & Safety	40	40	-	-
Other Councils - Joint Works/Services	9	45	-	-
Recreation & Culture	-	-	79	73
Roads & Bridges	158	83	-	-
RMS Contributions (Regional Roads, Block Grant)	4,263	4,088	480	850
Tourism	-	20	-	-
Waste Management Facilities	-	-	18	-
Other	37	66	42	35
<b>Total Other Contributions</b>	<b>4,508</b>	<b>4,383</b>	<b>619</b>	<b>958</b>
<b>Total Contributions</b>	<b>4,508</b>	<b>4,383</b>	<b>4,605</b>	<b>4,870</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>15,668</b>	<b>13,470</b>	<b>8,218</b>	<b>7,735</b>

\$ '000	Actual 2012	Actual 2011
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#### (g). Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	9,407	11,712
add: Grants & contributions recognised in the current period but not yet spent:	7,146	4,433
less: Grants & contributions recognised in a previous reporting period now spent:	(6,556)	(6,738)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>590</b>	<b>(2,305)</b>
<b>Unexpended and held as Restricted Assets</b>	<b>9,997</b>	<b>9,407</b>

##### Comprising:

- Specific Purpose Unexpended Grants	4,083	2,879
- Developer Contributions	5,804	6,308
- Other Contributions	110	220
	<b>9,997</b>	<b>9,407</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		13,675	13,970
Travelling		27	24
Employee Leave Entitlements (ELE)		3,540	2,558
Superannuation - Defined Contribution Plans		1,238	1,150
Superannuation - Defined Benefit Plans		465	582
Workers' Compensation Insurance		780	546
Fringe Benefit Tax (FBT)		68	82
Payroll Tax		94	71
Training Costs (other than Salaries & Wages)		332	277
Protective Clothing		90	95
Recruitment Costs		20	11
Other		34	39
<b>Total Employee Costs</b>		<b>20,363</b>	<b>19,405</b>
less: Capitalised Costs		(1,673)	(2,329)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>18,690</b>	<b>17,076</b>
Number of "Equivalent Full Time" Employees at year end		282	275
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		289	283
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		534	486
Charges relating to Finance Leases		-	4
<b>Total Interest Bearing Liability Costs</b>		<b>534</b>	<b>490</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>534</b>	<b>490</b>
<b>(ii) Other Borrowing Costs</b>			
Fair Value Adjustments on Recognition of Advances & Deferred Debtor			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	26	38
<b>Total Other Borrowing Costs</b>		<b>26</b>	<b>38</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>560</b>	<b>528</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		4,377	4,319
Contractor & Consultancy Costs			
- Contractor & Consultancy Costs (Spray Seal Contract)		1,266	586
- Contractor & Consultancy Costs (Tourism Contract)		324	315
- Contractor & Consultancy Costs (Other)		4,331	4,061
Auditors Remuneration <sup>(1)</sup>		54	81
Legal Expenses:			
- Legal Expenses: Planning & Development		13	12
- Legal Expenses: Other		55	66
- Legal Expenses: Debt Recovery		156	140
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>		611	658
- Operating Lease Rentals: Contingent Rentals <sup>(2)</sup>		15	30
<b>Total Materials &amp; Contracts</b>		<b>11,202</b>	<b>10,268</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>11,202</b>	<b>10,268</b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		40	45
- Other Services: Council's Auditor - Internal Audit		8	21
<b>Remuneration for audit and other assurance services</b>		<b>48</b>	<b>66</b>
<b>(ii) Other Services</b>			
- Remuneration advice		6	6
- Other Services		-	9
<b>Remuneration for other services</b>		<b>6</b>	<b>15</b>
<b>Total Auditor Remuneration</b>		<b>54</b>	<b>81</b>
<b>2. Operating Lease Payments are attributable to:</b>			
Computers		349	379
Motor Vehicles		277	309
Other		-	-
		<b>626</b>	<b>688</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		-	-	1,345	1,398
Office Equipment		-	-	25	58
Furniture & Fittings		-	-	52	51
Land Improvements (depreciable)		-	-	28	12
Land Improvements (non depreciable)		-	385	-	-
Buildings - Non Specialised		-	-	1,205	727
Buildings - Specialised		-	-	-	501
Other Structures		100	345	508	526
Infrastructure:					
- Roads, Bridges & Footpaths		389	-	8,388	8,549
- Stormwater Drainage		-	39	167	233
- Water Supply Network		-	-	1,609	1,489
- Sewerage Network		121	-	1,384	1,282
Other Assets					
- Library Books		-	-	136	91
Asset Reinstatement Costs	9 & 26	-	-	71	75
Intangible Assets	25	-	-	119	83
<b>Total Depreciation &amp; Impairment Costs</b>		<b>610</b>	<b>769</b>	<b>15,037</b>	<b>15,075</b>
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	(610)	-	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>769</b>	<b>15,037</b>	<b>15,075</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		27	92
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		-	12
- NSW Fire Brigade Levy		51	51
- NSW Rural Fire Service Levy		454	479
- Other Contributions/Levies		257	361
Councillor Expenses - Mayoral Fee		22	21
Councillor Expenses - Councillors' Fees		90	86
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		39	45
Donations, Contributions & Assistance to other organisations (Section 356)			
- Mens Shed		-	80
- University of Wollongong Medical Students Residence		-	100
- Donations, Contributions & Assistance		324	320
Electricity & Heating		842	759
Family Day Care Centre		819	737
Insurance		809	835
Property Rental		40	38
Revaluation Decrements (Fair Valuation of I,PP&E Assets)	9(a)	-	188
Street Lighting		212	182
Telephone & Communications		201	258
Recognition of Provision for Redbank Dam Repairs		200	-
<b>Total Other Expenses</b>		<b>4,387</b>	<b>4,644</b>
less: Capitalised Costs		-	-
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>4,387</u></b>	<b><u>4,644</u></b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal - Property		377	-
less: Carrying Amount of Property Assets Sold / Written Off		(387)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>(10)</b>	<b>-</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		507	839
less: Carrying Amount of P&E Assets Sold / Written Off		(453)	(591)
<b>Net Gain/(Loss) on Disposal</b>		<b>54</b>	<b>248</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(2,543)	(1,791)
<b>Net Gain/(Loss) on Disposal</b>		<b>(2,543)</b>	<b>(1,791)</b>
<b>Real Estate Assets Held For Sale</b>			
Proceeds from Disposal - Real Estate Assets		1,697	100
less: Carrying Amount of Real Estate Assets Sold / Written Off		(859)	(87)
<b>Net Gain/(Loss) on Disposal</b>		<b>838</b>	<b>13</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		29,493	32,200
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(29,500)	(32,200)
<b>Net Gain/(Loss) on Disposal</b>		<b>(7)</b>	<b>-</b>
<b>Non Current Assets Classified as "Held for Sale"</b>			
Proceeds from Disposal - Non Current Assets "Held for Sale"		-	145
less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off		-	(40)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>105</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(1,668)</b>	<b>(1,425)</b>
<b>* Financial Assets disposals / redemptions include:</b>			
- Net Gain/(Loss) from Financial Instruments designated "Held to Maturity"		(7)	-
<b>Net Gain/(Loss) on Disposal of Financial Instruments</b>		<b>(7)</b>	<b>-</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		205	-	264	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		1,244	-	1,040	-
- Short Term Deposits		34,800	-	24,050	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>36,249</b>	<b>-</b>	<b>25,354</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>					
- Long Term Deposits		-	-	1,000	-
- Equity Linked Notes		-	1,442	-	1,331
- NCD's, FRN's (with Maturities > 3 months)		-	-	-	1,000
<b>Total Investment Securities</b>		<b>-</b>	<b>1,442</b>	<b>1,000</b>	<b>2,331</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>36,249</b>	<b>1,442</b>	<b>26,354</b>	<b>2,331</b>

<sup>1</sup> Those Investments where time to maturity (from date of purchase) is < 3 mths.

#### Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:

<b>Cash &amp; Cash Equivalents</b>					
a. "At Fair Value through the Profit & Loss"		<b>36,249</b>	<b>-</b>	<b>25,354</b>	<b>-</b>
<b>Investments</b>					
a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"		-	-	-	-
- "Designated at Fair Value on Initial Recognition"		-	-	-	-
b. "Held to Maturity"	6(b-i)	-	-	-	1,000
c. "Loans & Receivables"	6(b-ii)	-	-	1,000	-
d. "Available for Sale"	6(b-iii)	-	1,442	-	1,331
<b>Investments</b>		<b>-</b>	<b>1,442</b>	<b>1,000</b>	<b>2,331</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 6b. Investments (continued)

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	-	1,000	-	1,000
Disposals (sales & redemptions)	-	(1,000)	-	-
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000</b>
<b>Comprising:</b>				
- NCD's, FRN's (with Maturities > 3 months)	-	-	-	1,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Balance at the Beginning of the Year	1,000	-	1,000	-
Additions	27,500	-	32,200	-
Disposals (sales & redemptions)	(28,500)	-	(32,200)	-
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>
<b>Comprising:</b>				
- Long Term Deposits	-	-	1,000	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Balance at the Beginning of the Year	-	1,331	-	1,268
Revaluation - transfer gain (loss) to ARR in Equity	-	111	-	63
<b>Balance at End of Year</b>	<b>-</b>	<b>1,442</b>	<b>-</b>	<b>1,331</b>
<b>Comprising:</b>				
- Equity Linked Notes	-	1,442	-	1,331
<b>Total</b>	<b>-</b>	<b>1,442</b>	<b>-</b>	<b>1,331</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investment Securities</b>	<b>36,249</b>	<b>1,442</b>	<b>26,354</b>	<b>2,331</b>
<b>attributable to:</b>				
External Restrictions (refer below)	22,800	1,442	17,141	2,331
Internal Restrictions (refer below)	6,369	-	5,475	-
Unrestricted	7,080	-	3,738	-
	<b>36,249</b>	<b>1,442</b>	<b>26,354</b>	<b>2,331</b>

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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#### Details of Restrictions

##### External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-Sewer (A)	-	2,022	-	2,022
Trust Deposits	1,064	593	(422)	1,235
<b>External Restrictions - Included in Liabilities</b>	<b>1,064</b>	<b>2,615</b>	<b>(422)</b>	<b>3,257</b>

##### External Restrictions - Other

Developer Contributions - General (D)	4,377	3,730	(4,744)	3,363
Developer Contributions - Water Fund (D)	1,658	187	-	1,845
Developer Contributions - Sewer Fund (D)	273	323	-	596
Specific Purpose Unexpended Grants (F)	3,088	1,094	-	4,182
Specific Purpose Unexpended Grants (F) - Water Fund	11	-	-	11
Water Supplies (G)	1,792	107	-	1,899
Sewerage Services (G)	5,235	1,319	-	6,554
Domestic Waste Management (G)	1,542	586	-	2,128
Bequest - Simpkins Park	88	4	-	92
Bequest - Kandos Museum	29	2	-	31
Community Services	77	-	-	77
Community Tenancy Scheme	139	18	(7)	150
Family Day Care	38	19	-	57
Section 355 Committees	61	-	(61)	-
<b>External Restrictions - Other</b>	<b>18,408</b>	<b>7,389</b>	<b>(4,812)</b>	<b>20,985</b>
<b>Total External Restrictions</b>	<b>19,472</b>	<b>10,004</b>	<b>(5,234)</b>	<b>24,242</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	1,004	2,244	(1,643)	1,605
Employees Leave Entitlement	2,015	170	-	2,185
Airport Development	(327)	265	(274)	(336)
Asset Replacement	1,505	1,113	(1,818)	800
Capital Program	1,085	900	(1,758)	227
Community Services (Rylstone)	19	-	-	19
Council Elections	93	60	-	153
Emergency Disaster	200	-	-	200
Land Development	(610)	2,220	(459)	1,151
Saleyards	91	15	(40)	66
State Roads Warranty	400	-	(101)	299
<b>Total Internal Restrictions</b>	<b>5,475</b>	<b>6,987</b>	<b>(6,093)</b>	<b>6,369</b>
<b>TOTAL RESTRICTIONS</b>	<b>24,947</b>	<b>16,991</b>	<b>(11,327)</b>	<b>30,611</b>

