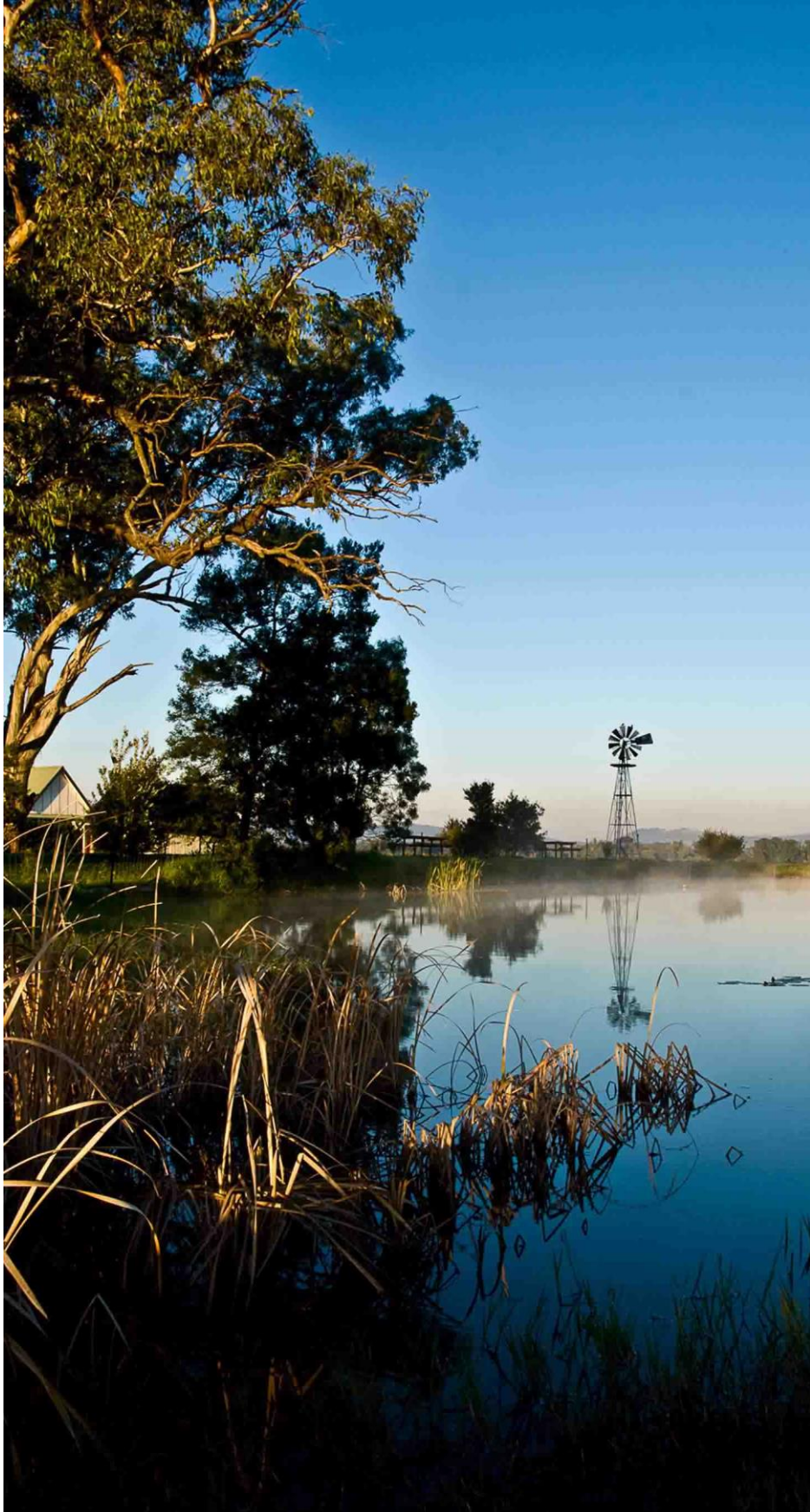


*Good
Government*

FINANCIAL STATEMENTS 2015/16



MID-WESTERN REGIONAL COUNCIL
CORPORATE: FINANCE

■ ■ ■ ■ ■ TOWARDS 2030



Mid-Western Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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



Mid-Western Regional Council

General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).
- Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;
- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
 - the responsibility for administering regulatory requirements under the LGA and
 - a role in the management, improvement and development of the resources in the area.
- A description of the nature of Council's operations and its principal activities are provided in Note 2(b).
- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 10 October 2016. Council has the power to amend and reissue these financial statements.
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Mid-Western Regional Council

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise 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 and position, and
2. Their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

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

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

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

Mid-Western Regional Council

General Purpose Financial Statements for the year ended 30 June 2016

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

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

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and 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
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 17 August 2016.


Des Kennedy
Mayor
Paul Cavalier
Deputy Mayor
Brad Cam
General manager
Leone Johnson
Responsible accounting officer

Mid-Western Regional Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016 \$ '000		Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
26,831	Rates and annual charges	3a	26,724	25,591
11,272	User charges and fees	3b	15,634	18,190
1,245	Interest and investment revenue	3c	1,735	1,621
2,107	Other revenues	3d	2,129	2,790
12,370	Grants and contributions provided for operating purposes	3e,f	15,657	13,441
29,718	Grants and contributions provided for capital purposes	3e,f	14,863	15,228
Other income:				
—	Net share of interests in joint ventures and associates using the equity method	19	—	—
83,543	Total income from continuing operations		76,742	76,861
Expenses from continuing operations				
22,354	Employee benefits and on-costs	4a	20,454	20,028
1,226	Borrowing costs	4b	1,204	1,290
9,520	Materials and contracts	4c	11,772	13,497
16,276	Depreciation and amortisation	4d	19,206	16,078
—	Impairment	4d	—	—
6,331	Other expenses	4e	6,111	6,128
1,001	Net losses from the disposal of assets	5	7,559	3,230
56,708	Total expenses from continuing operations		66,306	60,251
26,835	Operating result from continuing operations		10,436	16,610
Discontinued operations				
—	Net profit/(loss) from discontinued operations	24	—	—
26,835	Net operating result for the year		10,436	16,610
26,835	Net operating result attributable to Council		10,436	16,610
—	Net operating result attributable to non-controlling interests		—	—
(2,883)	Net operating result for the year before grants and contributions provided for capital purposes		(4,427)	1,382

¹ Original budget as approved by Council – refer Note 16

Mid-Western Regional Council

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		10,436	16,610
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	11,135	276,205
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(8)	(924)
Total items which will not be reclassified subsequently to the operating result		11,127	275,281
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves	20b (ii)	—	—
Total items which will be reclassified subsequently to the operating result when specific conditions are met		—	—
Total other comprehensive income for the year		11,127	275,281
Total comprehensive income for the year		21,563	291,891
Total comprehensive income attributable to Council		21,563	291,891
Total comprehensive income attributable to non-controlling interests		—	—

Mid-Western Regional Council

Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	1,543	1,581
Investments	6b	53,300	46,300
Receivables	7	7,079	8,513
Inventories	8	1,080	1,127
Other	8	11	59
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		63,013	57,580
Non-current assets			
Investments	6b	—	—
Receivables	7	—	60
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	851,750	836,466
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	323	409
Total non-current assets		852,073	836,935
TOTAL ASSETS		915,086	894,515
LIABILITIES			
Current liabilities			
Payables	10	6,967	7,323
Borrowings	10	1,503	1,410
Provisions	10	6,323	5,783
Total current liabilities		14,793	14,516
Non-current liabilities			
Payables	10	—	—
Borrowings	10	16,257	17,759
Provisions	10	1,455	1,222
Total non-current liabilities		17,712	18,981
TOTAL LIABILITIES		32,505	33,497
Net assets		882,581	861,018
EQUITY			
Retained earnings	20	357,662	342,541
Revaluation reserves	20	524,919	518,477
Council equity interest		882,581	861,018
Non-controlling equity interests		—	—
Total equity		882,581	861,018

Mid-Western Regional Council

Statement of Changes in Equity for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		341,899	518,477	860,376	—	860,376
a. Correction of prior period errors	20 (c)	642	—	642	—	642
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/15)		342,541	518,477	861,018	—	861,018
c. Net operating result for the year		10,436	—	10,436	—	10,436
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	11,135	11,135	—	11,135
– Revaluations: other reserves	20b (ii)	—	—	—	—	—
– Transfers to Income Statement	20b (ii)	—	—	—	—	—
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	(8)	(8)	—	(8)
– Joint ventures and associates	19b	—	—	—	—	—
– Other reserves movements	20b (ii)	—	—	—	—	—
Other comprehensive income		—	11,127	11,127	—	11,127
Total comprehensive income (c&d)		10,436	11,127	21,563	—	21,563
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		4,685	(4,685)	—	—	—
Equity – balance at end of the reporting period		357,662	524,919	882,581	—	882,581

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		325,931	242,554	568,485	—	568,485
a. Correction of prior period errors	20 (c)	—	642	642	—	642
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/14)		325,931	243,196	569,127	—	569,127
c. Net operating result for the year		16,610	—	16,610	—	16,610
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	276,205	276,205	—	276,205
– Revaluations: other reserves	20b (ii)	—	—	—	—	—
– Transfers to Income Statement	20b (ii)	—	—	—	—	—
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	(924)	(924)	—	(924)
Other comprehensive income		—	275,281	275,281	—	275,281
Total comprehensive income (c&d)		16,610	275,281	291,891	—	291,891
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		342,541	518,477	861,018	—	861,018

This statement should be read in conjunction with the accompanying notes.

Mid-Western Regional Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
26,831	Rates and annual charges		27,550	25,166
11,272	User charges and fees		15,259	21,062
1,245	Investment and interest revenue received		1,614	1,492
42,088	Grants and contributions		31,051	28,834
–	Bonds, deposits and retention amounts received		–	74
2,107	Other		7,137	2,935
Payments:				
(22,354)	Employee benefits and on-costs		(20,389)	(19,431)
(9,520)	Materials and contracts		(13,452)	(17,812)
(1,226)	Borrowing costs		(1,207)	(1,277)
–	Bonds, deposits and retention amounts refunded		(5)	–
(6,331)	Other		(9,225)	(6,998)
44,112	Net cash provided (or used in) operating activities	11b	38,333	34,045
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		89,600	72,900
–	Sale of real estate assets		–	150
609	Sale of infrastructure, property, plant and equipment		611	291
–	Deferred debtors receipts		120	60
Payments:				
–	Purchase of investment securities		(96,600)	(88,650)
(46,887)	Purchase of infrastructure, property, plant and equipment		(30,693)	(25,777)
(46,278)	Net cash provided (or used in) investing activities		(36,962)	(41,026)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(1,413)	Repayment of borrowings and advances		(1,409)	(1,332)
(1,413)	Net cash flow provided (used in) financing activities		(1,409)	(1,332)
(3,579)	Net increase/(decrease) in cash and cash equivalents		(38)	(8,313)
11,049	Plus: cash and cash equivalents – beginning of year	11a	1,581	9,894
7,470	Cash and cash equivalents – end of the year	11a	1,543	1,581
Additional Information:				
	plus: Investments on hand – end of year	6b	53,300	46,300
	Total cash, cash equivalents and investments		54,843	47,881

Please refer to Note 11 for additional cash flow information

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, 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)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

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

(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 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

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

The following entities have been included as part of the consolidated fund:

- *General Purpose Operations*
- *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 that 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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

Unconsolidated structured entities

Unconsolidated structured entities represent 'special vehicles' that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities.

Detailed information relating to Council's interest in unconsolidated structured entities can be found at Note 19 (d).

(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.

(e) Cash and Cash Equivalents

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

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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 or intention for which the investment was acquired and 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 and/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 and receivables' classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

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

Council may also choose to reclassify financial assets that would meet the definition of loans and

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

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

(iii) Types of investments

Council has an approved Investment Policy in order to invest 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.

(g) Fair value estimation – financial instruments

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

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 and 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 that are known to be uncollectible are written off in accordance with Council's policy.