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		693	-	721	-
Interest & Extra Charges		156	-	139	-
User Charges & Fees		2,830	-	4,350	-
Capital Debtors (being sale of assets)					
- Other Asset Sales		-	-	160	-
Accrued Revenues					
- Interest on Investments		148	-	162	-
Government Grants & Subsidies		550	-	551	-
Net GST Receivable		576	-	37	-
Other Debtors		40	-	27	-
<b>Total</b>		<b>4,993</b>	<b>-</b>	<b>6,147</b>	<b>-</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(61)	-	(57)	-
Interest & Extra Charges		(2)	-	(3)	-
User Charges & Fees		(21)	-	(14)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(84)</b>	<b>-</b>	<b>(74)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>4,909</u></b>	<b><u>-</u></b>	<b><u>6,073</u></b>	<b><u>-</u></b>
<b>Externally Restricted Receivables</b>					
<b>Water Supply</b>					
- Specific Purpose Grants		161	-	74	-
- Rates & Availability Charges		38	-	36	-
- Other		1,231	-	1,087	-
<b>Sewerage Services</b>					
- Specific Purpose Grants		-	-	1	-
- Rates & Availability Charges		95	-	96	-
- Other		122	-	44	-
<b>Domestic Waste Management</b>		<b>112</b>	<b>-</b>	<b>154</b>	<b>-</b>
<b>Total External Restrictions</b>		<b>1,759</b>	<b>-</b>	<b>1,492</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>3,150</b>	<b>-</b>	<b>4,581</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>4,909</u></b>	<b><u>-</u></b>	<b><u>6,073</u></b>	<b><u>-</u></b>

#### Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Real Estate for resale (refer below)		1,118	-	1,824	254
Stores & Materials		805	-	836	-
Other		181	-	206	-
<b>Total Inventories</b>		<b>2,104</b>	<b>-</b>	<b>2,866</b>	<b>254</b>
<b>Other Assets</b>					
Prepayments		-	-	13	-
<b>Total Other Assets</b>		<b>-</b>	<b>-</b>	<b>13</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>2,104</b>	<b>-</b>	<b>2,879</b>	<b>254</b>
<b>Externally Restricted Assets</b>					
<b>Water</b>					
Stores & Materials		309	-	279	-
Prepayments		-	3	-	-
<b>Total Water</b>		<b>309</b>	<b>3</b>	<b>279</b>	<b>-</b>
<b>Sewerage</b>					
Stores & Materials		30	-	25	-
<b>Total Sewerage</b>		<b>30</b>	<b>-</b>	<b>25</b>	<b>-</b>
<b>Total Externally Restricted Assets</b>		<b>339</b>	<b>3</b>	<b>304</b>	<b>-</b>
<b>Total Internally Restricted Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Unrestricted Assets</b>		<b>1,765</b>	<b>(3)</b>	<b>2,575</b>	<b>254</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>2,104</b>	<b>-</b>	<b>2,879</b>	<b>254</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 8. Inventories & Other Assets (continued)

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
<b>(i) Other Disclosures</b>				
<b>(a) Details for Real Estate Development</b>				
Residential	-	-	675	254
Industrial/Commercial	1,118	-	1,149	-
<b>Total Real Estate for Resale</b>	<b>1,118</b>	<b>-</b>	<b>1,824</b>	<b>254</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Development Costs	848	-	1,341	254
Other Properties - Book Value	270	-	483	-
<b>Total Costs</b>	<b>1,118</b>	<b>-</b>	<b>1,824</b>	<b>254</b>
less: Provision for Under Recovery	-	-	-	-
<b>Total Real Estate for Resale</b>	<b>1,118</b>	<b>-</b>	<b>1,824</b>	<b>254</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	1,824	254	169	1,547
- Purchases and other costs	30	-	449	-
- Transfers in from (out to) Note 9	(131)	-	-	-
- WDV of Sales (exp) <sup>5</sup>	(859)	-	(87)	-
- Transfer between Current/Non Current	254	(254)	1,293	(1,293)
<b>Total Real Estate for Resale</b>	<b>1,118</b>	<b>-</b>	<b>1,824</b>	<b>254</b>

#### **(b) Current Assets not anticipated to be settled within the next 12 months**

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2012	2011
Real Estate for Resale	-	827
	<b>-</b>	<b>827</b>

#### **(c) Inventories recognised as an expense for the year included:**

- Real Estate for Resale	859	87
- Stores & Materials	2,129	1,907

#### **(d) Inventory Write Downs**

\$5,942 was recognised as an expense relating to the write down of Inventory balances held during the year.

Mid-Western Regional Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period											as at 30/6/2012						
	At	At	Accumulated		Carrying	Asset Additions	Reinstatement Costs for Impaired Assets	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in Equity)	WIP Transfers	Adjustments & Transfers	Tfrs from/(to) Real Estate Assets (Note 8)	Revaluation Decrements to Equity (ARR)	Reversal of prior period Revaluation Decrements to the P&L	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying		
	Cost	Fair Value	Dep'n	Impairment	Value												Cost	Fair Value	Dep'n	Impairment	Value		
Capital Work in Progress	3,466	-	-	-	3,466	9,521	-	-	-	-	(1,975)	-	-	-	-	-	11,012	-	-	-	11,012		
Plant & Equipment	-	23,376	10,664	-	12,712	2,285	-	(453)	(1,345)	-	-	391	-	-	-	-	-	23,800	10,210	-	-	13,590	
Office Equipment	-	2,722	2,672	-	50	-	-	-	(25)	-	-	-	-	-	-	-	-	-	2,722	2,697	-	-	25
Furniture & Fittings	-	528	266	-	262	55	-	-	(52)	-	-	-	-	-	-	-	-	-	582	317	-	-	265
Plant & Equipment (under Finance Lease)	-	817	426	-	391	-	-	-	-	-	-	(391)	-	-	-	-	-	-	-	-	-	-	-
<b>Land:</b>																							
- Operational Land	-	32,567	-	-	32,567	260	-	(189)	-	-	7	-	131	-	-	-	-	-	32,776	-	-	-	32,776
- Community Land	-	10,614	-	-	10,614	-	-	(13)	-	-	-	-	-	-	-	-	-	-	10,601	-	-	-	10,601
- Land under Roads (post 30/6/08)	-	171	-	-	171	1	-	-	-	-	-	-	-	-	-	1,020	-	-	1,192	-	-	-	1,192
Land Improvements - non depreciable	-	1,121	-	385	736	307	124	-	-	-	-	-	-	-	-	-	-	-	1,427	-	260	-	1,167
Land Improvements - depreciable	-	657	189	(1)	469	-	-	-	(28)	-	-	(155)	-	-	-	-	-	-	503	217	-	-	286
Buildings - Non Specialised	-	37,402	6,159	89	31,154	1,762	89	(184)	(1,205)	-	438	-	-	-	-	-	-	-	39,369	7,315	-	-	32,054
Buildings - Specialised	-	31,998	3,522	-	28,476	1,801	-	(1,399)	-	-	96	-	-	-	-	-	-	-	32,172	3,198	-	-	28,974
Other Structures	-	20,241	7,904	335	12,002	1,605	203	(8)	(508)	(100)	1,293	-	-	-	-	-	-	-	23,118	8,399	232	-	14,487
<b>Infrastructure:</b>																							
- Roads, Bridges, Footpaths	-	323,769	108,306	3,084	212,379	7,731	2,178	(1,022)	(8,388)	(389)	80	-	-	-	-	-	-	-	328,785	114,920	1,296	-	212,569
- Bulk Earthworks (non-depreciable)	-	73,458	-	-	73,458	284	-	-	-	-	-	-	-	-	-	-	-	-	73,742	-	-	-	73,742
- Stormwater Drainage	-	13,326	7,776	39	5,511	175	38	-	(167)	-	37	-	-	-	-	-	-	-	13,538	7,944	-	-	5,594
- Water Supply Network	-	105,847	42,563	-	63,284	598	-	-	(1,609)	-	-	-	-	(5,326)	-	-	-	-	94,322	37,375	-	-	56,947
- Sewerage Network	-	77,817	36,000	14	41,803	393	3	(115)	(1,384)	(121)	-	-	-	-	-	7,133	-	-	84,137	36,293	132	-	47,712
<b>Other Assets:</b>																							
- Library Books	-	2,094	1,439	-	655	68	-	-	(136)	-	-	-	-	-	-	-	-	-	2,162	1,575	-	-	587
<b>Reinstatement, Rehabilitation &amp; Restoration Assets (refer Note 26)</b>																							
- Tip Asset	-	546	381	-	165	14	-	-	(42)	-	24	155	-	-	94	-	-	-	832	422	-	-	410
- Quarry Asset	-	161	55	-	106	66	-	-	(29)	-	-	-	-	-	-	-	-	-	227	84	-	-	143
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>3,466</b>	<b>759,232</b>	<b>228,322</b>	<b>3,945</b>	<b>530,431</b>	<b>26,926</b>	<b>2,635</b>	<b>(3,383)</b>	<b>(14,918)</b>	<b>(610)</b>	<b>-</b>	<b>-</b>	<b>131</b>	<b>(5,326)</b>	<b>94</b>	<b>8,153</b>	<b>11,012</b>	<b>766,007</b>	<b>230,966</b>	<b>1,920</b>	<b>-</b>	<b>544,133</b>	

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$12,748,000) and New Assets (\$11,122,000). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

## Mid-Western Regional Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Water Supply</b>								
WIP	1,206	-	-	1,206	-	-	-	-
Land								
- Operational Land	-	2,337	-	2,337	-	2,337	-	2,337
- Community Land	-	845	-	845	-	845	-	845
Buildings	-	655	57	598	-	655	45	610
Infrastructure	-	94,322	37,375	56,947	-	105,892	42,563	63,329
<b>Total Water Supply</b>	<b>1,206</b>	<b>98,159</b>	<b>37,432</b>	<b>61,933</b>	<b>-</b>	<b>109,729</b>	<b>42,608</b>	<b>67,121</b>
<b>Sewerage Services</b>								
WIP	6,208	-	-	6,208	1,024	-	-	1,024
Land								
- Operational Land	-	969	-	969	-	969	-	969
- Community Land	-	521	-	521	-	521	-	521
Buildings	-	531	72	459	-	531	63	468
Infrastructure	-	84,137	36,425	47,712	-	76,405	44,071	32,334
<b>Total Sewerage Services</b>	<b>6,208</b>	<b>86,158</b>	<b>36,497</b>	<b>55,869</b>	<b>1,024</b>	<b>78,426</b>	<b>44,134</b>	<b>35,316</b>
<b>Domestic Waste Management</b>								
WIP	323	-	-	323	352	-	-	352
Plant & Equipment	-	1,538	783	755	-	1,548	662	886
Land								
- Operational Land'	-	2,312	-	2,312	-	2,276	-	2,276
- Community Land	-	275	-	275	-	287	-	287
- Improvements - depreciable	-	283	194	89	-	437	170	267
Buildings	-	848	70	778	-	694	63	631
Other Assets	-	4,158	1,596	2,562	-	3,740	1,428	2,312
<b>Total DWM</b>	<b>323</b>	<b>9,414</b>	<b>2,643</b>	<b>7,094</b>	<b>352</b>	<b>8,982</b>	<b>2,323</b>	<b>7,011</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>7,737</b>	<b>193,731</b>	<b>76,572</b>	<b>124,896</b>	<b>1,376</b>	<b>197,137</b>	<b>89,065</b>	<b>109,448</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(i) Impairment Losses recognised in the Income Statement include:</b>			
- Depreciable Land Improvements damaged in December 2010 floods		-	(385)
- Other Structures damaged in December 2010		-	(345)
- Stormwater/Drainage infrastructure damaged in December 2010 floods		-	(39)
<b>Total Impairment Losses</b>		<b>-</b>	<b>(769)</b>
<b>(ii) Reversals of Impairment Losses previously recognised in the Income Statement include:</b>			
- Repairs undertaken on Depreciable Land Improvements after flood event		-	1
- Repairs undertaken on Other Structures afer flood event		-	10
<b>Total Impairment Reversals</b>		<b>-</b>	<b>11</b>
<b><u>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</u></b>	4(d)	<b>-</b>	<b>(758)</b>
<b>(iii) Impairment Losses recognised direct to Equity (ARR) include:</b>			
- Flood damage to netball courts at Glen Willow		(100)	-
- Roads damaged during March 2012 flooding		(389)	-
- Sewer infrastructure damaged in lightning strike		(121)	-
<b>Total Impairment Losses</b>		<b>(610)</b>	<b>-</b>
<b><u>IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)</u></b>	20 (ii)	<b>(610)</b>	<b>-</b>

Refer to Note 9(a) for Impairment Restoration Works totalling \$2.6M undertaken this year relating to current year or prior year Impairments.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		1,902	-	2,301	-
Goods & Services - capital expenditure		2,646	-	1,187	-
Payments Received In Advance		512	-	440	-
Accrued Expenses:					
- Borrowings		107	-	82	-
- Salaries & Wages		416	-	29	-
Security Bonds, Deposits & Retentions		1,235	-	1,064	-
Other		45	-	41	-
<b>Total Payables</b>		<b>6,863</b>	<b>-</b>	<b>5,144</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		1,052	13,170	466	6,732
Finance Lease Liabilities		-	-	84	-
<b>Total Borrowings</b>		<b>1,052</b>	<b>13,170</b>	<b>550</b>	<b>6,732</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		1,206	-	1,116	-
Sick Leave		1,317	-	1,135	-
Long Service Leave		2,866	189	2,345	162
<b>Sub Total - Aggregate Employee Benefits</b>		<b>5,389</b>	<b>189</b>	<b>4,596</b>	<b>162</b>
Asset Remediation/Restoration (Future Works) <sup>26</sup>		113	900	-	908
Other (Stabilisation Works Redbank Dam)		200	-	-	-
<b>Total Provisions</b>		<b>5,702</b>	<b>1,089</b>	<b>4,596</b>	<b>1,070</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>13,617</b>	<b>14,259</b>	<b>10,290</b>	<b>7,802</b>

#### (i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Water	906	4,204	588	4,529
Sewer	1,352	5,581	590	601
Domestic Waste Management	196	1,264	101	1,276
Trust Deposits	1,235	-	1,064	-
<b>Liabilities relating to externally restricted assets</b>	<b>3,689</b>	<b>11,049</b>	<b>2,343</b>	<b>6,406</b>
<b>Internally Restricted Assets</b>				
Employee Leave Entitlements	2,185	-	2,015	-
<b>Liabilities relating to internally restricted assets</b>	<b>2,185</b>	<b>-</b>	<b>2,015</b>	<b>-</b>
<b>Total Liabilities relating to restricted assets</b>	<b>5,874</b>	<b>11,049</b>	<b>4,358</b>	<b>6,406</b>

<sup>1</sup> Loans are secured over the General Rating Income of Council

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	2012	2011
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	4,177	3,438
	<b>4,177</b>	<b>3,438</b>

#### Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/12
Annual Leave	1,116	1,161	(1,073)	2	-	1,206
Sick Leave	1,135	112	(93)	163	-	1,317
Long Service Leave	2,507	551	(387)	384	-	3,055
Asset Remediation	908	133	(13)	-	(15)	1,013
Other	-	200	-	-	-	200
<b>TOTAL</b>	<b>5,666</b>	<b>2,157</b>	<b>(1,566)</b>	<b>549</b>	<b>(15)</b>	<b>6,791</b>

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

c. Other Provisions represent Council's current estimate of its contribution to safety works at Redbank Dam.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	36,249	25,354
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>36,249</b>	<b>25,354</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>8,360</b>	<b>4,765</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		15,037	15,075
Net Losses/(Gains) on Disposal of Assets		1,668	1,425
Non Cash Capital Grants and Contributions		(51)	100
Impairment Losses Recognition - I,PP&E		-	769
Reversal of prior period I,PP&E revaluation decrements costed DIRECT to the P&L		(94)	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Write Offs relating to the Fair Valuation of I,PP&E		-	188
Unwinding of Discount Rates on Reinstatement Provisions		(169)	38
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		994	(1,501)
Increase/(Decrease) in Provision for Doubtful Debts		10	(50)
Decrease/(Increase) in Inventories		56	52
Decrease/(Increase) in Other Assets		13	(13)
Increase/(Decrease) in Payables		(399)	729
Increase/(Decrease) in accrued Interest Payable		25	(16)
Increase/(Decrease) in other accrued Expenses Payable		387	29
Increase/(Decrease) in Other Liabilities		247	508
Increase/(Decrease) in Employee Leave Entitlements		820	(301)
Increase/(Decrease) in Other Provisions		474	-
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>27,378</b>	<b>21,797</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Other Non Cash Items		51	-
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>51</b>	<b>-</b>
<b>(d) 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>		700	700
Credit Cards / Purchase Cards		200	200
Standby Credit Facilities		310	310
Operating Lease Facility		600	600
<b>Total Financing Arrangements</b>		<b>1,810</b>	<b>1,810</b>
<b>Amounts utilised as at Balance Date:</b>			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		162	140
- Standby Credit Facilities		-	-
- Operating Lease Facility		271	369
<b>Total Financing Arrangements Utilised</b>		<b>433</b>	<b>509</b>

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

#### **(ii) Secured Loan Liabilities**

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
<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 &amp; Equipment</b>			
Buildings		2,956	476
Plant & Equipment		-	60
Other Structures		22	14
Roads & Transport		703	386
Water Supply Network		200	206
Sewerage Network		10,426	191
Other Assets		40	440
Recreational Facilities		-	1,403
Waste Management		52	240
Drainage		68	-
<b>Total Commitments</b>		<b>14,467</b>	<b>3,416</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		14,467	3,416
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
<b>Total Payable</b>		<b>14,467</b>	<b>3,416</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		300	205
Future Grants & Contributions		2,920	114
Sect 64 & 94 Funds/Reserves		1,134	58
Unexpended Grants		311	456
Externally Restricted Reserves		370	570
Internally Restricted Reserves		157	2,013
Unexpended Loans		2,022	-
New Loans (to be raised)		7,253	-
<b>Total Sources of Funding</b>		<b>14,467</b>	<b>3,416</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(b) Finance Lease Commitments</b>			
<b>(i) Commitments under Finance Leases at the Reporting Date are payable as follows:</b>			
Within the next year		-	85
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
<b>Total Minimum Lease Payments</b>		<b>-</b>	<b>85</b>
less: Future Finance Charges		-	(1)
<b>Amount Recognised as a Liability</b>		<b>-</b>	<b>84</b>
<b>(ii) Finance Lease Liability Recognised represent;</b>			
Current Liabilities		-	84
Non-Current Liabilities		-	-
<b>Total Finance Lease Liabilities Disclosed</b>		<b>-</b>	<b>84</b>
<b>(iii) General Details</b>			
Council Leases the following Property, Plant & Equipment under Finance Leases:			
	Term (Years)	Option to Purchase	Contingent Rent Clauses
Heavy Plant - Carrying Value	3-8	Y	Y
Other Equipment/Assets	5	Y	Y
<b>Total Carrying Value at Year End</b>			<b>84</b>
<b>(c) 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		324	498
Later than one year and not later than 5 years		332	410
Later than 5 years		-	-
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>656</b>	<b>908</b>
<b>b. Non Cancellable Operating Leases include the following assets:</b>			
Motor Vehicles, Computers & Other Office Equipment			
Contingent Rentals may be payable depending on the condition of items or usage during the lease term.			
<b>Conditions relating to Operating Leases:</b>			
- All Operating Lease Agreements are secured only against the Leased Asset.			
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.			

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011      2010	
<b>Local Government Industry Indicators</b>				
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<u>18,364</u>	<b>3.19 : 1</b>	3.45	3.07
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<u>5,751</u>			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<u>1,172</u>	<b>2.71%</b>	2.56%	2.65%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>43,309</u>			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<u>21,221</u>	<b>35.43%</b>	37.27%	36.39%
Income from Continuing Operations	<u>59,904</u>			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<u>786</u>	<b>3.53%</b>	3.73%	4.43%
Rates, Annual & Extra Charges Collectible	<u>22,270</u>			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup>	<u>12,748</u>	<b>96.12%</b>	84.48%	84.89%
Depreciation, Amortisation & Impairment	<u>13,263</u>			

#### Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

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

# Mid-Western Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 13a(ii). Statement of Performance Measurement - Graphs (Consolidated)

<p><b>1. Unrestricted Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>3.38</td> </tr> <tr> <td>2010</td> <td>3.07</td> </tr> <tr> <td>2011</td> <td>3.45</td> </tr> <tr> <td>2012</td> <td>3.19</td> </tr> </tbody> </table>	Year	Ratio : 1	2009	3.38	2010	3.07	2011	3.45	2012	3.19	<p><b>Purpose of Unrestricted Current Ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 3.19 : 1</b></p> <p>Council's unrestricted current ratio remains relatively stable from year to year. The decrease is in line with expectations, given Council's capital expenditure and borrowings programs.</p>
Year	Ratio : 1											
2009	3.38											
2010	3.07											
2011	3.45											
2012	3.19											
<p><b>2. Debt Service Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>2.52%</td> </tr> <tr> <td>2010</td> <td>2.65%</td> </tr> <tr> <td>2011</td> <td>2.56%</td> </tr> <tr> <td>2012</td> <td>2.71%</td> </tr> </tbody> </table>	Year	Ratio %	2009	2.52%	2010	2.65%	2011	2.56%	2012	2.71%	<p><b>Purpose of Debt Service Ratio</b></p> <p>To assess the impact of loan principal &amp; interest repayments on the discretionary revenue of council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 2.71%</b></p> <p>In accordance with adopted budgets, Council undertook further borrowings during 2011/12.</p>
Year	Ratio %											
2009	2.52%											
2010	2.65%											
2011	2.56%											
2012	2.71%											
<p><b>3. Rates &amp; Annual Charges Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>35.40%</td> </tr> <tr> <td>2010</td> <td>36.39%</td> </tr> <tr> <td>2011</td> <td>37.27%</td> </tr> <tr> <td>2012</td> <td>35.43%</td> </tr> </tbody> </table>	Year	Ratio %	2009	35.40%	2010	36.39%	2011	37.27%	2012	35.43%	<p><b>Purpose of Rates &amp; Annual Charges Coverage Ratio</b></p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 35.43%</b></p> <p>Council's Rates and Annual Charges Coverage Ratio remains relatively stable from year to year.</p>
Year	Ratio %											
2009	35.40%											
2010	36.39%											
2011	37.27%											
2012	35.43%											
<p><b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>4.35%</td> </tr> <tr> <td>2010</td> <td>4.43%</td> </tr> <tr> <td>2011</td> <td>3.73%</td> </tr> <tr> <td>2012</td> <td>3.53%</td> </tr> </tbody> </table>	Year	Ratio %	2009	4.35%	2010	4.43%	2011	3.73%	2012	3.53%	<p><b>Purpose of Rates &amp; Annual Charges Outstanding Ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 3.53%</b></p> <p>Council continues to pursue strong controls around collection of rates and annual charges, ensuring the Rates Outstanding Ratio remains relatively stable from year to year.</p>
Year	Ratio %											
2009	4.35%											
2010	4.43%											
2011	3.73%											
2012	3.53%											
<p><b>5. Building &amp; Infrastructure Renewals Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>106.00%</td> </tr> <tr> <td>2010</td> <td>84.89%</td> </tr> <tr> <td>2011</td> <td>84.48%</td> </tr> <tr> <td>2012</td> <td>96.12%</td> </tr> </tbody> </table>	Year	Ratio %	2009	106.00%	2010	84.89%	2011	84.48%	2012	96.12%	<p><b>Purpose of Asset Renewals Ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on Result</b></p> <p><b>2011/12 Ratio 96.12%</b></p> <p>2011/12 results are consistent with prior years, reflecting Council's ongoing commitment to an asset renewal capital works program.</p>
Year	Ratio %											
2009	106.00%											
2010	84.89%											
2011	84.48%											
2012	96.12%											

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Water 2012	Sewer 2012	General <sup>1</sup> 2012
<b>Local Government Industry Indicators</b>			
<b>1. Unrestricted Current Ratio</b>			
<u>Current Assets less all External Restrictions<sup>(1)</sup></u>	<b>4.02 : 1</b>	<b>5.03 : 1</b>	<b>3.13 : 1</b>
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>			
prior period:	5.56 : 1	9.15 : 1	3.45 : 1
<b>2. Debt Service Ratio</b>			
<u>Debt Service Cost</u>	<b>12.16%</b>	<b>2.79%</b>	<b>1.29%</b>
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:	14.81%	3.00%	0.90%
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>			
<u>Rates &amp; Annual Charges</u>	<b>15.88%</b>	<b>55.02%</b>	<b>35.50%</b>
Income from Continuing Operations			
prior period:	22.49%	78.53%	35.45%
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
<u>Rates, Annual &amp; Extra Charges Outstanding</u>	<b>4.60%</b>	<b>2.82%</b>	<b>3.60%</b>
Rates, Annual & Extra Charges Collectible			
prior period:	3.70%	2.98%	3.86%
<b>5. Building &amp; Infrastructure Renewals Ratio</b>			
<u>Asset Renewals (Building &amp; Infrastructure assets)</u>	<b>27.35%</b>	<b>275.88%</b>	<b>80.36%</b>
Depreciation, Amortisation & Impairment			
prior period:	107.05%	302.70%	52.89%

#### Notes

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

#### Note 14. Investment Properties

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 15. 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 & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
<b>Financial Assets</b>				
Cash and Cash Equivalents	36,249	25,354	36,253	25,354
Investments				
- "Held to Maturity"	-	1,000	-	896
- "Loans & Receivables"	-	1,000	-	1,000
- "Available for Sale"	1,442	1,331	1,442	1,331
Receivables	4,909	6,073	4,909	6,091
<b>Total Financial Assets</b>	<b>42,600</b>	<b>34,758</b>	<b>42,604</b>	<b>34,672</b>
<b>Financial Liabilities</b>				
Payables	6,351	4,704	6,351	4,704
Loans / Advances	14,222	7,198	14,013	6,684
Lease Liabilities	-	84	-	82
<b>Total Financial Liabilities</b>	<b>20,573</b>	<b>11,986</b>	<b>20,364</b>	<b>11,470</b>

Fair Value is determined as follows:

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (a) Fair Value Measurements

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

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

2012	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Investments				
- "Available for Sale"	-	1,442	-	1,442
<b>Total Financial Assets</b>	<b>-</b>	<b>1,442</b>	<b>-</b>	<b>1,442</b>
<b>Financial Liabilities</b>				
- Other (payables)	-	6,351	-	6,351
- Other (loans/advances)	-	14,013	-	14,013
<b>Total Financial Liabilities</b>	<b>-</b>	<b>20,364</b>	<b>-</b>	<b>20,364</b>
2011	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Investments				
- "Available for Sale"	-	1,331	-	1,331
- "Held to Maturity"	-	896	-	896
<b>Total Financial Assets</b>	<b>-</b>	<b>2,227</b>	<b>-</b>	<b>2,227</b>
<b>Financial Liabilities</b>				
- Payables	-	4,704	-	4,704
- Loans / Advances	-	6,684	-	6,684
- Lease Liabilities	-	82	-	82
<b>Total Financial Liabilities</b>	<b>-</b>	<b>11,470</b>	<b>-</b>	<b>11,470</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio.