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

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(i) Inventories

(i) 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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) Land held for resale/capitalisation of borrowing costs

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

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

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

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

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

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Operational Land** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)

- **Buildings – Specialised/Non Specialised**
(External Valuation)

- **Other Structures**
(Internal valuation)

- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)

- **Bulk Earthworks** (Internal Valuation)

- **Stormwater Drainage** (Internal Valuation)

- **Water and Sewerage Networks**
(Internal Valuation)

- **Swimming Pools**
(Internal Valuation)

- **Other Open Space/Recreational Assets**
(Internal Valuation)

- **Other Infrastructure**
(Internal Valuation)

- **Other Assets**
(as approximated by depreciated historical cost)

- **Investment Properties** – refer Note 1(p),

Initial recognition

On initial recognition, an asset's 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 (i.e. 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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 and equipment:

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

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 asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

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

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

Capitalisation thresholds

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

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

Plant and Equipment	
Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant and Equipment	> \$2,000

Buildings and Land Improvements	
Park Furniture and Equipment	> \$2,000

Building	
- construction/extensions	100% Capitalised
- renovations	> \$5,000
Other Structures	> \$2,000

Water and Sewer Assets	
Reticulation extensions	> \$10,000
Other	> \$10,000

Stormwater Assets	
Drains and Culverts	> \$2,000
Other	> \$2,000

Transport Assets	
Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs	> \$10,000
Bridge construction and reconstruction	> \$10,000

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

Depreciation

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

Land is not depreciated.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Plant and 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

Water and 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

Stormwater Assets

- Drains	80 years
- Culverts	80 years

Transportation Assets

- Sealed Roads : Surface	10 to 25 years
- Sealed Roads : Structure	75 to 130 years
- Unsealed roads	9 to 25 years
- Bridge : Concrete	80 to 117 years
- Bridge : Other	80 to 130 years
- Kerb, Gutter and Paths	60 to 75 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	80 - 150 years
- Other Open Space/ Recreational Assets	3 to 80 years
- Other Infrastructure	3 to 100 years

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

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

Disposal and derecognition

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

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

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

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

(l) Land under roads

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

Council has elected 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 services, direct payroll and payroll-related costs of employees' time spent on the project.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 to 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 and/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 3 years.

The last full revaluation for Council's investment properties was dated 30 June 2015.

(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 that 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, e.g. 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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

(r) Non-current assets (or disposal groups) 'held for sale' and 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 Council 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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

(s) Impairment of assets

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

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

Goodwill and 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 that 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.

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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 wholly settled within the 12 months after the reporting period.

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

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

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

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

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

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

period) are recognised in the provision for employee benefits.

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of 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,

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

experience of employee departures and periods of service.

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

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

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

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 411,176.

The amount of additional contributions included in the total employer contribution advised above is \$198,081.

It is estimated Council's participation in the Scheme compared with other participating entries is less than 1%. Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(y) Self-insurance

Council does not self-insure.

(z) Allocation between current and non-current assets and 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 it is not expected to be settled within the next 12 months.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 and 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, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that 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 Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not

mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

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

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

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

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

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

Council is yet to undertake a detailed assessment of the impact of AASB 9.

AASB 15 – Revenue from Contracts with Customers and associated amending standards

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

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

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

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

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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 year ended 30 June 2016

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
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	79	79	74	489	377	407	(410)	(298)	(333)	4	2	–	642
Looking after our community	4,658	4,119	4,116	13,391	12,515	12,390	(8,733)	(8,396)	(8,274)	2,614	2,313	74,183	66,407
Protecting our natural environment	16,908	16,306	15,650	16,929	16,266	16,492	(21)	40	(842)	1,400	714	143,533	143,638
Building a strong local economy	872	840	1,992	1,176	1,178	1,255	(304)	(338)	737	107	969	16,500	16,500
Connecting the region	28,892	23,554	22,381	14,761	26,829	21,864	14,131	(3,275)	517	9,929	7,617	589,927	588,845
Good government	8,853	8,157	9,383	9,962	9,141	7,843	(1,109)	(984)	1,540	145	199	90,943	78,483
Total functions and activities	60,262	53,055	53,596	56,708	66,306	60,251	3,554	(13,251)	(6,655)	14,199	11,814	915,086	894,515
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	23,281	23,687	23,265	–	–	–	23,281	23,687	23,265	6,114	6,188	–	–
Operating result from continuing operations	83,543	76,742	76,861	56,708	66,306	60,251	26,835	10,436	16,610	20,313	18,002	915,086	894,515

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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:

As a result of moving to the Integrated Planning & Reporting framework from 1 July 2012, Council now reports on its activities under the 5 broad themes set out below (Governance forms part of the Good Government theme). Prior year actuals have been restated to correspond to the new Themes.

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.

LOOKING AFTER OUR COMMUNITY

Fire protection, animal control, public order & safety, emergency services, food control, health, community services, family day care, childcare, youth services, aged & disabled services, housing, town planning, public cemeteries, public toilets, libraries, museums, community centres, public halls, swimming pools, sporting grounds, parks & gardens, building control, and urban streetscaping.

PROTECTING OUR NATURAL ENVIRONMENT

Noxious plants, domestic waste management, other solid waste management, street cleaning, stormwater drainage, environmental protection, water supply, sewerage services.

BUILDING A STRONG LOCAL ECONOMY

Caravan parks, tourism & area promotions, industrial development, saleyards, real estate development.

CONNECTING THE REGION

Urban roads local, urban roads regional, sealed rural roads local, sealed rural roads regional, unsealed rural roads local, unsealed rural roads regional, bridges, footpaths & cycleways, aerodromes, car parking areas, state roads, street lighting.

GOOD GOVERNMENT

Corporate support, Mid-Western Operations, plant operations, private works, general purpose revenue, developer contributions.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		8,821	8,534
Farmland		4,450	4,412
Mining		2,084	1,975
Business		1,250	1,241
Total ordinary rates		16,605	16,162
Special rates			
Hunter Valley catchment special rate		18	15
Total special rates		18	15
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,188	1,116
Water supply services		1,265	1,199
Sewerage services		5,112	4,689
Waste management services (non-domestic)		2,536	2,410
Total annual charges		10,101	9,414
TOTAL RATES AND ANNUAL CHARGES		26,724	25,591

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific ‘actual use’ charges)			
Water supply services		4,837	4,737
Sewerage services		691	651
Other		1	7
Total user charges		5,529	5,395
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		731	799
Private works – section 67		516	168
Total fees and charges – statutory/regulatory		1,247	967
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		74	80
Aged care		186	192
Cemeteries		270	238
Childrens services		133	129
Leaseback fees – Council vehicles		62	59
Parks and sports grounds		133	96
RMS (formerly RTA) charges (state roads not controlled by Council)		6,460	9,531
Saleyards		299	376
Swimming centres		164	152
Waste depot		938	781
Waste water services		38	63
Water connection fees		99	127
Other		2	4
Total fees and charges – other		8,858	11,828
TOTAL USER CHARGES AND FEES		15,634	18,190

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		90	122
– Interest earned on investments (interest and coupon payment income)		1,645	1,499
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,735</u>	<u>1,621</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		90	122
General Council cash and investments		1,001	793
Restricted investments/funds – external:			
Development contributions			
– Section 94		80	109
– Section 64		106	144
Water fund operations		232	143
Sewerage fund operations		216	189
Domestic waste management operations		10	121
<u>Total interest and investment revenue recognised</u>		<u>1,735</u>	<u>1,621</u>
(d) Other revenues			
Rental income – other council properties		1,017	947
Fines		97	102
Legal fees recovery – rates and charges (extra charges)		137	138
Legal fees recovery – other		–	58
Commissions and agency fees		7	13
Diesel rebate		185	199
Insurance claim recoveries		102	369
Recycling income (non-domestic)		309	439
Sales – general		52	92
Sales – ironed out		44	36
Sales – Kandos Centennial		–	31
Sales – libraries conference		–	145
Sales – Mudgee town hall cinema		67	64
Sales - events		34	3
Other		78	154
<u>TOTAL OTHER REVENUE</u>		<u>2,129</u>	<u>2,790</u>

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	3,705	3,753	–	–
Financial assistance – local roads component	2,213	2,239	–	–
Pensioners' rates subsidies – general component	196	196	–	–
Total general purpose	6,114	6,188	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	62	54	–	–
– Sewerage	57	59	–	–
– Domestic waste management	72	78	–	–
Sewerage services	–	–	44	100
Aerodromes	–	34	435	1,531
Aged care	900	930	–	–
Bushfire and emergency services	594	607	1	25
Childrens services	780	743	109	812
Employment and training programs	49	13	–	–
Environmental programs	3	23	–	–
Heritage and cultural	4	7	–	–
Library	91	91	–	–
LIRS subsidy	137	152	–	–
Noxious weeds	134	108	–	–
Other waste management	–	–	–	71
Recreation and culture	–	–	446	139
Strategic planning	–	23	–	–
Street lighting	34	34	–	–
Transport (roads to recovery)	3,008	1,056	–	–
Transport (other roads and bridges funding)	–	–	6,719	4,962
Youth services	1	2	–	–
Waste management	513	–	–	–
Other	6	–	–	160
Total specific purpose	6,445	4,014	7,754	7,800
Total grants	12,559	10,202	7,754	7,800
Grant revenue is attributable to:				
– Commonwealth funding	10,245	8,265	–	3
– State funding	2,314	1,937	7,748	7,797
– Other funding	–	–	6	–
	12,559	10,202	7,754	7,800

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	572	574
S 94 – contributions towards amenities/services	–	–	721	1,208
S 94A – fixed development consent levies	–	–	37	75
S 64 – water supply contributions	–	–	481	1,193
S 64 – sewerage service contributions	–	–	180	601
Total developer contributions	17	–	1,991	3,651
Other contributions:				
Aerodromes	–	75	–	–
Community services	–	–	–	1
Occupational health and safety	64	83	–	–
Recreation and culture	–	–	7	9
Risk management	33	39	–	–
Roads and bridges	631	689	2,649	3,439
RMS contributions (regional roads, block grant)	2,357	2,329	2,459	316
Other	13	24	3	12
Total other contributions	3,098	3,239	5,118	3,777
Total contributions	3,098	3,239	7,109	7,428
TOTAL GRANTS AND CONTRIBUTIONS	15,657	13,441	14,863	15,228

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to grants and contributions

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

Unexpended at the close of the previous reporting period	12,260	9,494
Add: grants and contributions recognised in the current period but not yet spent:	3,266	4,146
Less: grants and contributions recognised in a previous reporting period now spent:	(2,593)	(1,380)

Net increase (decrease) in restricted assets during the period	673	2,766
Unexpended and held as restricted assets	12,933	12,260

Comprising:

– Specific purpose unexpended grants	1,406	478
– Developer contributions	11,226	11,589
– Other contributions	301	193
	12,933	12,260

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		17,032	16,401
Employee termination costs (where material – other than vested leave paid)		260	255
Travel expenses		5	6
Employee leave entitlements (ELE)		3,777	3,363
Superannuation – defined contribution plans		1,670	1,561
Superannuation – defined benefit plans		411	416
Workers' compensation insurance		454	530
Fringe benefit tax (FBT)		160	137
Payroll tax		104	90
Training costs (other than salaries and wages)		302	267
Protective clothing		90	82
Recruitment costs		23	48
Other		26	40
Total employee costs		24,314	23,196
Less: capitalised costs		(3,860)	(3,168)
TOTAL EMPLOYEE COSTS EXPENSED		20,454	20,028
Number of 'full-time equivalent' employees (FTE) at year end		299	300
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		313	306
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,188	1,267
Interest on advances		–	1
Total interest bearing liability costs expensed		1,188	1,268
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	16	22
Total other borrowing costs		16	22
TOTAL BORROWING COSTS EXPENSED		1,204	1,290

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		3,868	4,950
Contractor and consultancy costs		4,205	4,553
– Plant hire wet		1,336	1,564
– Road sealing contract		669	1,005
– Tourism contract		377	368
– Labour contracts		647	367
Auditors remuneration ⁽¹⁾		56	56
Legal expenses:			
– Legal expenses: planning and development		18	31
– Legal expenses: debt recovery		137	140
– Legal expenses: other		105	119
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		340	337
– Operating lease rentals: contingent rentals ⁽²⁾		14	7
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>11,772</u>	<u>13,497</u>
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		55	55
Remuneration for audit and other assurance services		<u>55</u>	<u>55</u>
(ii) Other services			
– Remuneration advice		1	1
Remuneration for other services		<u>1</u>	<u>1</u>
Total Auditor remuneration		<u>56</u>	<u>56</u>
2. Operating lease payments are attributable to:			
Buildings		52	51
Computers		248	214
Motor vehicles		54	75
		<u>354</u>	<u>340</u>