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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

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

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

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>2012</b>				
Possible impact of a 10% movement in Market Values	-	144	-	(144)
Possible impact of a 1% movement in Interest Rates	363	363	(363)	(363)
<b>2011</b>				
Possible impact of a 10% movement in Market Values	-	133	-	(133)
Possible impact of a 1% movement in Interest Rates	274	274	(274)	(274)

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Receivables

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

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

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

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

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

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

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

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

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

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	-	4,004	-	4,912
Past due by up to 30 days	-	180	-	211
Past due between 31 and 180 days	310	41	336	53
Past due between 181 and 365 days	211	17	224	41
Past due by more than 1 year	172	58	161	209
	<b>693</b>	<b>4,300</b>	<b>721</b>	<b>5,426</b>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2012	2011
Balance at the beginning of the year			74	124
+ new provisions recognised during the year			40	105
- amounts already provided for & written off this year			(22)	(148)
- amounts provided for but recovered during the year			(8)	(7)
<b>Balance at the end of the year</b>			<b>84</b>	<b>74</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2012</b>									
Trade/Other Payables	1,235	5,116	-	-	-	-	-	6,351	6,351
Loans & Advances	-	1,681	1,681	1,681	1,681	1,681	12,111	20,516	14,222
<b>Total Financial Liabilities</b>	<b>1,235</b>	<b>6,797</b>	<b>1,681</b>	<b>1,681</b>	<b>1,681</b>	<b>1,681</b>	<b>12,111</b>	<b>26,867</b>	<b>20,573</b>
<b>2011</b>									
Trade/Other Payables	1,064	3,640	-	-	-	-	-	4,704	4,704
Loans & Advances	-	941	941	941	941	941	5,671	10,376	7,198
Lease Liabilities	-	85	-	-	-	-	-	85	84
<b>Total Financial Liabilities</b>	<b>1,064</b>	<b>4,666</b>	<b>941</b>	<b>941</b>	<b>941</b>	<b>941</b>	<b>5,671</b>	<b>15,165</b>	<b>11,986</b>

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

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	6,351	0.0%	4,704	0.0%
Loans & Advances - Fixed Interest Rate	14,222	6.7%	7,198	6.7%
Lease Liabilities	-		84	7.2%
	<b>20,573</b>		<b>11,986</b>	

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 15 June 2011.

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

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

#### Note that for Variations\* of Budget to Actual :

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

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

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>21,008</b>	<b>21,221</b>	<b>213</b>	1%	<b>F</b>
<b>User Charges &amp; Fees</b>	<b>9,582</b>	<b>11,095</b>	<b>1,513</b>	16%	<b>F</b>
Council received an additional \$953,000 income compared to Original Budget for State Roads contract works undertaken on behalf of the RMS. Revenue from water usage charges was \$457,000 less than provided for in the Original Budget as a result of floods and prolonged wet weather. Council also received additional revenue in the areas of planning & development fees (\$334,000); private works (\$254,000); and waste depot fees (\$294,000). This is reflective of the increased development occurring across the region.					
<b>Interest &amp; Investment Revenue</b>	<b>1,070</b>	<b>1,845</b>	<b>775</b>	72%	<b>F</b>
During 2012, Council received higher than anticipated levels of developer contributions, resulting in an additional \$141,000 of interest being earned on this restricted cash balance. Delays in the timing of major sewer augmentation works has resulted in an additional \$81,000 of interest earned on restricted Sewer Fund cash. Waste Fund had consistently higher cash levels than projected in the Original Budget, resulting in a positive variance of \$175,000. Delays in the timing of Council's capital works program compared to Original Budget resulted in Council having higher balances of cash across most of the financial year. Therefore, Council has generated an additional \$350,000 in interest and investment revenue.					
<b>Other Revenues</b>	<b>1,403</b>	<b>1,857</b>	<b>454</b>	32%	<b>F</b>
Council received additional income from property rental (\$44,000); recycling income due to an increased volume of materials (\$86,000); legal fees recovery (\$20,000); and insurance claims recovery (\$113,000). In 2012, Council has also recognised a reversal of prior period decrements in relation to its waste and gravel remediation assets of \$94,000.					

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 Variance*		
<b>EXPENSES</b>					
<b>Operating Grants &amp; Contributions</b>	<b>11,809</b>	<b>15,668</b>	<b>3,859</b>	33%	<b>F</b>
<p>The main contributing factor to the favourable result in Operating Grants &amp; Contributions is natural disaster grant funding received by Council as a result of the December 2010 floods (\$2,097,000). The timing of Financial Assistance Grants (first two instalments for 2013 were paid in 2012, less the first instalment for 2012 paid in 2011) resulted in a favourable budget variation of \$1,546,000. Council also received additional grant income in the areas of aged and disabled services (\$348,000); and childrens services (\$327,000). This was largely offset by delays in the timing of natural disaster grant funding in relation to sport and recreation infrastructure (\$665,000).</p>					
<b>Capital Grants &amp; Contributions</b>	<b>5,607</b>	<b>8,218</b>	<b>2,611</b>	47%	<b>F</b>
<p>During 2012, Council received grant funds of \$1,400,000 in relation to the Mudgee Sewer Augmentation. This grant income was not budgeted to be received until the 2014 financial year. Income from Developer Contributions was up by \$755,000. Council was also successful in obtaining a number of capital grants in relation to the library upgrade (\$135,000); skate parks, sporting facilities, and parks &amp; gardens (\$155,000); and bushfire and emergency services (\$111,000).</p>					
<b>Net Gains from Disposal of Assets</b>	<b>862</b>	<b>-</b>	<b>(862)</b>	(100%)	<b>U</b>
<p>Council exceeded Original Budget expectations in relation to the disposal of Real Estate and Property by \$100,000. This has been offset though by the scrapping of infrastructure replaced during the course of 2012 (\$2,543,000).</p>					
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>18,258</b>	<b>18,690</b>	<b>(432)</b>	(2%)	<b>U</b>
<b>Borrowing Costs</b>	<b>1,192</b>	<b>560</b>	<b>632</b>	53%	<b>F</b>
<p>Council achieved a significantly favourable result due to delays in the timing of proposed borrowings, associated with the timing of physical works. The major projects involved were the Mudgee Sewer Augmentation Scheme and MWRC Swimming Pools Renewal works. During the course of 2012, Council also elected to fund the Kandos Waratah Park grandstand from funding sources other than loans, as was originally included in the Budget.</p>					
<b>Materials &amp; Contracts</b>	<b>10,839</b>	<b>11,202</b>	<b>(363)</b>	(3%)	<b>U</b>
<b>Depreciation &amp; Amortisation</b>	<b>15,779</b>	<b>15,037</b>	<b>742</b>	5%	<b>F</b>
<b>Other Expenses</b>	<b>3,882</b>	<b>4,387</b>	<b>(505)</b>	(13%)	<b>U</b>
<p>Council made Childcare Benefit payments to Family Day Carers' in excess of the Original Budget (\$303,000) as a result of increased service utilisation. This was offset by additional grant income. Council has also recognised a provision for \$200,000 for safety works at Redbank Dam. This amount was not provided for in the Original Budget.</p>					
<b>Net Losses from Disposal of Assets</b>	<b>-</b>	<b>1,668</b>	<b>(1,668)</b>	0%	<b>U</b>
<p>Council exceeded Original Budget expectations in relation to the disposal of Real Estate and Property by \$100,000. This has been offset though by the scrapping of infrastructure replaced during the course of 2012 (\$2,543,000).</p>					

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 17. Statement of Developer Contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	49	246	-	2	(220)	-	77	2,237	(727)	1,587	-
Community Facilities	1,406	113	-	57	(1,057)	-	519	426	(1,662)	(717)	-
Transport Management	808	120	-	33	(241)	-	720	540	(1,901)	(641)	-
Civic Improvements	(67)	61	-	(3)	-	-	(9)	-	(4,100)	(4,109)	-
Car Parking	435	340	-	18	(562)	-	231	-	(473)	(242)	-
Administration	106	29	-	4	(7)	-	132	373	(505)	-	-
<b>S94 Contributions - under a Plan</b>	<b>2,737</b>	<b>909</b>	<b>-</b>	<b>111</b>	<b>(2,087)</b>	<b>-</b>	<b>1,670</b>	<b>3,576</b>	<b>(9,368)</b>	<b>(4,122)</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>263</b>	<b>18</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>292</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>3,000</b>	<b>927</b>	<b>-</b>	<b>122</b>	<b>(2,087)</b>	<b>-</b>	<b>1,962</b>				<b>-</b>
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	1,377	2,299	-	21	(2,297)	-	1,400				
S64 Contributions	1,931	760	-	111	(360)	-	2,442				
<b>Total Contributions</b>	<b>6,308</b>	<b>3,986</b>	<b>-</b>	<b>254</b>	<b>(4,744)</b>	<b>-</b>	<b>5,804</b>	<b>3,576</b>	<b>(9,368)</b>	<b>(4,122)</b>	<b>-</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	49	246	-	2	(220)	-	77	2,237	(727)	1,587	-
Community Facilities	1,406	113	-	57	(1,057)	-	519	426	(1,662)	(717)	-
Transport Management	808	120	-	33	(241)	-	720	540	(1,901)	(641)	-
Civic Improvements	(67)	61	-	(3)	-	-	(9)	-	(4,100)	(4,109)	-
Car Parking	435	340	-	18	(562)	-	231	-	(473)	(242)	-
Administration	106	29	-	4	(7)	-	132	373	(505)	-	-
<b>Total</b>	<b>2,737</b>	<b>909</b>	<b>-</b>	<b>111</b>	<b>(2,087)</b>	<b>-</b>	<b>1,670</b>	<b>3,576</b>	<b>(9,368)</b>	<b>(4,122)</b>	<b>-</b>

#### S94A LEVIES - UNDER A PLAN

##### CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Transport Management	263	18	-	11	-	-	292	-	-	-	-
<b>Total</b>	<b>263</b>	<b>18</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>292</b>				<b>-</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

### LIABILITIES NOT RECOGNISED:

#### 1. Guarantees

##### (i) Defined Benefit Superannuation Contribution Plans

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

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

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

The Local Government Superannuation Scheme has estimated that at 30 June 2012 a deficit of the fund still exists. Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The share of the deficit that can be broadly attributed to Council is estimated to be \$1,407,889 as at 30 June 2012.

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

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other Guarantees

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

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

##### 2. Other Liabilities

###### (i) Third Party Claims

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

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

###### (ii) S94 Plans

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

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

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

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

###### (iii) Section 93F Contributions

In March 2011 Council entered into a Voluntary Planning Agreement (VPA) with Ulan Coal Mines Limited for the Ulan Continued Operations Project.

###### (iii) Section 93F Contributions

The Approval granted to Ulan Coal Mines to which the VPA relates is the subject of Class 1 - Merit Review proceedings in the NSW Land and Environment court. These proceedings are referred to as Hunter Environment Lobby Inc v NSW Minister for Planning and Ulan Coal Mines Ltd - Land and Environment Court proceedings No. 10998. of 2010.