Mid-Western Regional Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		—	—	1,927	1,837
Office equipment		—	—	8	8
Furniture and fittings		—	—	60	60
Land improvements (depreciable)		—	—	7	13
Infrastructure:					
– Buildings – non-specialised		—	164	891	921
– Buildings – specialised		8	—	1,009	997
– Other structures		—	—	330	324
– Roads		—	—	9,133	6,787
– Bridges		—	34	1,090	656
– Footpaths		—	—	119	152
– Stormwater drainage		—	—	222	157
– Water supply network		—	726	1,617	1,580
– Sewerage network		—	—	1,798	1,807
– Swimming pools		—	—	160	151
– Other open space/recreational assets		—	—	497	338
Other assets					
– Library books		—	—	84	85
Asset reinstatement costs	9 & 26	—	—	104	56
Intangible assets	25	—	—	150	149
Total depreciation and impairment costs		8	924	19,206	16,078
Less: IPP&E impairments (to)/from equity	9a	(8)	(924)	—	—
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		—	—	19,206	16,078

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Advertising		83	101
Bad and doubtful debts		28	115
Bank charges		98	99
Computer software charges		664	602
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		39	33
– NSW Fire Brigade levy		53	51
– NSW Rural Fire Service levy		475	471
– Other contributions/levies		167	154
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors' fees		99	96
Councillors' expenses (incl. mayor) – other (excluding fees above)		16	31
Donations, contributions and assistance		302	361
– Housing plus crisis accomodation		85	–
– Lifeskills		–	28
– Kandos Bicentennial Industrial Museum Incorporated Association		80	–
– Pelican airline air service		254	210
Electricity and heating		1,041	1,298
Family day care centre		667	639
Insurance		1,031	950
Postage		98	78
Printing and stationery		136	152
Street lighting		294	296
Subscriptions and publications		127	101
Telephone and communications		250	239
<u>TOTAL OTHER EXPENSES</u>		<u>6,111</u>	<u>6,128</u>

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		167	–
Less: carrying amount of property assets sold/written off		(32)	–
Net gain/(loss) on disposal		135	–
Plant and equipment			
Proceeds from disposal – plant and equipment		444	291
Less: carrying amount of plant and equipment assets sold/written off		(641)	(449)
Net gain/(loss) on disposal		(197)	(158)
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(7,497)	(3,070)
Net gain/(loss) on disposal		(7,497)	(3,070)
Real estate assets held for sale			
Proceeds from disposal – real estate assets		–	150
Less: carrying amount of real estate assets sold/written off		–	(152)
Net gain/(loss) on disposal		–	(2)
Financial assets *			
Proceeds from disposal/redemptions/maturities – financial assets		89,600	72,900
Less: carrying amount of financial assets sold/redeemed/matured		(89,600)	(72,900)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(7,559)	(3,230)

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		45	–	20	–
Cash-equivalent assets ¹					
– Deposits at call		1,498	–	1,561	–
Total cash and cash equivalents		1,543	–	1,581	–
Investments (Note 6b)					
– Long term deposits		53,300	–	46,300	–
Total investments		53,300	–	46,300	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		54,843	–	47,881	–

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'		1,543	–	1,581	–
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Investments

a. 'Held to maturity'	6(b-i)	53,300	–	46,300	–
Investments		53,300	–	46,300	–

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at the beginning of the year		46,300	–	30,550	–
Additions		96,600	–	88,650	–
Disposals (sales and redemptions)		(89,600)	–	(72,900)	–
Balance at end of year		53,300	–	46,300	–

Comprising:

– Long term deposits		53,300	–	46,300	–
Total		53,300	–	46,300	–

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	54,843	–	47,881	–
attributable to:				
External restrictions (refer below)	33,428	–	30,266	–
Internal restrictions (refer below)	8,980	–	8,202	–
Unrestricted	12,435	–	9,413	–
	54,843	–	47,881	–

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Trust deposits	1,008	347	(352)	1,003
External restrictions – included in liabilities	1,008	347	(352)	1,003

External restrictions – other

Developer contributions – general (D)	5,061	2,177	(2,196)	5,042
Developer contributions – water fund (D)	4,491	–	(235)	4,256
Developer contributions – sewer fund (D)	2,037	–	(109)	1,928
Other contributions (E)	193	108	–	301
Specific purpose unexpended grants (F)	670	735	–	1,405
Specific purpose unexpended grants-water fund (F)	1	–	–	1
Water supplies (G)	5,370	986	–	6,356
Sewerage services (G)	6,405	442	–	6,847
Domestic waste management (G)	4,130	420	–	4,550
Bequest – Simpkins park	98	2	–	100
Bequest – Kandos museum	33	1	–	34
Community services	207	54	(65)	196
Community tenancy scheme	64	62	(30)	96
Family day care	91	19	–	110
Ulan road strategy	407	796	–	1,203
External restrictions – other	29,258	5,802	(2,635)	32,425
Total external restrictions	30,266	6,149	(2,987)	33,428

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

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

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

G Water, sewerage, domestic waste management (DWM) and 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 year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,045	3,119	(2,551)	2,613
Employees leave entitlement	2,295	–	–	2,295
Airport development	(234)	234	–	–
Asset replacement	1,439	1,166	(949)	1,656
Capital program	871	700	(791)	780
Community plan	313	–	(280)	33
Community services (Rylstone)	6	–	–	6
Council elections	195	60	–	255
Emergency disaster	200	–	–	200
Future fund	200	300	–	500
Land development	633	260	(480)	413
Saleyards	39	–	(10)	29
State roads warranty	200	–	–	200
Total internal restrictions	8,202	5,839	(5,061)	8,980
TOTAL RESTRICTIONS	38,468	11,988	(8,048)	42,408

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		827	—	800	—
Interest and extra charges		167	—	182	—
User charges and fees		2,793	—	2,456	—
Contributions to works		13	—	2,458	—
Accrued revenues					
– Interest on investments		482	—	345	—
Deferred debtors		—	—	60	60
Government grants and subsidies		2,272	—	1,949	—
Net GST receivable		554	—	298	—
Other debtors		76	—	72	—
Total		7,184	—	8,620	60
Less: provision for impairment					
Rates and annual charges		(62)	—	(59)	—
Interest and extra charges		(5)	—	(4)	—
User charges and fees		(38)	—	(44)	—
Total provision for impairment – receivables		(105)	—	(107)	—
<u>TOTAL NET RECEIVABLES</u>		<u>7,079</u>	<u>—</u>	<u>8,513</u>	<u>60</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		34	—	30	—
– Other		1,186	—	1,008	—
Sewerage services					
– Specific purpose grants		435	—	425	—
– Rates and availability charges		144	—	125	—
– Other		164	—	146	—
Domestic waste management		250	—	124	—
General fund specific purpose grants		1,826	—	1,628	—
Contributions to works		13	—	2,458	—
Total external restrictions		4,052	—	5,944	—
Internally restricted receivables					
Plant Replacement Reserve		33	—	—	—
Internally restricted receivables		33	—	—	—
Unrestricted receivables		2,994	—	2,569	60
TOTAL NET RECEIVABLES		7,079	—	8,513	60

Notes on debtors above:

- Rates and annual charges outstanding are secured against the property.
- 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.
- Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- 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 year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		730	–	768	–
Gravel stockpile		350	–	359	–
Total inventories at cost		1,080	–	1,127	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		1,080	–	1,127	–
(b) Other assets					
Prepayments		11	–	59	–
TOTAL OTHER ASSETS		11	–	59	–
Externally restricted assets					
Water					
Stores and materials		200	–	243	–
Total water		200	–	243	–
Sewerage					
Stores and materials		22	–	16	–
Total sewerage		22	–	16	–
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		222	–	259	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		869	–	927	–
TOTAL INVENTORIES AND OTHER ASSETS		1,091	–	1,186	–

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 8. Inventories and other assets (continued)

\$ '000

Other disclosures

	2016	2015
(a) Inventories recognised as an expense for the year included:		
– Real estate for resale	–	152
– Stores and materials	2,001	2,127

(b) Inventory adjustments

\$15,045 write up of inventory balances offset against raw materials and consumables expenses during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Mid-Western Regional Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period											as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	WIP transfers	Other movements	Other movements	Other movements	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment															depreciation	impairment	
Capital work in progress	7,867	–	–	–	7,867	15,002	–	–	–	–	–	(4,752)	(160)	6	–	–	17,963	–	–	–	17,963
Plant and equipment	–	28,188	12,235	–	15,953	3,336	–	–	(641)	(1,927)	–	–	–	–	1	–	–	29,737	13,015	–	16,722
Office equipment	–	2,775	2,731	–	44	–	22	–	–	(8)	–	–	–	–	(3)	313	–	3,314	2,946	–	368
Furniture and fittings	–	720	481	–	239	–	42	–	–	(60)	–	–	–	–	4	–	–	762	537	–	225
Land:																					
– Operational land	–	30,242	–	–	30,242	–	1,558	–	–	–	–	–	(80)	–	–	–	–	31,720	–	–	31,720
– Community land	–	10,924	–	–	10,924	–	–	–	(32)	–	–	–	–	–	–	5,602	–	16,494	–	–	16,494
– Land under roads (post 30/6/08)	–	1,302	–	–	1,302	–	–	–	–	–	–	–	–	–	–	–	–	1,302	–	–	1,302
Land improvements – non-depreciable	–	1,444	–	–	1,444	–	–	–	–	–	–	–	–	–	–	–	–	1,444	–	–	1,444
Land improvements – depreciable	–	493	260	–	233	–	7	–	–	(7)	–	–	–	–	–	–	–	500	267	–	233
Infrastructure:																					
– Buildings – non-specialised	–	41,800	17,431	164	24,205	34	3	–	–	(891)	–	722	–	–	(1)	–	–	42,559	18,323	164	24,072
– Buildings – specialised	–	42,799	16,360	–	26,439	107	626	20	(4)	(1,009)	(8)	15	–	–	1	–	–	43,500	17,313	–	26,187
– Other structures	–	10,342	3,509	160	6,673	72	134	–	(112)	(330)	–	–	(693)	–	(5)	531	–	8,548	2,278	–	6,270
– Roads	–	360,308	143,576	1,175	215,557	6,489	156	–	(7,214)	(9,133)	–	3,249	(1,167)	(18)	1	–	–	356,308	147,213	1,175	207,920
– Bridges	–	102,662	46,591	34	56,037	1,528	39	–	(19)	(1,090)	–	367	–	–	–	–	–	102,734	45,838	34	56,862
– Footpaths	–	7,920	3,487	–	4,433	10	131	–	(1)	(119)	–	–	–	–	–	–	–	8,059	3,605	–	4,454
– Bulk earthworks (non-depreciable)	–	279,035	–	–	279,035	–	57	–	(53)	–	–	–	1,878	–	(1)	–	–	280,916	–	–	280,916
– Stormwater drainage	–	27,155	9,781	–	17,374	–	–	–	–	(222)	–	–	–	–	(2)	–	–	27,155	10,005	–	17,150
– Water supply network	–	104,891	44,093	726	60,072	770	85	–	(75)	(1,617)	–	12	–	–	–	891	–	107,105	46,241	726	60,138
– Sewerage network	–	100,430	34,525	–	65,905	468	67	–	(16)	(1,798)	–	387	–	–	1	968	–	102,393	36,411	–	65,982
– Swimming pools	–	5,028	1,728	–	3,300	14	36	–	–	(160)	–	–	–	–	1	1,354	–	9,267	4,722	–	4,545
– Other open space/recreational assets	–	13,247	5,014	–	8,233	78	531	–	(3)	(497)	–	–	–	–	(2)	1,271	–	12,691	3,080	–	9,611
Other assets:																					
– Library books	–	2,410	1,825	–	585	–	67	–	–	(84)	–	–	–	–	(1)	205	–	2,094	1,322	–	772
Reinstatement, rehabilitation and restoration assets (refer Note 26):																					
– Tip assets	–	891	602	–	289	–	–	–	–	(41)	–	–	15	–	1	–	–	907	643	–	264
– Quarry assets	–	200	119	–	81	–	–	–	–	(63)	–	–	118	–	–	–	–	318	182	–	136
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	7,867	1,175,206	344,348	2,259	836,466	27,908	3,561	20	(8,170)	(19,056)	(8)	–	(89)	(12)	(5)	11,135	17,963	1,189,827	353,941	2,099	851,750