If the Land and Environment Court upholds the appeal in the proceedings and which results in an Order by the Court that the Project Application is refused, Council will be required to repay all contributions made by Ulan Coal Mines Limited under the VPA.

As at 30 June 2012, Council had received VPA contributions of \$3,525,000 from Ulan Coal Mines Limited.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

##### ASSETS NOT RECOGNISED:

###### (i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

###### (ii) Infringement Notices/Fines

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

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

##### ASSETS NOT RECOGNISED:

###### (iii) Bank Guarantees

Council holds a number of bank guarantees to the value of \$603,427. Some of these guarantees are provided by various developers across the Mid-Western Region to secure performance of conditions of consent in relation to approved Developer Applications.

The guarantees will be returned once the associated conditions of consent have been satisfied.

Other guarantees relate to work performed for Council by contractors, such as construction works. The guarantees will be returned once the conditions of the contract have been satisfied.

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

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		284,741	283,775
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (prior period effects)	20 (d)	9,467	5,668
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		8,360	4,765
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		2,907	-
<b>Balance at End of the Reporting Period</b>		<b>305,475</b>	<b>294,208</b>
<b>b. Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		255,939	256,629
- "Available for Sale" Financial Investments Revaluation Reserve		(58)	(169)
<b>Total</b>		<b>255,881</b>	<b>256,460</b>
<b>(ii). Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		256,629	255,398
- Revaluations for the year	9(a)	2,827	6,503
- Impairment of revalued assets (incl. impairment reversals)	9(a),(c)	(610)	(5,272)
- Transfer to Retained Earnings for Asset disposals		(2,907)	-
<b>- Balance at End of Year</b>		<b>255,939</b>	<b>256,629</b>
<b>"Available for Sale" Financial Investments Revaluation Reserve</b>			
- Opening Balance		(169)	(232)
- Unrealised Gain (Loss) in value for the year		111	63
<b>- Balance at End of Year</b>		<b>(58)</b>	<b>(169)</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>255,881</b>	<b>256,460</b>
<b>(iii). Nature &amp; Purpose of Reserves</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			
<b>"Available for Sale" Financial Investments Revaluation Reserve</b>			
- The "Available for Sale" Financial Investments Revaluation Reserve is used to account for the Fair Value movements in all financial assets so classified that remain on hand at year end.			

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>c. Correction of Error/s relating to a Previous Reporting Period</b>			
Council made no correction of errors during the current reporting period.			
<b>d. Voluntary Changes in Accounting Policies</b>			
Council previously recognised a zero dollar residual value on sewer reticulation mains. As a result of technological advancements, Council has successfully renewed sewer pipes at the end of their useful life by utilising sewer reticulation main relining technologies. Council now recognises a residual value of 40%.		9,467	-
<b>Voluntary changes in accounting policies during the 10/11 year end:</b>			
Council previously recognised Community Land at an average municipal site value. At 30 June 2011, Council changed its policy in relation to the valuation methodology used from average municipal site value to individual Valuer General valuations for those parcels of land.			
The impact of this change has resulted in a reduced carrying value from \$14,413,000 (2010) to \$10,614,000 (2011). The difference of \$3,799,000 was charged against the opening balance of retained earnings.			(3,799)
<b>These amounted to the following Equity Adjustments:</b>			
- Adjustments to Opening Equity - 1/7/10 (relating to adjustments for the 30/6/10 reporting year end and prior periods)		9,467	(3,799)
- Adjustments to Closing Equity - 30/6/11 (relating to adjustments for the 30/6/11 year end)		-	-
<b>Total Prior Period Adjustments - Accounting Policy Changes</b>		<b>9,467</b>	<b>(3,799)</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012	Actual 2012
<b>Continuing Operations</b>	<b>Waste</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from Continuing Operations</b>				
Rates & Annual Charges	3,071	978	3,286	13,886
User Charges & Fees	802	3,659	370	6,264
Interest & Investment Revenue	248	272	316	1,009
Other Revenues	255	3	47	3,500
Grants & Contributions provided for Operating Purposes	338	61	60	15,209
Grants & Contributions provided for Capital Purposes	55	1,187	1,893	5,083
<b>Other Income</b>				
Net Gains from Disposal of Assets	-	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-	-
<b>Total Income from Continuing Operations</b>	<b>4,769</b>	<b>6,160</b>	<b>5,972</b>	<b>44,951</b>
<b>Expenses from Continuing Operations</b>				
Employee Benefits & on-costs	1,969	985	819	14,917
Borrowing Costs	63	305	53	139
Materials & Contracts	1,593	986	500	8,123
Depreciation & Amortisation	271	1,621	1,394	11,751
Impairment	-	-	-	-
Other Expenses	40	1,561	1,015	3,719
Net Losses from the Disposal of Assets	32	-	115	1,521
<b>Total Expenses from Continuing Operations</b>	<b>3,968</b>	<b>5,458</b>	<b>3,896</b>	<b>40,170</b>
<b>Operating Result from Continuing Operations</b>	<b>801</b>	<b>702</b>	<b>2,076</b>	<b>4,781</b>
<b>Discontinued Operations</b>				
Net Profit/(Loss) from Discontinued Operations	-	-	-	-
<b>Net Operating Result for the Year</b>	<b>801</b>	<b>702</b>	<b>2,076</b>	<b>4,781</b>
<b>Net Operating Result attributable to each Council Fund</b>	801	702	2,076	4,781
<b>Net Operating Result attributable to Minority Interests</b>	-	-	-	-
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	746	(485)	183	(302)

<sup>1</sup> General Fund refers to all Council's activities other than Water, Sewer & Waste

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

## Mid-Western Regional Council

### Notes to the Financial Statements

as at 30 June 2012

### Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012	Actual 2012
<b>ASSETS</b>	<b>Waste</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>				
Cash & Cash Equivalents	2,128	3,755	9,172	21,194
Investments	-	-	-	-
Receivables	112	1,430	217	3,150
Inventories	-	309	30	1,765
Other	-	-	-	-
Non-current assets classified as 'held for sale'	-	-	-	-
<b>Total Current Assets</b>	<b>2,240</b>	<b>5,494</b>	<b>9,419</b>	<b>26,109</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	1,442
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, Property, Plant & Equipment	7,094	61,933	55,869	419,237
Investments Accounted for using the equity method	-	-	-	-
Investment Property	-	-	-	-
Intangible Assets	-	3	-	392
<b>Total Non-Current Assets</b>	<b>7,094</b>	<b>61,936</b>	<b>55,869</b>	<b>421,071</b>
<b>TOTAL ASSETS</b>	<b>9,334</b>	<b>67,430</b>	<b>65,288</b>	<b>447,180</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	87	380	925	5,471
Borrowings	73	326	427	226
Provisions	36	200	-	5,466
<b>Total Current Liabilities</b>	<b>196</b>	<b>906</b>	<b>1,352</b>	<b>11,163</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Borrowings	549	4,204	5,581	2,836
Provisions	715	-	-	374
<b>Total Non-Current Liabilities</b>	<b>1,264</b>	<b>4,204</b>	<b>5,581</b>	<b>3,210</b>
<b>TOTAL LIABILITIES</b>	<b>1,460</b>	<b>5,110</b>	<b>6,933</b>	<b>14,373</b>
<b>Net Assets</b>	<b>7,874</b>	<b>62,320</b>	<b>58,355</b>	<b>432,807</b>
<b>EQUITY</b>				
Retained Earnings	5,238	46,548	36,679	217,010
Revaluation Reserves	2,636	15,772	21,676	215,797
<b>Total Equity</b>	<b>7,874</b>	<b>62,320</b>	<b>58,355</b>	<b>432,807</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water, Sewer & Waste

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

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\$ '000

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

#### Note 23. Events occurring after Balance Sheet Date

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Events that occur after the reporting date of 30 June 2012, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 07/09/12.

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

##### **(i) Events that have provided evidence of conditions that existed at the Reporting Date**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

##### **(ii) Events that have provided evidence of conditions that arose after the Reporting Date**

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

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

#### Note 24. Discontinued Operations

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 25. Intangible Assets

\$ '000

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

	Actual 2012 Carrying Amount	Actual 2011 Carrying Amount
<b>Intangible Assets are as follows;</b>		
<b>Opening Values:</b>		
Gross Book Value (1/7/11)	618	418
Accumulated Amortisation (1/7/11)	(180)	(97)
Accumulated Impairment (1/7/11)	-	-
<b>Net Book Value - Opening Balance</b>	<b>438</b>	<b>321</b>
<b>Movements for the year</b>		
- Purchases	76	200
- Amortisation charges	(119)	(83)
<b>Closing Values:</b>		
Gross Book Value (30/6/12)	694	618
Accumulated Amortisation (30/6/12)	(299)	(180)
Accumulated Impairment (30/6/12)	-	-
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>395</u></b>	<b><u>438</u></b>

<sup>1</sup> The Net Book Value of Intangible Assets represent:

- Software	376	419
- Option to purchase land	19	19
	<b><u>395</u></b>	<b><u>438</u></b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2012	2011
Waste Transfer Stations & Tips - Region Wide	2013 - 2050	1,013	908
<b>Balance at End of the Reporting Period</b>	10(a)	<b>1,013</b>	<b>908</b>

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

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

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

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

- the actual future costs (compared to the estimated used),
- the timing of the actual expenditure; and
- the applicable discount rate utilised.

#### Reconciliation of movement in Provision for year:

Balance at beginning of year	908	849
Amounts capitalised to new or existing assets:		
- Waste Transfer Stations	115	-
- Gravel Pits	13	-
Effect of a change in discount rates used in PV calculations	133	21
Effect of a change in other calculation estimates used	(169)	-
Amortisation of discount (expensed to borrowing costs)	26	38
Expenditure incurred attributable to Provisions	(13)	-
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>1,013</b>	<b>908</b>

#### Amount of Expected Reimbursements

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 27. Council Information & Contact Details

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**Principal Place of Business:**

86 Market Street  
Mudgee NSW 2850

**Contact Details****Mailing Address:**

PO Box 156  
Mudgee NSW 2850

**Opening Hours:**

Mudgee, Gulgong & Rylstone Administration Centres  
8:00am to 4:30pm  
Monday to Friday

**Telephone:** 02 6378 2850

**Facsimile:** 02 6378 2815

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

**Email:** [council@midwestern.nsw.gov.au](mailto:council@midwestern.nsw.gov.au)

**Officers****GENERAL MANAGER**

Mr Warwick Bennett

**RESPONSIBLE ACCOUNTING OFFICER**

Mrs Clare Phelan

**PUBLIC OFFICER**

Mr Ian Roberts

**AUDITORS**

Morse Group  
237 Lords Place  
Orange NSW 2800

**Elected Members****MAYOR**

Mr Des Kennedy

**COUNCILLORS**

Clr Max Walker  
Clr Russell Holden  
Clr Elwyn Lang  
Clr Esme Martens  
Clr Peter Shelley  
Clr Percy Thompson  
Clr John Weatherley  
Clr John Webb

**Other Information**

**ABN:** 96 149 391 332

**INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL  
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF  
MID-WESTERN REGIONAL COUNCIL**

**Report on the Financial Statements**

We have audited the accompanying general purpose financial statements of Mid-Western Regional Council for the financial year ended 30 June 2012. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements.

**Councils' Responsibility for the Financial Statements**

The Council are responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the original budget figures included in the Income Statement and Statement of Cash Flows, the original budget disclosures in Notes 2(a) and 16, nor the projected revenue and expenditure of developer contributions reported in Note 17 and accordingly, we express no opinion on them. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

**Independence**

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

## Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Mid-Western Regional Council (Council) for the year ended 30 June 2012 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

### Audit Opinion

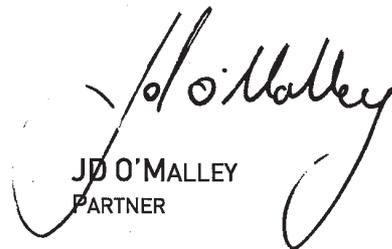
In our opinion:

- (a) 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;
- (b) the Council's financial statements:
  - (i) have been prepared in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and cashflows; and
  - (iv) are in accordance with applicable Australian Accounting Standards (Including the Australian Accounting Interpretations).
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



**MORSE GROUP**

237 Lords Place  
Orange  
Dated: 7 September 2012



**J O'MALLEY**  
PARTNER

7 September 2012

The Mayor  
Councillor Des Kennedy  
Mid-Western Regional Council  
PO Box 156  
MUDGEE NSW 2850

Dear Mr Mayor

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT - Section 417(3)  
MID-WESTERN REGIONAL COUNCIL YEAR ENDED 30 JUNE 2012**

We advise having completed our audit of the financial statements of Mid-Western Regional Council for the financial year ended 30 June 2012. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417 of the Local Government Act 1993 we submit our report on the conduct of the audit of Mid-Western Regional Council for the year ended 30 June 2012. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

**Council's Responsibility for the Financial Statements**

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

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

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

The following comments are provided in accordance with Section 415(3) of the Local Government Act 1993 and Regulation 227 of the Local Government (General) Regulation 2005 to assist in the understanding of the financial statements and our reports.



Chartered Accountants



## ***Review of Financial Results***

### **(a) Operating Result**

As disclosed in Council's Income Statement the year's operations resulted in a net operating result of \$8,360,000 (2011 - \$4,765,000). Selected items of note in the operating statement include:

#### **Revenue**

- The operating result from ordinary activities *before* capital amounts was a surplus of \$142,000 (2011 deficit - \$2,970,000).
- User charges and fees increased \$1,417,000 (14.6%) to \$11,095,000 (2011 - \$9,678,000) the outcome mainly influenced by an increase in the user charge for water from \$1.72/kl to \$2.40/kl.
- Operating grants and contributions were \$2,198,000 up on the prior year. This was due to the first two instalments of the 2012/13 Federal (FAG) grants being paid during the 2011/12 financial year.

#### **Expenditure**

- Employee costs increased \$1,614,000 to \$18,690,000 (2011 - \$17,076,000). The increase is deceptive in that actual wages expense decreased to \$13,675,000 (2011 - \$13,970,000) however because more of the labour was applied to operational maintenance, where last year there were numerous capital projects, the labour cost appears as an expense rather than being capitalised. There was also a marked increase in employee leave entitlements due to a reduction in discount rates applied to benefits that will be settled more than twelve months in the future.
- Materials and contracts expense have increased from \$10,268,000 to \$11,202,000. The major contributor being contractor costs for spray sealing on state roads.
- No impairment expense has been taken to the Income Statement this year (2011 - \$769,000). Impairment write-downs of \$610,000 (2011 - \$5,272,000) were recognised against equity (Asset Revaluation Reserve) as a result of damage to infrastructure caused by floods.

Council's other major items of income and expenditure were relatively consistent with the prior period.

**(b) Financial Position**

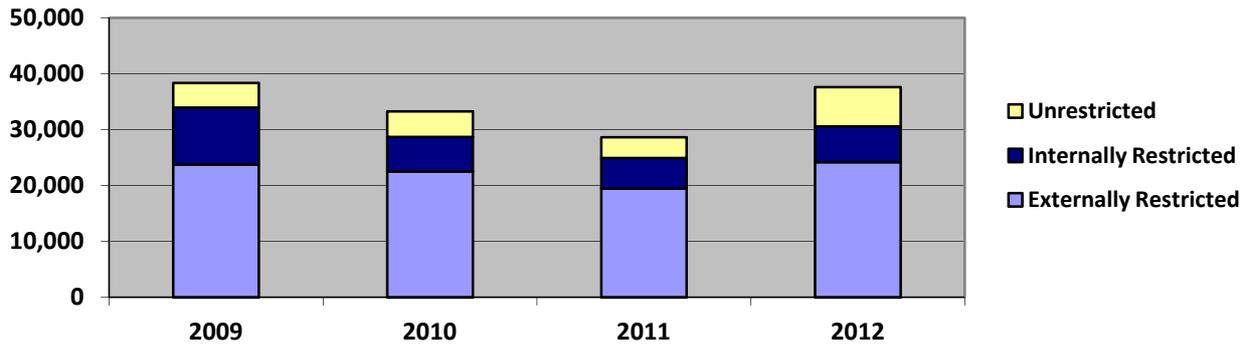
The Balance Sheet discloses that for the year ended 30 June 2012 Council's net assets stood at \$561,356,000 (2011 - \$550,668,000), which represents an increase of \$10,688,000. That movement is comprised of the net operating surplus after capital amounts of \$8,360,000 combined with the net asset revaluation increment of \$2,827,000 relating to the revaluation of Water and Sewer Infrastructure. There was also an unrealised gain of \$111,000 on Council's available for sale financial investments less an impairment write-down of (\$610,000) related to storm damage and flooding.

To assess the health of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist, and the effect of the restrictions is summarised as follows: -

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Current Assets</b>	29,645	25,016
	(24,898)	(18,937)
Less: Amounts externally restricted for special purposes refer Notes 6; 7; & 8 of financial statements		
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(6,369)	(5,475)
Add: Applicable current liabilities refer Note 10		
- Water	196	101
- Sewerage	906	588
- Domestic Waste Management	1,352	590
- Other	1,235	1,064
Add: Employee Leave Entitlements to be paid > 12 months	4,177	3,438
	<hr/>	<hr/>
<b>Unrestricted net current asset surplus/(deficit)</b>	<b>6,244</b>	<b>6,385</b>
<b>Unrestricted net current assets comprise: -</b>		
Assets		
Cash	7,080	3,738
Receivables	3,150	4,581
Inventories	1,765	2,575
Less: General Purpose Liabilities	(9,928)	(7,947)
Plus: Employee Leave Entitlements to be paid > 12 months	4,177	3,438
	<hr/>	<hr/>
<b>Unrestricted net current asset surplus/(deficit)</b>	<b>6,244</b>	<b>6,385</b>

Council's continues to enjoy a surplus of net current assets to cover the restrictions placed on those assets. The growth in this surplus is mainly through increased inventory of land held for sale.

### Cash, Cash Equivalents & Investments



### Liquidity

Note 6 to the accounts discloses total cash and investments of \$37,691,000 (2011 - \$28,685,000), of this amount \$24,242,000 (2011 - \$19,472,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$6,369,000 (2011 - \$5,475,000) is subject to internal restrictions agreed upon by Council for designated purposes. These internal restrictions may be altered at the discretion of Council, consistent with its management plan.

The unrestricted balance of \$7,080,000 (2011 - \$3,738,000) represents liquid assets available to cover non-budgeted discretionary expenditure and meet short-term cash flow requirements. The extent of unrestricted cash and investments underscores Council's strong financial position.

Whilst the consolidated financial statements displays healthy levels of cash and investments, we remind the reader that the consolidated data is not necessarily reflective of the position of the individual funds (General, Water & Sewer) and this is equally applicable when reviewing the performance indicators considered below. General information on the financial position and performance by fund is provided in Note 21 to the financial statements.

### (c) Performance Indicators

Note 13 to the Financial Statements provides a measure of Council's performance using a number of selected ratios as follows:

#### Unrestricted Current Ratio

The Unrestricted Current Ratio is a measure of Council's liquidity that demonstrates its ability to satisfy obligations out of short-term and immediate asset balances. Council's ratio of 3.19:1 indicates that it is comfortably able to settle its debts as and when they fall due.

#### Debt Service Ratio

The cost of repaying debt is reflected in the debt service ratio, which expresses that cost as a percentage of revenue from continuing operations, excluding capital items and specific purpose grants and contributions.

Whilst there is no definitive guide on what constitutes an acceptable ratio it is generally accepted that a ratio of up to 20% depending on the level of long-term development (infrastructure) plans, is considered manageable. At 2.71% (2011 - 2.56%) Mid-Western Regional Council's ratio is well below these industry benchmarks and represents manageable debt and latent borrowing capacity.

## Rates & Annual Charges Coverage Ratio

The ability of Council to meet community expectations for the delivery of services and provision of facilities is directly influenced by the discretion it can exercise in the allocation of resources.

This ratio indicates the proportion of revenue generated by Council's through rates and annual charges.

Mid-Western Regional Council's ratio of 35.43% (2011 – 37.27%) is comparable with the prior period and reflects a somewhat higher proportion of revenue being generated from this source than is typical of non-metropolitan councils generally.

## Rates & Annual Charges, Interest & Extra Charges Outstanding Ratio

The ratio is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Mid-Western Regional Council's rates and annual charges outstanding percentage of 3.53% (2011 - 3.73%) continues to indicate very effective debtor management. Each percentage point movement in this ratio equates to \$223,000.

## Building & Infrastructure Renewals Ratio

The purpose of this ratio is to assess the rate at which infrastructure assets are being renewed against the rate at which they are depreciating.

Because the distinction between replacements, renewals and repairs is not well defined, it is difficult to make meaningful analysis from this ratio. The fact that this ratio has been in excess of 84% since the 2008/09 year, and stands at 96.12% in the current year suggests that Council is effectively maintaining its infrastructure assets.

## (d) Cash Flow Statement

The Statement of Cash Flows reports a net increase in cash assets held of \$10,895,000 (2011 – decrease \$4,676,000) as follows:

	2012 \$'000	2011 \$'000	Movement \$'000
<b>Cash flow provided by / (used in)</b>			
Operating activities	27,378	21,797	5,581
Investing activities	(23,423)	(25,962)	2,539
Financing activities	6,940	(511)	7,451
Net increase / (decrease) in cash held	10,895	(4,676)	15,571

### Cash flows from operating activities

The cashflows from operating activities have increased due to the increase in grants and contributions coupled with increased user charges and fees.

### Cash flows from investing activities

Cash outflows related to acquisitions of infrastructure, property, plant and equipment were up by \$1,719,000.

### Cash flows from financing activities

The net cash inflow provided by financing activities was the result of new loans taken out during the year to finance major capital works for the swimming pools, Mortimer Street precinct and sewer infrastructure.

**(e) Comparison of Actual and Budgeted Performance**

Council's surplus from ordinary activities after capital amounts of \$8,360,000 was \$6,969,000 better than Council's original estimates.

The intent of this report does is not to provide a detailed analysis of individual budget variations. Note 16 to Council's financial statements addresses the contributing factors to these variations in detail.

**(f) Other Matters**

**National Competition Policy**

In accordance with the requirements of National Competition Policy guidelines, Mid-Western Regional Council has prepared special purpose financial statements on its business units for the year ended 30 June 2012. Council has determined that it has four business units within its operations: Water Supply, Sewerage Services, Private Works and Sale Yards.

The Division of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.

An unqualified audit report on the special purpose statements for the year ended 30 June 2012 has been issued.

**Management Letters**

Our most recent management letter was issued on 18 June 2012. Matters raised via management letters have been satisfactorily addressed.

**(g) Legislative compliance**

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial statements that have come to our attention during the conduct of the audit and that Mid-Western Regional Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 and regulations.

**(h) Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the financial statements of Mid-Western Regional Council (Council) for the year ended 30 June 2012 included on Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

**Conclusion**

- (a) The Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of these statements;
- (b) The Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of these statements; and
- (c) all information relevant to the conduct of the audit has been obtained.

*Morse Group*

**MORSE GROUP**

237 Lords Place  
Orange  
Dated: 7 September 2012

*J. O'Malley*  
**JD O'MALLEY**  
PARTNER

# Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

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*“a prosperous and progressive  
community that we proudly call home”*



## Mid-Western Regional Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2012

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#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.
- Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.
- These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
- (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

## Mid-Western Regional Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2012

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 15 August 2012.