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Mid-Western Regional Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	1,322	—	—	1,322	83	—	—	83
Land								
– Operational land	—	1,068	—	1,068	—	1,097	—	1,097
– Community land	—	974	—	974	—	845	—	845
Buildings	—	38	11	27	—	38	10	28
Infrastructure	—	107,105	46,967	60,138	—	104,891	44,820	60,071
Total water supply	1,322	109,185	46,978	63,529	83	106,871	44,830	62,124
Sewerage services								
WIP	2,437	—	—	2,437	1,825	—	—	1,825
Land								
– Operational land	—	946	—	946	—	946	—	946
– Community land	—	894	—	894	—	521	—	521
Buildings	—	763	255	508	—	763	240	523
Other structures	—	—	—	—	—	823	56	767
Infrastructure	—	103,201	36,512	66,689	—	100,431	34,526	65,905
Total sewerage services	2,437	105,804	36,767	71,474	1,825	103,484	34,822	70,487
Domestic waste management								
WIP	690	—	—	690	211	—	—	211
Plant and equipment	—	640	402	238	—	1,229	791	438
Land								
– Operational land	—	1,480	—	1,480	—	1,480	—	1,480
– Community land	—	435	—	435	—	274	—	274
– Improvements - depreciable	—	292	236	56	—	292	234	58
Buildings	—	1,284	599	685	—	1,284	561	723
Other structures	—	2,852	550	2,302	—	3,239	1,529	1,710
Infrastructure	—	1,441	686	755	—	523	42	481
Other assets	—	—	—	—	—	11	—	11
Total DWM	690	8,424	2,473	6,641	211	8,332	3,157	5,386
TOTAL RESTRICTED I,PP&E	4,449	223,413	86,218	141,644	2,119	218,687	82,809	137,997

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 9c. Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	Actual 2016	Actual 2015
Impairment losses recognised direct to equity (ARR):			
– Grandstand at Mudgee showground is structurally unsound.		–	(164)
– Butterfactory bridge subject to load and speed restrictions. Due for replacement in 2016.		–	(14)
– Stoney Creek bridge subject to load and speed restrictions. Due for replacement in 2016.		–	(9)
– Green Gully Truss Bridge subject to load and speed restrictions. Due for replacement in 2016.		–	(11)
– Mudgee water treatment plant clarifying tank subsidence		–	(500)
– Church street water reservoir has vertical leak		–	(223)
– Charbon water reservoir has minor leak		–	(3)
– Cahill Park Amenity Building Roof was damaged by storm		(8)	–
Total impairment losses		(8)	(924)
<u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u>	20 (ii)	<u>(8)</u>	<u>(924)</u>

Refer to Note 9(a) for Impairment Restoration Works totalling \$20K undertaken this year relating to current year or prior year Impairments.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		2,164	–	2,821	–
Goods and services – capital expenditure		2,797	–	2,043	–
Payments received In advance		762	–	679	–
Accrued expenses:					
– Borrowings		195	–	210	–
– Salaries and wages		2	–	518	–
Security bonds, deposits and retentions		1,003	–	1,008	–
Other		44	–	44	–
Total payables		6,967	–	7,323	–
Borrowings					
Loans – secured ¹		1,497	16,257	1,405	17,754
Government advances		6	–	5	5
Total borrowings		1,503	16,257	1,410	17,759
Provisions					
Employee benefits:					
Annual leave		1,488	–	1,298	–
Sick leave		1,304	–	1,248	–
Long service leave		3,372	496	3,060	400
Sub-total – aggregate employee benefits		6,164	496	5,606	400
Asset remediation/restoration (future works)	26	159	959	177	822
Total provisions		6,323	1,455	5,783	1,222
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>					
		14,793	17,712	14,516	18,981
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		898	2,676	738	3,096
Sewer		1,079	8,912	860	9,262
Domestic waste management		407	800	368	706
Trust deposits		1,003	–	1,008	–
Liabilities relating to externally restricted assets		3,387	12,388	2,974	13,064
Internally restricted assets					
Employee leave entitlements		2,295	–	2,295	–
Community Plan		–	–	280	–
Liabilities relating to internally restricted assets		2,295	–	2,575	–
Total liabilities relating to restricted assets		5,682	12,388	5,549	13,064
Total liabilities relating to unrestricted assets		9,111	5,324	8,967	5,917
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		14,793	17,712	14,516	18,981

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions (continued)

	Actual 2016	Actual 2015
\$ '000		

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	4,638	4,558
	4,638	4,558

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	1,298	1,462	(1,272)	–	–	1,488
Sick leave	1,248	87	(104)	73	–	1,304
Long service leave	3,460	583	(410)	235	–	3,868
Asset remediation	999	154	(31)	(4)	–	1,118
TOTAL	7,005	2,286	(1,817)	304	–	7,778

- Employees leave entitlements and 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.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	1,543	1,581
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		1,543	1,581
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		10,436	16,610
Adjust for non-cash items:			
Depreciation and amortisation		19,206	16,078
Net losses/(gains) on disposal of assets		7,559	3,230
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Other		–	–
Unwinding of discount rates on reinstatement provisions		12	28
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,376	(1,470)
Increase/(decrease) in provision for doubtful debts		(2)	(8)
Decrease/(increase) in inventories		47	(125)
Decrease/(increase) in other assets		48	(48)
Increase/(decrease) in payables		(657)	(465)
Increase/(decrease) in accrued interest payable		(15)	(15)
Increase/(decrease) in other accrued expenses payable		(516)	66
Increase/(decrease) in other liabilities		78	219
Increase/(decrease) in employee leave entitlements		654	399
Increase/(decrease) in other provisions		107	(454)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		38,333	34,045

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		700	700
Credit cards/purchase cards		172	200
Operating lease facilitiy		600	600
Total financing arrangements		1,472	1,500
Amounts utilised as at balance date:			
– Credit cards/purchase cards		6	1
– Operating lease facilitiy		544	272
Total financing arrangements utilised		550	273

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 and 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 year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		9	225
Plant and equipment		1,014	175
Other structures		11	–
Drainage		170	316
Other assets		–	3
Recreational facilities		35	6
Roads and transport		945	992
Sewerage network		244	451
Water supply network		25	1
Land development		66	32
Cemeteries		–	14
Waste assets		58	10
Total commitments		2,577	2,225
These expenditures are payable as follows:			
Within the next year		2,577	2,225
Total payable		2,577	2,225
Sources for funding of capital commitments:			
Unrestricted general funds		108	70
Future grants and contributions		923	985
Sect 64 and 94 funds/reserves		8	26
Externally restricted reserves		303	450
Internally restricted reserves		1,235	694
Total sources of funding		2,577	2,225

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:			
Within the next year		235	156
Later than one year and not later than 5 years		280	78
Later than 5 years		–	–
Total non-cancellable operating lease commitments		515	234

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

Motor vehicles, computers and other office equipment.

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

Conditions relating to operating leases:

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

(d) Investment property commitments

Nil

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3,132	5.06%	7.48%	-6.84%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	61,879			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	46,222	60.23%	62.70%	68.44%
Total continuing operating revenue ⁽¹⁾	76,742			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	25,311	3.66x	2.98x	3.43x
Current liabilities less specific purpose liabilities ^(3, 4)	6,921			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	23,542	9.01x	8.38x	4.86x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,613			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	927	3.33%	3.42%	4.07%
Rates, annual and extra charges collectible	27,870			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	54,843	14.40 mths	12.3 mths	11.0 mths
Payments from cash flow of operating and financing activities	3,807			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 5.06%</p> <p>A positive Operating Performance Ratio is largely attributable to increases in revenue streams from RMS Contract Works and savings & efficiencies across operating expenditure.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 60.23%</p> <p>MWRC continues to be very successful in obtaining grants and contributions, with relatively consistent ratio results.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 3.66x</p> <p>MWRC's Unrestricted Current Ratio remains relatively consistent from year to year, and continues to exceed the benchmark of 1.5x.</p>

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)

<div><p>4. Debt service cover ratio</p><table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2013</td><td>3.9</td></tr><tr><td>2014</td><td>4.9</td></tr><tr><td>2015</td><td>8.4</td></tr><tr><td>2016</td><td>9.0</td></tr></table><p>Benchmark: — Minimum ≥ 2.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p></div>	Year	Ratio (x)	2013	3.9	2014	4.9	2015	8.4	2016	9.0	<div><p>Purpose of debt service cover ratio</p><p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p></div>	<div><p>Commentary on 2015/16 result</p><p>2015/16 ratio 9.01x</p><p>Debt servicing costs have remained relatively stable across recent years, however a significant improvement in Operating Result prior to capital items and excluding interest and depreciation has resulted in an improved Debt Service Cover Ratio over the last 2 years.</p><div><div></div>Ratio achieves benchmark</div><div><div></div>Ratio is outside benchmark</div></div>
Year	Ratio (x)											
2013	3.9											
2014	4.9											
2015	8.4											
2016	9.0											
<div><p>5. Rates, annual charges, interest and extra charges outstanding percentage</p><table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2013</td><td>5%</td></tr><tr><td>2014</td><td>4%</td></tr><tr><td>2015</td><td>3%</td></tr><tr><td>2016</td><td>3%</td></tr></table><p>Benchmark: — Maximum $< 10.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p></div>	Year	Ratio %	2013	5%	2014	4%	2015	3%	2016	3%	<div><p>Purpose of rates and annual charges outstanding ratio</p><p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p></div>	<div><p>Commentary on 2015/16 result</p><p>2015/16 ratio 3.33%</p><p>MWRC continues to implement effective controls over the collection of outstanding Rates, Annual Charges, Interest and Extra Charges.</p><div><div></div>Ratio is within Benchmark</div><div><div></div>Ratio is outside Benchmark</div></div>
Year	Ratio %											
2013	5%											
2014	4%											
2015	3%											
2016	3%											
<div><p>6. Cash expense cover ratio</p><table><tr><th>Year</th><th>Ratio (mths)</th></tr><tr><td>2013</td><td>9.2</td></tr><tr><td>2014</td><td>11.0</td></tr><tr><td>2015</td><td>12.3</td></tr><tr><td>2016</td><td>14.4</td></tr></table><p>Benchmark: — Minimum ≥ 3.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p></div>	Year	Ratio (mths)	2013	9.2	2014	11.0	2015	12.3	2016	14.4	<div><p>Purpose of cash expense cover ratio</p><p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p></div>	<div><p>Commentary on 2015/16 result</p><p>2015/16 ratio 14.40 mths</p><p>MWRC monthly payments from cash flow of operating and financing activities have remained relatively consistent across 2015/16 compared to prior years, however a higher cash and investments portfolio balance has contributed to an improved Cash Expense Cover Ratio.</p><div><div></div>Ratio achieves benchmark</div><div><div></div>Ratio is outside benchmark</div></div>
Year	Ratio (mths)											
2013	9.2											
2014	11.0											
2015	12.3											
2016	14.4											

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	14.47%	-0.74%	4.43%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 7.76%	5.80%	7.64%
2. Own source operating revenue ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	92.72%	95.45%	52.94%
Total continuing operating revenue ⁽¹⁾	prior period: 84.20%	88.05%	57.41%
3. Unrestricted current ratio			
<u>Current assets less all external restrictions⁽²⁾</u>	8.66x	6.65x	3.66x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 9.01x	7.78x	2.98x
4. Debt service cover ratio			
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	4.63x	2.57x	17.27x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 4.27x	2.83x	15.73x
5. Rates, annual charges, interest and extra charges outstanding percentage			
<u>Rates, annual and extra charges outstanding</u>	2.88%	2.52%	3.55%
Rates, annual and extra charges collectible	prior period: 2.70%	2.44%	3.69%
6. Cash expense cover ratio			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	26.86 mths	24.51 mths	11.61 mths
Payments from cash flow of operating and financing activities	prior period: 24.40 mths	27.33 mths	9.27 mths

Notes

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

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

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	1,543	1,581	1,543	1,581
Investments				
– 'Held to maturity'	53,300	46,300	53,300	46,300
– 'Loans and receivables'	–	–	–	–
Receivables	7,079	8,573	7,079	8,573
Total financial assets	61,922	56,454	61,922	56,454
Financial liabilities				
Payables	6,205	6,644	6,205	6,644
Loans/advances	17,760	19,169	19,628	20,550
Total financial liabilities	23,965	25,813	25,833	27,194

Fair value is determined as follows:

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

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 1% movement in interest rates	548	548	(548)	(548)
2015				
Possible impact of a 1% movement in interest rates	479	479	(479)	(479)

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	71%	79%	66%	67%
Overdue	29%	21%	34%	33%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
Current	Current	588	5,010	531	5,248
< 1 year overdue	0 – 30 days overdue	99	972	87	1,301
1 – 2 years overdue	30 – 60 days overdue	61	94	86	448
2 – 5 years overdue	60 – 90 days overdue	76	16	93	671
> 5 years overdue	> 90 days overdue	3	265	3	212
		827	6,357	800	7,880

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	107	115
+ new provisions recognised during the year	47	125
– amounts already provided for and written off this year	(6)	(71)
– amounts provided for but recovered during the year	(43)	(62)
Balance at the end of the year	105	107

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	1,003	5,194	–	–	–	–	–	6,197	6,205
Loans and advances	–	2,614	2,608	2,608	2,826	2,069	13,551	26,276	17,760
Total financial liabilities	1,003	7,808	2,608	2,608	2,826	2,069	13,551	32,473	23,965
2015									
Trade/other payables	1,008	5,636	–	–	–	–	–	6,644	6,644
Loans and advances	–	2,614	2,614	2,608	2,608	2,826	15,619	28,889	19,169
Total financial liabilities	1,008	8,250	2,614	2,608	2,608	2,826	15,619	35,533	25,813

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	6,205	0.00%	6,644	0.00%
Loans and advances – fixed interest rate	17,760	6.60%	19,169	6.60%
	<u>23,965</u>		<u>25,813</u>	

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 17 June 2015.

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

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

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 Variance* -----		
REVENUES					
Rates and annual charges	26,831	26,724	(107)	(0%)	U
User charges and fees	11,272	15,634	4,362	39%	F
Council received an additional \$4.379 million income from RMS works on State Roads compared to Original Budget. The most significant project variations for 2015/16 were Guntawang Widening, Sydney Road Asphalt, Springfield Widening and Heavy Patching.					
Interest and investment revenue	1,245	1,735	490	39%	F
Council earned an additional \$505,000 from interest income compared to Original Budget. Across the financial year, Council's investment portfolio balance was significantly higher than projected in the Original Budget, attributable largely to delayed spending on major capital projects.					
Other revenues	2,107	2,129	22	1%	F
Operating grants and contributions	12,370	15,657	3,287	27%	F
Capital grants and contributions	29,718	14,863	(14,855)	(50%)	U
This unfavourable variation relates largely to the deferral of grant funded work for the Seal Extension Wollar Road. This project required extensive design and environmental studies and therefore a variation of \$10.082 million in grant funding claims are deferred to future years.					

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	22,354	20,454	1,900	8% F
Borrowing costs	1,226	1,204	22	2% F
Materials and contracts	9,520	11,772	(2,252)	(24%) U
Increase in actual expenditure on materials and plant hire is mainly due to additional RMS work on State Roads \$1.853 million beyond Original Budget.				
Depreciation and amortisation	16,276	19,206	(2,930)	(18%) U
The fair value revaluation of Roads, Bridges and Footpaths in 2014/15 has resulted in higher annual depreciation than Original budget of \$2.540 million. The revalued assets depreciation amount was not known at the time of preparing the Original Budget.				
Other expenses	6,331	6,111	220	3% F
Net losses from disposal of assets	1,001	7,559	(6,558)	(655%) U
The unfavourable result from Disposal of Assets is primarily attributable to the scrapping of infrastructure replaced during the course of 2015/16, overbudget by \$6.95 million. A favourable variance resulted from the sale of plant and equipment \$363,000 and proceeds on sale of real estate \$166,000.				

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

Cash flows from operating activities	44,112	38,333	(5,779)	(13.1%) U
Cash receipts from RMS works were \$4.329 million additional to budget, other receipts received for prior year receivable contribution to works \$2.458 million. Cash receipts from Grants and Contributions were less than budget mainly due to deferral of capital grant funded works for Wollar Road Seal Extension \$10.082 million variance. Cash payments are over budget mainly due to additional RMS work on State Roads.				
Cash flows from investing activities	(46,278)	(36,962)	9,316	(20.1%) F
Cash outflows for Capital works were lower than budget by \$13.13 million. This is in the most part due to delayed capital works for Seal Extension Wollar Road \$10 million and Water Fund capital works deferred for development \$4.1 million. Cash outflows were higher than budget by \$7 million due to an increase to the investment portfolio balance.				
Cash flows from financing activities	(1,413)	(1,409)	4	(0.3%) F

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and 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 and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	67	47	–	1	(57)	–	58	–
Open space	1,364	431	–	24	(271)	–	1,548	–
Community facilities	505	62	–	9	(11)	–	565	–
Transport management	1,256	117	–	14	(818)	–	569	–
Car parking	240	–	–	4	–	–	244	–
Administration	283	64	–	5	(1)	–	351	–
Civic improvements	(5)	–	–	–	–	–	(5)	–
S94 contributions – under a plan	3,710	721	–	57	(1,158)	–	3,330	–
S94A levies – under a plan	453	37	–	8	–	–	498	–
Total S94 revenue under plans	4,163	758	–	65	(1,158)	–	3,828	–
S93F planning agreements	891	572	–	15	(264)	–	1,214	
S64 contributions	6,535	661	–	106	(1,118)	–	6,184	
Total contributions	11,589	1,991	–	186	(2,540)	–	11,226	–

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	67	47	–	1	(57)	–	58	–
Open space	1,364	431	–	24	(271)	–	1,548	–
Community facilities	505	62	–	9	(11)	–	565	–
Transport management	1,256	117	–	14	(818)	–	569	–
Car parking	240	–	–	4	–	–	244	–
Administration	283	64	–	5	(1)	–	351	–
Civic improvements	(5)	–	–	–	–	–	(5)	–
Total	3,710	721	–	57	(1,158)	–	3,330	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Transport management	453	37	–	8	–	–	498	–
Total	453	37	–	8	–	–	498	–

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(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 year ended 30 June 2016

Note 18. Contingencies and 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 Council's intention to spend funds in the manner and timing set out in those plans.

ASSETS NOT RECOGNISED:

(i) 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.

(ii) Bank Guarantees

Council holds a number of bank guarantees to the value of \$604,821. 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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

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

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

(c) Joint operations

Council has no interest in any joint operations.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(d) Unconsolidated structured entities

Council did not consolidate the following structured entities:

1. Mudgee Region Tourism Inc

Mudgee Region Tourism Inc (MRTI) is a not-for-profit independent incorporated tourism body funded by the Mid-Western Region Council and its members. Our region encompasses the towns of Mudgee, Gulgong, Rylstone and Kandos (and small villages in between).

Nature of risks relating to the Unconsolidated Structured Entity

Council and MRTI hold a three year contract, from 1 July 2013 to 30 June 2016 whereby Council will contribute a set monthly amount. Members of MRTI also provide financial support through membership payments.

Losses of the entity would be borne by the entity or its members, with no set agreement in place for Council to fund losses.

	2016	2015
Losses (or expenses) incurred by Council relating to the Structured Entity	382,412	372,451
Income received by Council relating to the Structured Entity		
– Rental income – other Council properties	464	456

Current intention to provide financial support

The current intention is to continue to support MRTI with monthly contributions to promote tourism within the LGA. MRTI currently have a 12 month contract with Council, to provide tourism services.

2. Fly Pelican

Fly Pelican is a regional airline and aircraft charter company based in Newcastle on the east coast of Australia operating a fleet of 19 seat British Aerospace Jetstream 32 aircraft. Currently operating regular scheduled passengers services between Newcastle and Canberra, Sydney and Mudgee and Newcastle and Sydney.

Nature of risks relating to the Unconsolidated Structured Entity

Council has a contract in place to provide support to Fly Pelican in order to establish an airline service from Mudgee to Sydney. This contract includes initial start up support of \$195,000; monthly support payments of \$15,000 per month for 12 months; provision of ground handling staff; marketing and advertising (in-house) and waiver of landing fees for 12 months.

Losses of the company would be borne by Fly Pelican and there is no agreement in place to provide additional support or cover any amount of loss from providing the airline service from Mudgee. There is a risk that the company will fail or the service will cease to be profitable, but if this occurs contributions to the service from Council would cease.

	2016	2015
Losses (or expenses) incurred by Council relating to the Structured Entity	254,231	216,200

Current intention to provide financial support

Council intends to continue to support Fly Pelican through the terms of the contract only, which ceases in June 2017.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		341,899	325,931
a. Net operating result for the year		10,436	16,610
b. Transfers between equity		4,685	–
Balance at end of the reporting period		357,662	342,541

(b) Revaluation reserves

(i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	524,919	518,477
Total	524,919	518,477

(ii) Reconciliation of movements in reserves:

Infrastructure, property, plant and equipment revaluation reserve

– Opening balance		518,477	242,554
– Revaluations for the year	9(a)	11,135	276,205
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	(8)	(924)
– Transfer to retained earnings for asset disposals		(4,685)	–
– Correction of prior period errors	20(c)	–	642
– Balance at end of year		524,919	518,477

TOTAL VALUE OF RESERVES

524,919	518,477
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(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(c) Correction of error/s relating to a previous reporting period

Correction of errors disclosed in this year's financial statements:

Correction of prior year reported values for roads revaluation		
– \$401,000 roads	401	–
– \$241,000 earthworks	241	–

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

(c) Correction of error/s relating to a previous reporting period (continued)

In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.

These amounted to the following equity adjustments:

– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)	–	–
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)	642	–
Total prior period adjustments – prior period errors	642	–

(d) Voluntary changes in accounting policies

Council has previously shown Roads to Recovery grant income as capital income in Note 3 (e), this decision was based on the purpose to which the funds were spent (capital roads). It is more correct to classify income on the purpose to which the funds are received, and Roads to Recovery is not specific to capital works - as such Council has reclassified Roads to Recovery grant income as operating.

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Waste	Water	Sewer	General¹
Income from continuing operations				
Rates and annual charges	3,721	1,259	5,107	16,637
User charges and fees	1,110	5,329	503	8,692
Interest and investment revenue	131	306	248	1,050
Other revenues	333	12	34	1,750
Grants and contributions provided for operating purposes	832	62	57	14,706
Grants and contributions provided for capital purposes	–	481	224	14,158
Net gains from disposal of assets	–	13	–	(13)
Total income from continuing operations	6,127	7,462	6,173	56,980
Expenses from continuing operations				
Employee benefits and on-costs	2,038	1,367	1,160	15,889
Borrowing costs	35	215	619	335
Materials and contracts	1,915	1,089	927	7,841
Depreciation and amortisation	251	1,618	1,858	15,479
Impairment	–	–	–	–
Other expenses	982	1,672	1,416	2,041
Net losses from the disposal of assets	144	–	30	7,385
Share of interests in joint ventures and associates using the equity method	–	–	–	–
Total expenses from continuing operations	5,365	5,961	6,010	48,970
Operating result from continuing operations	762	1,501	163	8,010
Discontinued operations				
Net profit/(loss) from discontinued operations	–	–	–	–
Net operating result for the year	762	1,501	163	8,010
Net operating result attributable to each council fund	762	1,501	163	8,010
Net operating result attributable to non-controlling interests	–	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	762	1,020	(61)	(6,148)

¹ General fund refers to all Council's activities other than Water, Sewer and Waste

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

Mid-Western Regional Council

Notes to the Financial Statements as at 30 June 2016

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016	Actual 2016
	Waste	Water	Sewer	General ¹
ASSETS				
Current assets				
Cash and cash equivalents	–	303	252	988
Investments	4,550	10,310	8,523	29,917
Receivables	250	1,220	743	4,866
Inventories	–	200	22	858
Other	–	–	–	11
Non-current assets classified as 'held for sale'	–	–	–	–
Total current assets	4,800	12,033	9,540	36,640
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	5,788	63,529	71,474	710,959
Investments accounted for using the equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	4	3	–	316
Total non-current assets	5,792	63,532	71,474	711,275
TOTAL ASSETS	10,592	75,565	81,014	747,915
LIABILITIES				
Current liabilities				
Payables	160	478	729	5,600
Borrowings	94	420	350	639
Provisions	153	–	–	6,170
Total current liabilities	407	898	1,079	12,409
Non-current liabilities				
Payables	–	–	–	–
Borrowings	207	2,676	8,912	4,462
Provisions	593	–	–	862
Total non-current liabilities	800	2,676	8,912	5,324
TOTAL LIABILITIES	1,207	3,574	9,991	17,733
Net assets	9,385	71,991	71,023	730,182
EQUITY				
Retained earnings	7,588	53,888	46,812	249,374
Revaluation reserves	1,797	18,103	24,211	480,808
Total equity	9,385	71,991	71,023	730,182