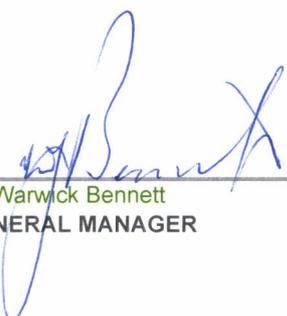
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Mr Des Kennedy  
MAYOR



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Mr Max Walker  
COUNCILLOR



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Mr Warwick Bennett  
GENERAL MANAGER



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Mrs Clare Phelan  
RESPONSIBLE ACCOUNTING OFFICER

## Mid-Western Regional Council

### Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	978	1,115	1,046
User charges	3,556	2,590	3,144
Fees	103	92	77
Interest	272	247	276
Grants and contributions provided for non capital purposes	61	65	73
Profit from the sale of assets	-	-	-
Other income	3	2	1
<b>Total income from continuing operations</b>	<b>4,973</b>	<b>4,111</b>	<b>4,617</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	985	910	847
Borrowing costs	305	323	341
Materials and contracts	986	904	925
Depreciation and impairment	1,621	1,504	1,442
Water purchase charges	69	69	48
Loss on sale of assets	-	665	266
Calculated taxation equivalents	15	15	15
Other expenses	1,492	1,238	1,153
<b>Total expenses from continuing operations</b>	<b>5,473</b>	<b>5,628</b>	<b>5,037</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(500)</b>	<b>(1,517)</b>	<b>(420)</b>
Grants and contributions provided for capital purposes	1,187	846	159
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>687</b>	<b>(671)</b>	<b>(261)</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>687</b>	<b>(671)</b>	<b>(261)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>687</b>	<b>(671)</b>	<b>(261)</b>
plus Opening Retained Profits	45,846	45,628	45,805
plus/less: Other Adjustments - Change in Accounting Policy	-	874	-
plus/less: Transfers to Retained Earnings for asset disposals	-	-	69
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	15	15	15
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
<b>Closing Retained Profits</b>	<b>46,548</b>	<b>45,846</b>	<b>45,628</b>
Return on Capital %	-0.3%	-1.8%	-0.1%
Subsidy from Council	2,072	4,691	3,359
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	687	(671)	(261)
less: Capital grants and contributions (excluding developer contributions)	(727)	(549)	-
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Mid-Western Regional Council

### Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	3,286	2,985	2,871
User charges	352	112	-
Liquid Trade Waste charges	-	-	-
Fees	18	28	45
Interest	316	405	383
Grants and contributions provided for non capital purposes	60	61	63
Profit from the sale of assets	-	-	-
Other income	47	14	18
<b>Total income from continuing operations</b>	<b>4,079</b>	<b>3,605</b>	<b>3,380</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	819	756	731
Borrowing costs	53	46	50
Materials and contracts	500	519	616
Depreciation and impairment	1,394	1,295	1,252
Loss on sale of assets	115	-	86
Calculated taxation equivalents	8	8	8
Debt guarantee fee (if applicable)	-	-	-
Other expenses	1,015	1,049	855
<b>Total expenses from continuing operations</b>	<b>3,904</b>	<b>3,673</b>	<b>3,598</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>175</b>	<b>(68)</b>	<b>(218)</b>
Grants and contributions provided for capital purposes	1,893	196	96
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>2,068</b>	<b>128</b>	<b>(122)</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>2,068</b>	<b>128</b>	<b>(122)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(53)	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,015</b>	<b>128</b>	<b>(122)</b>
plus Opening Retained Profits	34,603	24,479	24,533
plus/less: Other Adjustments - Change in Accounting Policy	-	9,988	-
plus/less: Transfer to Retained Earnings for asset disposals	-	-	60
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	8	8	8
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	53	-	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
<b>Closing Retained Profits</b>	<b>36,679</b>	<b>34,603</b>	<b>24,479</b>
Return on Capital %	0.4%	0.0%	-0.5%
Subsidy from Council	1,465	1,862	1,768
Calculation of dividend payable:			
Surplus (deficit) after tax	2,015	128	(122)
less: Capital grants and contributions (excluding developer contributions)	(1,593)	-	-
<b>Surplus for dividend calculation purposes</b>	<b>422</b>	<b>128</b>	<b>-</b>
<b>Potential Dividend calculated from surplus</b>	<b>211</b>	<b>64</b>	<b>-</b>

## Mid-Western Regional Council

### Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

\$ '000	Private Works		Saleyards	
	Category 2		Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	253	174	287	310
Fees	-	-	-	-
Interest	12	7	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	17	16
<b>Total income from continuing operations</b>	<b>265</b>	<b>181</b>	<b>304</b>	<b>326</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	39	37	86	81
Borrowing costs	-	-	4	5
Materials and contracts	123	82	58	59
Depreciation and impairment	-	-	107	125
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	-	6	93	49
<b>Total expenses from continuing operations</b>	<b>162</b>	<b>125</b>	<b>348</b>	<b>319</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>103</b>	<b>56</b>	<b>(44)</b>	<b>7</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>103</b>	<b>56</b>	<b>(44)</b>	<b>7</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>103</b>	<b>56</b>	<b>(44)</b>	<b>7</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(31)	(17)	-	(2)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>72</b>	<b>39</b>	<b>(44)</b>	<b>5</b>
plus Opening Retained Profits	149	93	370	363
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	31	17	-	2
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>252</b>	<b>149</b>	<b>326</b>	<b>370</b>
Return on Capital %	n/a	n/a	-0.7%	0.2%
Subsidy from Council	-	-	225	-

## Mid-Western Regional Council

### Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3,755	3,461
Investments	-	-
Receivables	1,430	1,197
Inventories	309	279
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>5,494</b>	<b>4,937</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	61,933	67,121
Investments accounted for using equity method	-	-
Investment property	-	-
Other	3	3
<b>Total non-Current Assets</b>	<b>61,936</b>	<b>67,124</b>
<b>TOTAL ASSETS</b>	<b>67,430</b>	<b>72,061</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	380	284
Interest bearing liabilities	326	304
Provisions	200	-
<b>Total Current Liabilities</b>	<b>906</b>	<b>588</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	4,204	4,529
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>4,204</b>	<b>4,529</b>
<b>TOTAL LIABILITIES</b>	<b>5,110</b>	<b>5,117</b>
<b>NET ASSETS</b>	<b>62,320</b>	<b>66,944</b>
<b>EQUITY</b>		
Retained earnings	46,548	45,846
Revaluation reserves	15,772	21,098
Council equity interest	62,320	66,944
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>62,320</b>	<b>66,944</b>

## Mid-Western Regional Council

### Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	9,172	5,508
Investments	-	-
Receivables	217	141
Inventories	30	25
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>9,419</b>	<b>5,674</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	55,869	44,783
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>55,869</b>	<b>44,783</b>
<b>TOTAL ASSETS</b>	<b>65,288</b>	<b>50,457</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	925	524
Interest bearing liabilities	427	66
Provisions	-	-
<b>Total Current Liabilities</b>	<b>1,352</b>	<b>590</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	5,581	601
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>5,581</b>	<b>601</b>
<b>TOTAL LIABILITIES</b>	<b>6,933</b>	<b>1,191</b>
<b>NET ASSETS</b>	<b>58,355</b>	<b>49,266</b>
<b>EQUITY</b>		
Retained earnings	36,679	34,603
Revaluation reserves	21,676	14,663
Council equity interest	58,355	49,266
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>58,355</b>	<b>49,266</b>

## Mid-Western Regional Council

### Balance Sheet of Council's Other Business Activities

as at 30 June 2012

\$ '000	Private Works		Saleyards	
	Category 2		Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	258	149	-	-
Investments	-	-	-	-
Receivables	-	-	3	4
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>258</b>	<b>149</b>	<b>3</b>	<b>4</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	6,118	6,201
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>6,118</b>	<b>6,201</b>
<b>TOTAL ASSETS</b>	<b>258</b>	<b>149</b>	<b>6,121</b>	<b>6,205</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	958	987
Payables	6	-	1	5
Interest bearing liabilities	-	-	7	7
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	<b>6</b>	<b>-</b>	<b>966</b>	<b>999</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	54	61
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>61</b>
<b>TOTAL LIABILITIES</b>	<b>6</b>	<b>-</b>	<b>1,020</b>	<b>1,060</b>
<b>NET ASSETS</b>	<b>252</b>	<b>149</b>	<b>5,101</b>	<b>5,145</b>
<b>EQUITY</b>				
Retained earnings	252	149	326	370
Revaluation reserves	-	-	4,775	4,775
Council equity interest	<b>252</b>	<b>149</b>	<b>5,101</b>	<b>5,145</b>
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>252</b>	<b>149</b>	<b>5,101</b>	<b>5,145</b>

## Mid-Western Regional Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	13
3	Sewerage Business Best Practice Management disclosure requirements	15

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

#### Declared Business Activities

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

##### Category 1

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

##### a. Mid-Western Regional Council Water Supply

Comprising the activities and net assets of the water supply operations servicing the towns of Mudgee, Gulgong, Rylstone, and Kandos.

##### b. Mid-Western Regional Council Waste Water Services

Comprising the activities and net assets of the sewerage reticulation and treatment operations servicing the towns of Mudgee, Gulgong, Rylstone, and Kandos.

##### Category 2

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

##### a. Mid-Western Regional Council Private Works

Comprising the whole of the activities and net assets utilised in providing Private Works to the public and other agencies.

##### b. Mid-Western Regional Council Saleyards

Comprising the whole of the activities and net assets utilised in providing a facility for the conduct of livestock sales.

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies (continued)

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

##### (i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

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

##### Notional Rate Applied %

###### Corporate Income Tax Rate – 30%

Land Tax – The first **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income Tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's GPFS.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies (continued)

borrowing costs in line with private sector competitors.

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

#### (ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of Business Activities.

#### (iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

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**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

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

#### (iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2012 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved its payment.

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

#### Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2012

##### 1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	15,000
(ii)	No of assessments multiplied by \$3/assessment	23,727
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	15,000
(iv)	Amounts actually paid for Tax Equivalents	-

##### 2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	222,270
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	(1,521,000)

2012 Surplus	(40,000)	2011 Surplus	(1,220,000)	2010 Surplus	(261,000)
		2011 Dividend	-	2010 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	n/a

##### 3. Required outcomes for 6 Criteria

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

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

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012

#### National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	5,222
<b>NWI F4</b>	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	77.25%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	61,933
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	3,332
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,757
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.43%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	690

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

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

#### Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2012

##### 1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	8,000
(ii)	No of assessments multiplied by \$3/assessment	20,457
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	8,000
(iv)	Amounts actually paid for Tax Equivalents	-

##### 2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	211,000
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	196,570
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	428,000

2012 Surplus	422,000	2011 Surplus	128,000	2010 Surplus	(122,000)
		2011 Dividend	-	2010 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	196,570
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	n/a

##### 3. Required outcomes for 4 Criteria

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

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

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012

##### National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	4,267
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	55,869
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	2,334
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	5,579
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	0.96%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	1,400

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

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	9,374
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.29%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	7,336
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	0.69%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

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

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

2012

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

<b>NWI F22</b>	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-1.98%
<b>NWI F23</b>	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): <span style="border: 1px solid black; padding: 2px;">808</span> Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)  Net Interest: <span style="border: 1px solid black; padding: 2px;">- 195</span> Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	688
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	121

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

**INDEPENDENT AUDITOR'S REPORT  
ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF  
MID-WESTERN REGIONAL COUNCIL**

**Report on the Financial Statements**

We have audited the special purpose financial statements of Mid-Western Regional Council for the year ended 30 June 2012, comprising the Statement by Council, Income Statement by Business Activities, Balance Sheet by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

**Councils' Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Independence**

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

## Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Mid-Western Regional Council (Council) for the year ended 30 June 2012 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

### Audit Opinion

In our opinion, the special purpose financial statements of Mid-Western Regional Council are presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

### Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statement, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government or for any purpose other than for which the statements were prepared.

*Morse Group*

MORSE GROUP

237 Lords Place  
Orange  
Dated: 7 September 2012

*J O'Malley*

J O'MALLEY  
PARTNER

# Mid-Western Regional Council

SPECIAL SCHEDULES  
for the year ended 30 June 2012

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*“a prosperous and progressive  
community that we proudly call home”*



## Mid-Western Regional Council

### Special Schedules

for the financial year ended 30 June 2012

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<sup>1</sup> Special Purpose Schedules are not audited.