¹ General Fund refers to all Council's activities other than Water, Sewer and Waste

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 10/10/16.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,158	1,030
Accumulated amortisation (1/7)	(749)	(600)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	409	430
Movements for the year		
– Purchases	64	128
– Amortisation charges	(150)	(149)
Closing values:		
Gross book value (30/6)	1,222	1,158
Accumulated amortisation (30/6)	(899)	(749)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE 1</u>	<u>323</u>	<u>409</u>

¹. The net book value of intangible assets represent:

– Software	323	409
	323	409

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and 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	
		2016	2015
Waste transfer stations and tips – region wide	2016 - 2019	746	749
Gravel pits	2016 - 2050	372	250
Balance at end of the reporting period	10(a)	1,118	999

Under AASB 116 – Property, Plant and 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 exact timing of when remediation works will be carried out

Reconciliation of movement in provision for year:

Balance at beginning of year	999	1,145
Effect of a change in discount rates used in PV calculations	(4)	6
Effect of a change in other calculation estimates used	138	(153)
Amortisation of discount (expensed to borrowing costs)	16	22
Expenditure incurred attributable to provisions	(31)	(21)
Total – reinstatement, rehabilitation and restoration provision	1,118	999

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Work in progress	30/06/15	—	—	17,963	17,963
Plant and equipment	30/06/13	—	—	16,722	16,722
Office equipment	30/06/15	—	—	368	368
Furniture and fittings	30/06/15	—	—	225	225
Operational land	30/06/13	—	—	31,720	31,720
Community land	30/06/15	—	—	16,494	16,494
Land under roads	30/06/14	—	—	1,302	1,302
Land improvements – non-depreciable		—	—	1,444	1,444
Land improvements – depreciable		—	—	233	233
Buildings – market value/income approach	30/06/13	—	4,152	—	4,152
Buildings – replacement cost	30/06/13	—	—	46,107	46,107
Other structures	30/06/15	—	—	6,270	6,270
Roads	30/06/15	—	—	207,920	207,920
Bridges	30/06/15	—	—	56,862	56,862
Footpaths	30/06/15	—	—	4,454	4,454
Bulk earthworks	30/06/15	—	—	280,916	280,916
Stormwater drainage	30/06/15	—	—	17,150	17,150
Water supply network	30/06/12	—	—	60,138	60,138
Sewerage network	30/06/12	—	—	65,982	65,982
Swimming pools	30/06/15	—	—	4,545	4,545
Other open space/recreational assets	30/06/15	—	—	9,611	9,611
Library books	30/06/15	—	—	772	772
Tip assets	30/06/14	—	—	264	264
Quarry assets	30/06/14	—	—	136	136
Total infrastructure, property, plant and equipment		—	4,152	847,598	851,750

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Work in progress	30/06/15	—	—	7,867	7,867
Plant and equipment	30/06/13	—	—	15,953	15,953
Office equipment	30/06/11	—	—	44	44
Furniture and fittings	30/06/11	—	—	239	239
Operational land	30/06/13	—	—	30,242	30,242
Community land	30/06/11	—	—	10,924	10,924
Land under roads	30/06/14	—	—	1,302	1,302
Land improvements – non-depreciable		—	—	1,444	1,444
Land improvements – depreciable		—	—	233	233
Buildings – market value/income approach	30/06/13	—	4,231	—	4,231
Buildings – replacement cost	30/06/13	—	—	46,413	46,413
Other structures	30/06/11	—	—	6,673	6,673
Roads	30/06/15	—	—	215,557	215,557
Bridges	30/06/15	—	—	56,037	56,037
Footpaths	30/06/15	—	—	4,433	4,433
Bulk earthworks	30/06/15	—	—	279,035	279,035
Stormwater drainage	30/06/15	—	—	17,374	17,374
Water supply network	30/06/12	—	—	60,072	60,072
Sewerage network	30/06/12	—	—	65,905	65,905
Swimming pools	30/06/11	—	—	3,300	3,300
Other open space/recreational assets	30/06/11	—	—	8,233	8,233
Library books	30/06/11	—	—	585	585
Tip assets	30/06/14	—	—	289	289
Quarry assets	30/06/14	—	—	81	81
Total infrastructure, property, plant and equipment		—	4,231	832,235	836,466

(2) Transfers between level 1 and level 2 fair value hierarchies

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

Council's policy for determining transfers between fair value hierarchies is at the end of the reporting period.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

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

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

Financial assets

Loans and receivables - term deposits valued at cost

Valuation Technique: At Cost

Inputs Used (Level 2): Original Investment Value

Cash and short term deposits – Cash and short term deposits valued at fair value

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Original investment value

Financial liabilities

Payables – Outstanding creditor payments, security bonds & deposits

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Cost of product or service.

Loans/advances – Outstanding bank loans

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Loan borrowing amount

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Infrastructure, property, plant and equipment

Plant and equipment, office equipment and furniture and fittings – Level 3

Valuation Techniques – Depreciated historic cost. The nature and value of plant and equipment recognises that depreciated historic cost is a representation of fair value.

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life and residual value.

Operational, community land and land under roads – Level 2

Valuation Techniques – Market value direct comparison. This method involves the analysis of sales evidence of other properties within the region, and adjusted for differences between key attributes of the properties.

Observable inputs - Sales evidence of price per square metre of land.

Land improvements - Level 3

Valuation Techniques – Depreciated historic cost. The nature and value of plant and equipment recognises that depreciated historic cost is a representation of fair value.

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life and residual value.

Buildings market value/income approach– Level 2

Valuation Techniques – Market Value. This method involves the analysis of sales evidence and comparison with the subject taking into account matters such as method of construction, size, condition, age, land area and location. The land value is subtracted from the Market Value of the whole property to measure the asset's fair value. Five buildings were assessed using this technique.

Observable inputs - Inspection and analysis of sales evidence involving comparable assets.

Valuation Techniques – Income Approach. This method is applied to income producing properties and includes capitalising the estimated net income of the property at an appropriate rate that has been determined through the analysis of sales evidence. Cash flows are discounted to arrive at a present value. Two buildings were assessed using this technique.

Observable inputs- Cash flows reflecting current market evidence.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Buildings replacement costs – Level 3

Valuation Techniques – Depreciated Replacement Cost.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for those buildings and deemed level 3. This involves the following process:

- The fair value is a reflection of gross value less accumulated depreciation. Published project and cost data applied to the asset's attributes is used to determine the gross value (replacement cost)
- A condition assessment is applied to determine the level of depreciation
- Major assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives). Residual value is also factored which is the value at the time the asset is considered to be no longer available.

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life, condition and residual value.

Other structures, swimming pools, other open space/recreational assets – Level 3

Valuation Techniques – Depreciated Replacement Cost.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for other structures and deemed level 3. This involves the following process:

- The fair value is a reflection of gross value less accumulated depreciation. Published project and cost data applied to the asset's attributes is used to determine the gross value (replacement cost)
- Age and asset condition is applied to determine the level of depreciation
- Major assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives).

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life, condition and residual value.

Roads, bridges, footpaths, bulk earthworks, stormwater – Level 3

Valuation Techniques – Depreciated Replacement Cost.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for Council Roads and deemed level 3 and were last valued at 30 June 2015. This involves the following process:

- The fair value is a reflection of gross value (replacement cost) less accumulated depreciation.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

- Actual construction cost data was used to establish unit rates and applied to the asset's attributes to determine the gross value
- A sample of roads were inspected to arrive at a condition score. This is applied along with the road age to determine the remaining useful life.
- Roads were categorised into appropriate groupings such as:

- * Sealed/Unsealed
- * Urban/Local/Regional
- * Urban major/Urban minor/collector

- The network was broken into segments linked to defining geographical features
- Assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives) i.e. seal, pavement, subbase, earthworks.

Observable inputs- Construction costs used to assess the replacement cost of the asset. For example Seal cost per m2, Pavement construction per m2, gravel cost
Unobservable inputs - Estimates of useful life, condition and residual value.

Water supply network and sewerage network – Level 3

Valuation Techniques – Depreciated Replacement Cost.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for Council Water and Sewer deemed level 3 and was applied as part of 30 June 2012 fair value process. This involves the following process:

- The fair value is a reflection of gross value (replacement cost) less accumulated depreciation.
- Council used data published in the NSW Reference Rates Manual for Valuation of Water & Sewerage Assets to establish unit rates and applied to the asset's attributes to determine the gross value
- A physical inspection of underground assets was impractical, therefore reference manual useful life was applied.
- A sample of aboveground assets were inspected to arrive at a condition score, with desktop assessments of other assets. This assessment was applied along with the reference manual average to determine the remaining useful life.

Water supply network and sewerage network – Level 3 (continued)

- Assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives) i.e. civil/structural, electrical, mechanical
- Residual value is applied to sewer mains to reflect that ability to renew service capacity for less than replacement. Sewer relining avoids the need for excavation and backfill associated with reconstructing a shallow sewer.

Observable inputs are reference rate costs used to assess the replacement cost of the asset. For example \$/m for reticulation mains
Unobservable inputs include estimates of useful life, condition and residual value.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Library books

Valuation Techniques – Depreciated historic cost. The nature and value of library books recognises that depreciated historic cost is a representation of fair value.

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life and residual value.

Tip and quarry assets – reinstatement, rehabilitation and restoration

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

In the event that Council close a quarry or tip site, there are immense on-going costs associated with the rehabilitation of the land.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes.

	Work in progress	Plant and equipment	Office equipment	Furniture and fittings	Total
Opening balance – 1/7/14	4,285	13,148	50	297	17,780
Transfers from/(to) another asset class	(2,499)	–	–	–	(2,499)
Purchases (GBV)	6,201	5,092	5	–	11,298
Disposals (WDV)	–	(449)	–	–	(449)
Depreciation and impairment	–	(1,837)	(8)	(60)	(1,905)
Rounding	(9)	(1)	(3)	2	(11)
Other movement	(111)	–	–	–	(111)
Closing balance – 30/6/15	7,867	15,953	44	239	24,103
Transfers from/(to) another asset class	(4,906)	–	–	–	(4,906)
Purchases (GBV)	15,002	3,336	22	42	18,402
Disposals (WDV)	–	(641)	–	–	(641)
Depreciation and impairment	–	(1,927)	(8)	(60)	(1,995)
FV gains – other comprehensive income	–	–	313	–	313
Rounding	–	1	(3)	4	2
Closing balance – 30/6/16	17,963	16,722	368	225	35,278

	Operational land	Community land	Land under roads	Land improv'mnt non-deprec	Total
Opening balance – 1/7/14	30,055	10,773	1,269	1,444	43,541
Transfers from/(to) another asset class	–	–	22	–	22
Purchases (GBV)	187	151	11	–	349
Closing balance – 30/6/15	30,242	10,924	1,302	1,444	43,912
Transfers from/(to) another asset class	(80)	–	–	–	(80)
Purchases (GBV)	1,558	–	–	–	1,558
Disposals (WDV)	–	(32)	–	–	(32)
FV gains – other comprehensive income	–	5,602	–	–	5,602
Closing balance – 30/6/16	31,720	16,494	1,302	1,444	50,960

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Land improv'mnt depreciable	Buildings replace- ment cost	Other structures	Roads	Total
Opening balance – 1/7/14	246	46,495	5,814	178,796	231,351
Transfers from/(to) another asset class	–	1,021	–	753	1,774
Purchases (GBV)	–	1,198	1,176	9,217	11,591
Disposals (WDV)	–	(298)	–	(2,432)	(2,730)
Depreciation and impairment	(13)	(2,003)	(324)	(6,787)	(9,127)
FV gains – other comprehensive income	–	–	–	36,010	36,010
Rounding	–	–	6	–	6
Closing balance – 30/6/15	233	46,413	6,672	215,557	268,875
Transfers from/(to) another asset class	–	737	(693)	2,064	2,108
Purchases (GBV)	–	790	206	6,645	7,641
Disposals (WDV)	–	(4)	(112)	(7,214)	(7,330)
Depreciation and impairment	–	(1,829)	(330)	(9,133)	(11,292)
FV gains – other comprehensive income	–	–	531	–	531
Rounding	–	–	(5)	1	(4)
Closing balance – 30/6/16	233	46,107	6,269	207,920	260,529

	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Total
Opening balance – 1/7/14	75,281	6,275	60,776	66,347	208,679
Transfers from/(to) another asset class	417	–	38	248	703
Purchases (GBV)	421	–	685	477	1,583
Disposals (WDV)	–	–	(12)	(328)	(340)
Depreciation and impairment	–	(157)	(2,306)	(1,807)	(4,270)
FV gains – other comprehensive income	202,916	11,256	891	968	216,031
Closing balance – 30/6/15	279,035	17,374	60,072	65,905	422,386
Transfers from/(to) another asset class	1,878	–	12	387	2,277
Purchases (GBV)	57	–	855	535	1,447
Disposals (WDV)	(53)	–	(75)	(16)	(144)
Depreciation and impairment	–	(222)	(1,617)	(1,798)	(3,637)
FV gains – other comprehensive income	–	–	891	968	1,859
Rounding	(1)	(2)	–	1	(2)
Closing balance – 30/6/16	280,916	17,150	60,138	65,982	424,186

Mid-Western Regional Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Bridges	Library books	Tip reinstatement asset	Quarry reinstatement Asset	Total
Opening balance – 1/7/14	30,176	606	420	88	31,290
Purchases (GBV)	462	64	–	–	526
Depreciation and impairment	(690)	(85)	(51)	(5)	(831)
FV gains – other comprehensive income	26,089	–	–	–	26,089
Other movement (reversal prior year decrement)	–	–	(80)	(2)	(82)
Closing balance – 30/6/15	56,037	585	289	81	56,992
Transfers from/(to) another asset class	367	–	15	118	500
Purchases (GBV)	1,567	67	–	–	1,634
Disposals (WDV)	(19)	–	–	–	(19)
Depreciation and impairment	(1,090)	(84)	(41)	(63)	(1,278)
FV gains – other comprehensive income	–	205	–	–	205
Rounding	–	(1)	1	–	–
Closing balance – 30/6/16	56,862	772	264	136	58,034

	Footpaths	Swimming pools	Other open space/ recreational	Total
Opening balance – 1/7/14	5,378	3,330	7,605	16,313
Purchases (GBV)	490	121	966	1,577
Depreciation and impairment	(152)	(151)	(338)	(641)
FV gains – other comprehensive income	(1,283)	–	–	(1,283)
Closing balance – 30/6/15	4,433	3,300	8,233	15,966
Purchases (GBV)	141	50	609	800
Disposals (WDV)	(1)	–	(3)	(4)
Depreciation and impairment	(119)	(160)	(497)	(776)
FV gains – other comprehensive income	–	1,354	1,271	2,625
Rounding	–	1	(1)	–
Closing balance – 30/6/16	4,454	4,545	9,612	18,611

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

b. The valuation process for level 3 fair value measurements

Class	Valuation processes	Description of the process	How (and by who) the valuation processes are decided	How (and by who) analyses the level 3 fair value movement post valuation	Who undertakes the valuations
Plant and equipment	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Office equipment	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Furniture and fittings	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Operational land	Market Approach	Comparison with other property sales	Council and External valuer	Council	External Valuer
Community land	Market Approach	Comparison with other property sales	Council	Council	Valuer General
Land under roads	Market Approach	Comparison with other property sales	Council	Council	Council
Land improvements – non depreciable	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Land improvements – depreciable	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Buildings – replacement cost	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition.	Council and External valuer	Council	External valuer
Other structures	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition.	Council	Council	Council

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Class	Valuation processes	Description of the process	How (and by who) the valuation processes are decided	How (and by who) analyses the level 3 fair value movement post valuation	Who undertakes the valuations
Roads, bridges, footpaths	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition. Sampling of road condition and costing of examples of actual construction.	Council	Council	Council
Bulk earthworks	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition. Sampling of condition and costing of examples of actual construction.	Council	Council	Council
Stormwater drainage	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition. Sampling of condition and costing of examples of actual construction.	Council	Council	Council
Water supply network	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition. Sampling of condition and costing of examples of actual construction.	Council	Council	Council

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Class	Valuation processes	Description of the process	How (and by who) the valuation processes are decided	How (and by who) analyses the level 3 fair value movement post valuation	Who undertakes the valuations
Sewerage network	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition. Sampling of condition and costing of examples of actual construction.	Council	Council	Council
Swimming pools	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition.	Council	Council	Council
Other open space/recreational assets	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition.	Council	Council	Council
Library books	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Tip and quarry reinstatement assets	Cost estimate of future liability	Estimate remaining life and future reinstatement costs discounted back to present value	Council	Council	Council

(5). Highest and best use

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

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 28. Council information and contact details

Principal place of business:

86 Market Street
Mudgee NSW 2850

Contact details
Mailing address:

PO Box 156
Mudgee NSW 2850

Opening hours:

Mudgee, Gulgong and 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

Email: council@midwestern.nsw.gov.au

Officers
GENERAL MANAGER

Mr Brad Cam

RESPONSIBLE ACCOUNTING OFFICER

Ms Leonie Johnson

PUBLIC OFFICER

Mr Simon Jones

AUDITORS

Intentus Chartered Accountants
14 Sale Street
Orange NSW 2800

Elected members
MAYOR

Mr Des Kennedy

COUNCILLORS

Clr Paul Cavalier
Clr Esme Martens
Clr Peter Shelley
Clr Percy Thompson
Clr John Weatherley
Clr John Webb
Clr Max Walker
Clr Lucy White

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 2016. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements.

Councils' Responsibility for the Financial Statements

Council are responsible for the preparation and fair presentation of the financial statements in accordance with the *Local Government Act 1993* (NSW). 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 2016 included on Council's web site. Council is responsible for the integrity of their 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) Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993* (NSW), Chapter 13, Part 3, Division 2;
- (b) Council's financial statements:
 - i. have been prepared in accordance with the requirements of this Division;
 - ii. are consistent with Council's accounting records;
 - iii. present fairly Council's financial position, the results of its operations and cashflows; and
 - iv. are in accordance with applicable Australian Accounting Standards
- (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.


intentus

14 Sale Street
Orange, NSW
Dated: 10 October, 2016


John O'Malley
Director

10 October 2016

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 OF
MID-WESTERN REGIONAL COUNCIL FOR THE YEAR ENDED 30 JUNE 2016**

We advise having completed our audit of the financial statements of Mid-Western Regional Council for the financial year ended 30 June 2016. 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* (NSW) we submit our report on the conduct of the audit of Mid-Western Regional Council for the year ended 30 June 2016. 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* (NSW). 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 417(3) of the *Local Government Act 1993* (NSW) and Regulation 227 of the *Local Government (General) Regulation 2005* (NSW) to assist in the understanding of the financial statements and our reports.

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 \$10,436,000 (2015 – \$16,610,000). Selected items of note in the operating statement include:

Revenue

- The operating result from ordinary activities *before* capital amounts was a deficit of \$4,427,000 (2015 surplus – \$1,382,000).
- User charges and fees decreased \$2,556,000 (14.1%) to \$15,634,000 (2015 – \$18,190,000). The apparent decrease was mainly attributable to increased works performed for Roads and Maritime Services on State owned roads during the 2015 year, in particular the Springfield road widening project.
- Operating grants and contributions were \$2,216,000 up on the prior year with the increase mainly as a result of an increased “Roads to Recovery” allocation.

Expenditure

- Expenditure on Materials and Contracts was \$1,725,000 lower at \$11,772,000 (2015 - \$13,497,000) consistent with the reduction in the level of RMS ordered works.
- Depreciation expense increased \$3,128,000 to \$19,206,000 (2015 – \$16,078,000). The increase follows the revaluation increment in 2015 of roads, bridges, footpaths and drainage assets which were depreciated for a full year for the first time in 2015/16.
- Net losses on the disposal of assets grew by \$4,329,000 (134%) to \$7,559,000 (2015 – \$3,230,000). The increase is largely due to an increase in the value of road and sewer assets written off. These assets were written off due to their total replacement / upgrade.

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

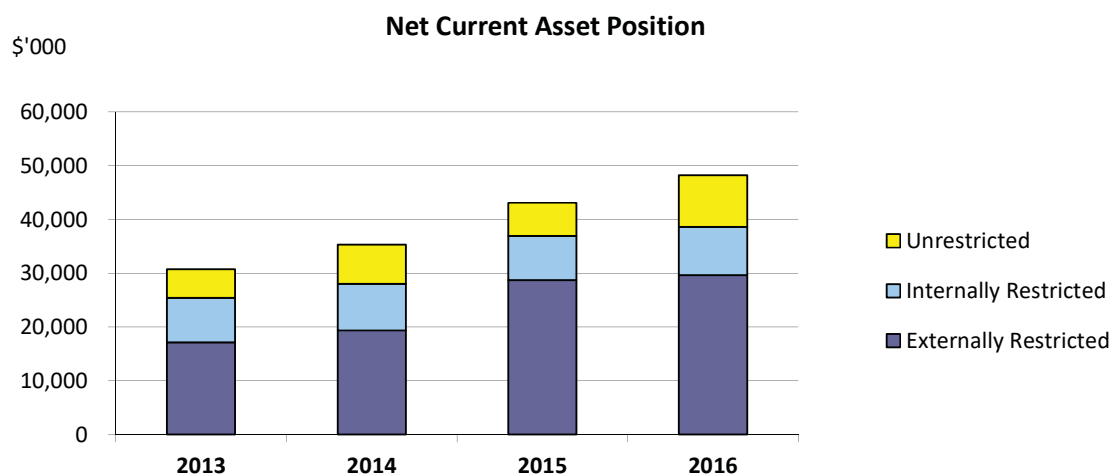
(b) Financial Position

The Statement of Financial Position discloses that for the year ended 30 June 2016 Council's net assets stood at \$882,581,000 (2015 – \$861,018,000), which represents an increase of \$21,563,000. That movement is comprised of the net operating surplus after capital amounts of \$10,436,000 combined with the net asset revaluation increment of \$11,127,000 relating to the revaluation of Council's community land, other structures and other assets

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: -

	2016 \$'000	2015 \$'000
Net Current Assets	48,220	43,064
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(37,702)	(36,276)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(8,980)	(8,202)
Add: Applicable current liabilities refer Note 10		
- Water	898	738
- Sewerage	1,079	860
- Domestic Waste Management	407	368
- Other (Trust Deposits)	1,003	1,008
Add: Employee Leave Entitlements to be paid > 12 months	4,638	4,558
Unrestricted net current asset surplus/(deficit)	9,563	6,118
Unrestricted net current assets comprise: -		
Assets		
Cash	12,435	9,606
Receivables	3,027	2,569
Inventories	869	927
Less: General Purpose Liabilities	(11,406)	(11,542)
Plus: Employee Leave Entitlements to be paid > 12 months	4,638	4,558
Unrestricted net current asset surplus/(deficit)	9,563	6,118

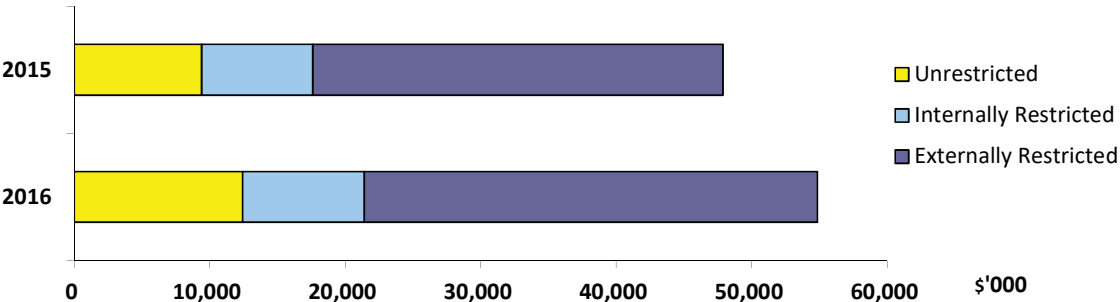
Council's continues to enjoy a surplus of net current assets to cover the restrictions placed on those assets.



Cash & Investments

Note 6 to the accounts discloses total cash and investments of \$54,843,000 (2015 – \$47,881,000), of this amount \$33,428,000 (2015 – \$30,266,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$8,980,000 (2015 – \$8,202,000) 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 operational / delivery plan.