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#### Background

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

## Mid-Western Regional Council

### Special Schedule No. 1 - Net Cost of Services for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>395</b>	<b>66</b>	<b>-</b>	<b>(329)</b>
<b>Administration</b>	<b>7,796</b>	<b>3,518</b>	<b>48</b>	<b>(4,230)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	988	477	64	(447)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	143	27	-	(116)
Other	73	60	-	(13)
<b>Total Public Order &amp; Safety</b>	<b>1,204</b>	<b>564</b>	<b>64</b>	<b>(576)</b>
<b>Health</b>	<b>58</b>	<b>236</b>	<b>(2)</b>	<b>176</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	802	273	15	(514)
Other Environmental Protection	434	190	6	(238)
Solid Waste Management	3,971	4,789	55	873
Street Cleaning	214	(2)	-	(216)
Drainage	767	(95)	60	(802)
Stormwater Management	-	-	-	-
<b>Total Environment</b>	<b>6,188</b>	<b>5,155</b>	<b>136</b>	<b>(897)</b>
<b>Community Services and Education</b>				
Administration & Education	472	150	-	(322)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	918	923	-	5
Children's Services	1,110	1,116	-	6
<b>Total Community Services &amp; Education</b>	<b>2,500</b>	<b>2,189</b>	<b>-</b>	<b>(311)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	317	138	-	(179)
Public Conveniences	38	-	-	(38)
Street Lighting	224	-	-	(224)
Town Planning	1,221	607	3,985	3,371
Other Community Amenities	27	45	-	18
<b>Total Housing and Community Amenities</b>	<b>1,827</b>	<b>790</b>	<b>3,985</b>	<b>2,948</b>
<b>Water Supplies</b>	<b>4,626</b>	<b>4,058</b>	<b>690</b>	<b>122</b>
<b>Sewerage Services</b>	<b>3,131</b>	<b>3,299</b>	<b>1,400</b>	<b>1,568</b>

## Mid-Western Regional Council

Special Schedule No. 1 - Net Cost of Services (continued)  
for the financial year ended 30 June 2012

\$'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	901	109	135	(657)
Museums	11	19	-	8
Art Galleries	-	-	-	-
Community Centres and Halls	191	(56)	-	(247)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	2,655	223	116	(2,316)
Swimming Pools	950	85	-	(865)
Parks & Gardens (Lakes)	800	27	112	(661)
Other Sport and Recreation	-	-	-	-
<b>Total Recreation and Culture</b>	<b>5,508</b>	<b>407</b>	<b>363</b>	<b>(4,738)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	394	508	-	114
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	<b>394</b>	<b>508</b>	-	<b>114</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	1,962	109	250	(1,603)
Urban Roads - Regional	29	1	20	(8)
Sealed Rural Roads (SRR) - Local	3,595	(31)	728	(2,898)
Sealed Rural Roads (SRR) - Regional	3,334	1,770	400	(1,164)
Unsealed Rural Roads (URR) - Local	2,723	1,706	-	(1,017)
Unsealed Rural Roads (URR) - Regional	196	497	-	301
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	460	1	-	(459)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	589	73	-	(516)
Parking Areas	529	27	-	(502)
Footpaths	185	(1)	95	(91)
Aerodromes	387	151	-	(236)
Other Transport & Communication	3,578	3,698	-	120
<b>Total Transport and Communication</b>	<b>17,567</b>	<b>8,001</b>	<b>1,493</b>	<b>(8,073)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	24	121	-	97
Other Economic Affairs	326	807	41	522
<b>Total Economic Affairs</b>	<b>350</b>	<b>928</b>	<b>41</b>	<b>619</b>
<b>Totals – Functions</b>	<b>51,544</b>	<b>29,719</b>	<b>8,218</b>	<b>(13,607)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>		<b>21,967</b>		<b>21,967</b>
Share of interests - joint ventures & associates using the equity method	-	-	-	-
<b>NET OPERATING RESULT<sup>(1)</sup></b>	<b>51,544</b>	<b>51,686</b>	<b>8,218</b>	<b>8,360</b>

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

# Mid-Western Regional Council

## Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-							-	-
Treasury Corporation	-	-	-							-	-
Other State Government	-	-	-	25	-	-	-	-	4	21	25
Public Subscription	-	-	-							-	-
Financial Institutions	466	6,732	7,198	7,553	554	-	-	534	1,048	13,149	14,197
Other	-	-	-							-	-
<b>Total Loans</b>	<b>466</b>	<b>6,732</b>	<b>7,198</b>	<b>7,578</b>	<b>554</b>	<b>-</b>	<b>-</b>	<b>534</b>	<b>1,052</b>	<b>13,170</b>	<b>14,222</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	84	-	84	-	84	-	-	-	-	-	-
Deferred Payments	-	-	-							-	-
<b>Total Long Term Debt</b>	<b>84</b>	<b>-</b>	<b>84</b>	<b>-</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Debt</b>	<b>550</b>	<b>6,732</b>	<b>7,282</b>	<b>7,578</b>	<b>638</b>	<b>-</b>	<b>-</b>	<b>534</b>	<b>1,052</b>	<b>13,170</b>	<b>14,222</b>

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

## Mid-Western Regional Council

### Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	338	322
b. Engineering and Supervision	832	809
<b>2. Operation and Maintenance expenses</b>		
- <b>Dams &amp; Weirs</b>		
a. Operation expenses	-	-
b. Maintenance expenses	-	32
- <b>Mains</b>		
c. Operation expenses	-	-
d. Maintenance expenses	676	675
- <b>Reservoirs</b>		
e. Operation expenses	82	83
f. Maintenance expenses	106	39
- <b>Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	43	48
h. Energy costs	60	70
i. Maintenance expenses	64	48
- <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	430	405
k. Chemical costs	245	211
l. Maintenance expenses	387	286
- <b>Other</b>		
m. Operation expenses	-	-
n. Maintenance expenses	-	-
o. Purchase of water	69	70
<b>3. Depreciation expenses</b>		
a. System assets	1,621	1,504
b. Plant and equipment	-	-
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	305	323
b. Revaluation Decrements	-	22
c. Other expenses	200	-
d. Tax Equivalents Dividends (actually paid)	-	-
<b>5. Total expenses</b>	<b>5,458</b>	<b>4,947</b>

## Mid-Western Regional Council

### Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	755	872
b. Usage charges	2,563	1,944
<b>7. Non-residential charges</b>		
a. Access (including rates)	223	242
b. Usage charges	993	650
<b>8. Extra charges</b>	24	22
<b>9. Interest income</b>	248	225
<b>10. Other income</b>	106	90
<b>11. Grants</b>		
a. Grants for acquisition of assets	690	526
b. Grants for pensioner rebates	61	65
c. Other grants	-	-
<b>12. Contributions</b>		
a. Developer charges	460	320
b. Developer provided assets	-	-
c. Other contributions	37	-
<b>13. Total income</b>	<b>6,160</b>	<b>4,956</b>
<b>14. Gain (or loss) on disposal of assets</b>	-	(665)
<b>15. Operating Result</b>	<b>702</b>	<b>(656)</b>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	12	(1,182)

## Mid-Western Regional Council

### Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	214	2,300
b. New Assets for Growth	1,222	-
c. Renewals	321	-
d. Plant and equipment	-	-
<b>17. Repayment of debt</b>		
a. Loans	304	286
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<b>2,061</b>	<b>2,586</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	-	-
<b>21. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	<b>-</b>	<b>-</b>
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	6,412	6,287
b. Residential (unoccupied, ie. vacant lot)	603	589
c. Non-residential (occupied)	767	752
d. Non-residential (unoccupied, ie. vacant lot)	127	124
<b>25. Number of ETs for which developer charges were received</b>	60 ET	43 ET
<b>26. Total amount of pensioner rebates (actual dollars)</b>	\$ 111,071	\$ 117,409

## Mid-Western Regional Council

## Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2011/12 (page 47 of Guidelines)			<input type="text" value="460,078"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>			<input type="text" value="460,078"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is <b>not</b> required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

## Mid-Western Regional Council

## Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	1,845	-	1,845
b. Special purpose grants	11	-	11
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	1,899	-	1,899
<b>31. Receivables</b>			
a. Specific purpose grants	161	-	161
b. Rates and Availability Charges	38	-	38
c. Other (including User Charges)	1,231	-	1,231
<b>32. Inventories</b>	309	-	309
<b>33. Property, plant and equipment</b>			
a. System assets	-	61,933	61,933
b. Plant and equipment	-	-	-
<b>34. Other assets</b>	-	3	3
<b>35. Total assets</b>	<u>5,494</u>	<u>61,936</u>	<u>67,430</u>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	380	-	380
<b>38. Borrowings</b>			
a. Loans	326	4,204	4,530
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	200	-	200
<b>40. Total liabilities</b>	<u>906</u>	<u>4,204</u>	<u>5,110</u>
<b>41. NET ASSETS COMMITTED</b>	<u>4,588</u>	<u>57,732</u>	<u>62,320</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			46,548
<b>43. Asset revaluation reserve</b>			15,772
<b>44. TOTAL EQUITY</b>			<u>62,320</u>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			99,365
<b>46. Accumulated current cost</b> depreciation of system assets			(37,432)
<b>47. Written down current cost</b> of system assets			<u>61,933</u>

## Mid-Western Regional Council

### Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	149	162
b. Engineering and Supervision	764	678
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	-	-
b. Maintenance expenses	424	452
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	-	13
d. Energy costs	44	42
e. Maintenance expenses	162	114
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	276	393
g. Chemical costs	21	2
h. Energy costs	56	46
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	438	341
<b>- Other</b>		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
<b>3. Depreciation expenses</b>		
a. System assets	1,394	1,295
b. Plant and equipment	-	-
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	53	46
b. Revaluation Decrements	-	79
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	-	-
<b>5. Total expenses</b>	<b>3,781</b>	<b>3,663</b>

## Mid-Western Regional Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	3,066	2,702
<b>7. Non-residential charges</b>		
a. Access (including rates)	220	283
b. Usage charges	352	112
<b>8. Trade Waste Charges</b>		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	11	9
<b>10. Interest income</b>	305	396
<b>11. Other income</b>	65	40
<b>12. Grants</b>		
a. Grants for acquisition of assets	1,400	-
b. Grants for pensioner rebates	60	61
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	300	196
b. Developer provided assets	-	-
c. Other contributions	193	-
<b>14. Total income</b>	<u>5,972</u>	<u>3,799</u>
<b>15. Gain (or loss) on disposal of assets</b>	(115)	-
<b>16. Operating Result</b>	<u>2,076</u>	<u>136</u>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	676	136

## Mid-Western Regional Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	402	3,068
b. New Assets for Growth	230	45
c. Renewals	4,947	852
d. Plant and equipment	-	-
<b>18. Repayment of debt</b>		
a. Loans	66	62
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<b>5,645</b>	<b>4,027</b>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	-	-
<b>22. Borrowing utilised</b>		
a. Loans	3,386	-
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<b>3,386</b>	<b>-</b>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	5,585	5,471
b. Residential (unoccupied, ie. vacant lot)	552	524
c. Non-residential (occupied)	600	590
d. Non-residential (unoccupied, ie. vacant lot)	82	83
<b>26. Number of ETs for which developer charges were received</b>	86 ET	58 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 108,762	\$ 110,304

## Mid-Western Regional Council

Special Schedule No. 5 - Sewerage Cross Subsidies  
for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
<b>a.</b> Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
<b>b.</b> Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
<b>a.</b> Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>b.</b> Total cross-subsidy in sewerage developer charges for 2011/12 (page 47 of Guidelines)			<input type="text" value="299,724"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text" value="299,724"/>

\* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

## Mid-Western Regional Council

## Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	596	-	596
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	2,022	-	2,022
e. Sinking fund	-	-	-
f. Other	6,554	-	6,554
<b>32. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	95	-	95
c. Other (including User Charges)	122	-	122
<b>33. Inventories</b>	30	-	30
<b>34. Property, plant and equipment</b>			
a. System assets	-	55,869	55,869
b. Plant and equipment	-	-	-
<b>35. Other assets</b>	-	-	-
<b>36. Total Assets</b>	<b>9,419</b>	<b>55,869</b>	<b>65,288</b>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	925	-	925
<b>39. Borrowings</b>			
a. Loans	427	5,581	6,008
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>41. Total Liabilities</b>	<b>1,352</b>	<b>5,581</b>	<b>6,933</b>
<b>42. NET ASSETS COMMITTED</b>	<b>8,067</b>	<b>50,288</b>	<b>58,355</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			36,679
<b>44. Asset revaluation reserve</b>			21,676
<b>45. TOTAL EQUITY</b>			<b>58,355</b>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			92,366
<b>47. Accumulated current cost</b> depreciation of system assets			(36,497)
<b>48. Written down current cost</b> of system assets			<b>55,869</b>

## Mid-Western Regional Council

### Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2012

#### Administration <sup>(1)</sup>

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading.
- Bad and doubtful debts.
- Other administrative/corporate support services.

#### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

#### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.







## Mid-Western Regional Council

### Special Schedule No. 8 - Financial Projections as at 30 June 2012

\$'000	Actual <sup>(1)</sup> 11/12	Forecast 12/13	Forecast 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16
<b>(i) OPERATING BUDGET</b>					
Income from continuing operations	59,904	54,809	51,212	52,547	54,736
Expenses from continuing operations	51,544	51,575	51,441	52,115	51,347
<b>Operating Result from Continuing Operations</b>	<b>8,360</b>	<b>3,234</b>	<b>(229)</b>	<b>432</b>	<b>3,389</b>
<b>(ii) CAPITAL BUDGET</b>					
New Capital Works <sup>(2)</sup>	5,461	1,298	722	740	624
Replacement/Refurbishment of Existing Assets	21,383	33,946	12,648	11,187	25,722
<b>Total Capital Budget</b>	<b>26,844</b>	<b>35,244</b>	<b>13,370</b>	<b>11,927</b>	<b>26,346</b>
<b>Funded by:</b>					
– Loans	5,556	11,994	-	-	8,000
– Asset sales	453	926	507	502	685
– Reserves	7,580	8,037	6,806	5,832	9,431
– Grants/Contributions	8,932	7,747	1,882	3,142	2,742
– Recurrent revenue	4,323	6,540	4,175	2,451	5,488
– Other	-	-	-	-	-
	<b>26,844</b>	<b>35,244</b>	<b>13,370</b>	<b>11,927</b>	<b>26,346</b>

**Notes:**

(1) From 11/12 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.