The unrestricted balance of \$12,435,000 (2015 – \$9,413,000) represents liquid assets available to cover non-budgeted discretionary expenditure and meet short-term cash flow requirements. The extent of unrestricted cash and investments speaks to 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:

Operating Performance Ratio

This ratio expresses council's ability to keep operating expenses, including depreciation, within its continuing operating revenue. The outcome of 5.06% (2015 – 7.48%) indicates that Council has successfully contained its operating expenditure for the year within the constraints of its operating revenue.

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 3.66:1 indicates that it is comfortably able to settle its debts as and when they fall due.

Debt Service Cover Ratio

This ratio measures the ability of council to service debt by expressing that capacity as a multiple of the operating result from continuing operations, excluding capital items and depreciation / impairment, over the principal and interest costs.

At 9.01 times (2015 – 8.38) Mid-Western Regional Council's ratio indicates that it can comfortably meet its current levels of debt.

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 3.33% (2015 – 3.42%) continues to indicate very effective debtor management.

(d) Cash Flow Statement

The Statement of Cash Flows provides information regarding the movement in cash and cash-equivalents, which are only those highly liquid investments that have an original term to maturity of less than three months. The current year reports a net decrease in cash assets held of \$38,000 (2015 – decrease \$8,313,000) as follows:

	2016 \$'000	2015 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	38,333	34,045	4,288
Investing activities	(36,962)	(41,026)	4,064
Financing activities	(1,409)	(1,332)	(77)
Net increase / (decrease) in cash held	(38)	(8,313)	8,275

Cash flows from operating activities

The cashflows from operating activities have increased in response to reduced expenditure on materials, consistent with the reduction in RMS roadworks.

Cash flows from investing activities

Cash outflows related to the net acquisition of \$7,000,000 in investments coupled with acquisitions of infrastructure, property, plant and equipment that were up by \$5,558,000 accounting for the majority of the increase in the amount of funds used for investing activities.

Cash flows from financing activities

The net cash flow used in financing activities was \$1,409,000 (2015 outflow – \$1,332,000), which related solely to the repayment of borrowings during the year.

(e) Comparison of Actual and Budgeted Performance

Council's operating result from continuing operations of \$10,436,000 was \$16,399,000 less than Council's original estimates.

It is beyond the purpose of this report 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 2016. Council has determined that it has four business units within its operations: Water Supply, Sewerage Services, Private Works and Sale Yards.

The Office 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 unmodified audit report on the special purpose statements for the year ended 30 June 2016 has been issued.

Management Letters

Our most recent management letter was issued on 13 July 2016. Matters raised via management letters have been satisfactorily addressed.

(g) Progress of Asset Revaluation Program

Council's asset revaluation program is in compliance with the timetable established by the Office of Local Government.

(h) 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* (NSW) and regulations.

(i) 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 2016 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.

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John O'Malley
John O'Malley
Director

14 Sale Street
Orange, NSW
Dated: 10 October, 2016

Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

*"a prosperous and progressive
community that we proudly call home"*



Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

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

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.


To the best of our knowledge and belief, these financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 17 August 2016.


Des Kennedy
Mayor


Paul Cavalier
Deputy Mayor


Brad Cam
General manager


Leonie Johnson
Responsible accounting officer

Mid-Western Regional Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,259	1,193
User charges	5,329	5,209
Fees	—	—
Interest	306	243
Grants and contributions provided for non-capital purposes	62	54
Profit from the sale of assets	13	—
Other income	12	2
Total income from continuing operations	6,981	6,701
Expenses from continuing operations		
Employee benefits and on-costs	1,367	1,430
Borrowing costs	215	239
Materials and contracts	1,089	1,477
Depreciation and impairment	1,618	1,584
Water purchase charges	—	—
Loss on sale of assets	—	12
Calculated taxation equivalents	23	24
Debt guarantee fee (if applicable)	—	—
Other expenses	1,672	1,427
Total expenses from continuing operations	5,984	6,193
Surplus (deficit) from continuing operations before capital amounts	997	508
Grants and contributions provided for capital purposes	481	1,193
Surplus (deficit) from continuing operations after capital amounts	1,478	1,701
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	1,478	1,701
Less: corporate taxation equivalent (30%) [based on result before capital]	(299)	(152)
SURPLUS (DEFICIT) AFTER TAX	1,179	1,549
Plus opening retained profits	52,364	50,603
Plus/less: prior period adjustments	23	36
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	23	24
– Debt guarantee fees	—	—
– Corporate taxation equivalent	299	152
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	53,888	52,364
Return on capital %	1.9%	1.2%
Subsidy from Council	52	1,129
Calculation of dividend payable:		
Surplus (deficit) after tax	1,179	1,549
Less: capital grants and contributions (excluding developer contributions)	—	—
Surplus for dividend calculation purposes	1,179	1,549
Potential dividend calculated from surplus	589	774

Mid-Western Regional Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	5,107	4,683
User charges	503	647
Liquid trade waste charges	—	—
Fees	—	—
Interest	248	233
Grants and contributions provided for non-capital purposes	57	59
Profit from the sale of assets	—	—
Other income	34	38
Total income from continuing operations	5,949	5,660
Expenses from continuing operations		
Employee benefits and on-costs	1,160	1,013
Borrowing costs	619	636
Materials and contracts	927	599
Depreciation and impairment	1,858	1,877
Loss on sale of assets	30	328
Calculated taxation equivalents	13	17
Debt guarantee fee (if applicable)	—	—
Other expenses	1,416	1,190
Total expenses from continuing operations	6,023	5,660
Surplus (deficit) from continuing operations before capital amounts	(74)	—
Grants and contributions provided for capital purposes	224	701
Surplus (deficit) from continuing operations after capital amounts	150	701
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	150	701
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	150	701
Plus opening retained profits	46,539	44,104
Plus/less: prior period adjustments	110	(1)
Plus/less: other adjustments – disposals transfer from ARR	—	1,718
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	13	17
– Debt guarantee fees	—	—
– Corporate taxation equivalent	—	—
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	46,812	46,539
Return on capital %	0.8%	0.9%
Subsidy from Council	877	1,493
Calculation of dividend payable:		
Surplus (deficit) after tax	150	701
Less: capital grants and contributions (excluding developer contributions)	(44)	(100)
Surplus for dividend calculation purposes	106	601
Potential dividend calculated from surplus	53	301

Mid-Western Regional Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

	Private Works		Saleyards	
	Category 2		Category 2	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	—	—	—	—
User charges	494	172	300	377
Fees	—	—	—	—
Interest	1	2	—	—
Grants and contributions provided for non-capital purposes	—	—	—	—
Profit from the sale of assets	—	—	—	—
Other income	—	—	10	20
Total income from continuing operations	495	174	310	397
Expenses from continuing operations				
Employee benefits and on-costs	72	41	101	94
Borrowing costs	—	—	2	3
Materials and contracts	342	120	56	66
Depreciation and impairment	—	—	163	162
Loss on sale of assets	—	—	86	—
Calculated taxation equivalents	—	—	—	—
Debt guarantee fee (if applicable)	—	—	—	—
Other expenses	—	—	128	105
Total expenses from continuing operations	414	161	536	430
Surplus (deficit) from continuing operations before capital amounts	81	13	(226)	(33)
Grants and contributions provided for capital purposes	11	—	—	—
Surplus (deficit) from continuing operations after capital amounts	92	13	(226)	(33)
Surplus (deficit) from discontinued operations	—	—	—	—
Surplus (deficit) from all operations before tax	92	13	(226)	(33)
Less: corporate taxation equivalent (30%) [based on result before capital]	(24)	(4)	—	—
SURPLUS (DEFICIT) AFTER TAX	68	9	(226)	(33)
Plus opening retained profits	228	215	201	233
Plus/less: prior period adjustments	1	—	17	1
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	—	—	—	—
– Debt guarantee fees	—	—	—	—
– Corporate taxation equivalent	24	4	—	—
Add:				
– Subsidy paid/contribution to operations	—	—	—	—
Less:				
– TER dividend paid	—	—	—	—
– Dividend paid	—	—	—	—
Closing retained profits	321	228	(8)	201
Return on capital %	n/a	n/a	-4.3%	-0.5%
Subsidy from Council	—	—	328	197

Mid-Western Regional Council

Statement of Financial Position – Council's Water Supply Business Activity as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	303	325
Investments	10,310	9,537
Receivables	1,220	1,038
Inventories	200	243
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	12,033	11,143
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	63,529	62,124
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	3	3
Total non-current assets	63,532	62,127
TOTAL ASSETS	75,565	73,270
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	478	345
Borrowings	420	393
Provisions	–	–
Total current liabilities	898	738
Non-current liabilities		
Payables	–	–
Borrowings	2,676	3,096
Provisions	–	–
Total non-current liabilities	2,676	3,096
TOTAL LIABILITIES	3,574	3,834
NET ASSETS	71,991	69,436
EQUITY		
Retained earnings	53,888	52,364
Revaluation reserves	18,103	17,072
Council equity interest	71,991	69,436
Non-controlling equity interest	–	–
TOTAL EQUITY	71,991	69,436

Mid-Western Regional Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	252	278
Investments	8,523	8,164
Receivables	743	696
Inventories	22	16
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	9,540	9,154
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	71,474	70,487
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	71,474	70,487
TOTAL ASSETS	81,014	79,641
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	729	533
Borrowings	350	327
Provisions	–	–
Total current liabilities	1,079	860
Non-current liabilities		
Payables	–	–
Borrowings	8,912	9,262
Provisions	–	–
Total non-current liabilities	8,912	9,262
TOTAL LIABILITIES	9,991	10,122
NET ASSETS	71,023	69,519
EQUITY		
Retained earnings	46,812	46,539
Revaluation reserves	24,211	22,980
Council equity interest	71,023	69,519
Non-controlling equity interest	–	–
TOTAL EQUITY	71,023	69,519

Mid-Western Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	Private Works		Saleyards	
	Category 2		Category 2	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	270	280	–	(759)
Investments	–	–	–	–
Receivables	51	–	16	3
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	321	280	16	(756)
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	–	–	5,243	5,514
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
Total non-current assets	–	–	5,243	5,514
TOTAL ASSETS	321	280	5,259	4,758
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	788	–
Payables	–	52	10	23
Borrowings	–	–	9	9
Provisions	–	–	–	–
Total current liabilities	–	52	807	32
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	19	28
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	19	28
TOTAL LIABILITIES	–	52	826	60
NET ASSETS	321	228	4,433	4,698
EQUITY				
Retained earnings	321	228	(8)	201
Revaluation reserves	–	–	4,441	4,497
Council equity interest	321	228	4,433	4,698
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	321	228	4,433	4,698

Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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 year ended 30 June 2016

Note 1. Significant accounting policies

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

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality*, issued by the Office of Local Government in July 1997, has also been adopted.

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

Declared business activities

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

Category 1

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

a. 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 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 year ended 30 June 2016

Note 1. Significant accounting policies (continued)

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 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 **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines 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 Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or 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 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 General Purpose Financial Statements.

The 30% rate applied 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 and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

Mid-Western Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

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 of Water Supply and Sewerage 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 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 the payment.

Mid-Western Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	23,000
(ii)	Number of assessments multiplied by \$3/assessment	25,740
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	23,000
(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]	589,450
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	234,400
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	3,320,400

2016 Surplus	1,178,900	2015 Surplus	1,548,600	2014 Surplus	592,900
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	234,400
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

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]	NO
	– Complying charges [item 2 (b) in table 1]	NO
	– 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 year ended 30 June 2016

Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	7,174
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	79.65%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	63,529
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	4,133
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	867
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.24%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Mid-Western Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	13,000
(ii)	Number of assessments multiplied by \$3/assessment	22,323
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	13,000
(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]	53,000
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	210,230
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	809,200

2016 Surplus	106,000	2015 Surplus	601,000	2014 Surplus	102,200
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	53,000
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

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]	NO
	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]	NO
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and 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 year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	6,062
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	71,474
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	3,508
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	922
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.97%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	44

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F3	Total income (water and 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	13,219
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.90%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,789
NWI F19	Economic real rate of return (water and 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 and equipment (w33b + s34b)]	%	1.57%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and 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 year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage)	%	-4.92%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		-
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		2,118
	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:		317
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	1,620
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	119
	Grants for pensioner rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

**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 2016, comprising the Statement by Council, Income Statement by Business Activities, Statement of Financial Position 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

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 Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. 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 2016 included on Council's web site. Council is responsible for the integrity of their 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* (NSW) 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 Office 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 Office of Local Government or for any purpose other than for which the statements were prepared.


intentus

14 Sale Street
Orange, NSW
Dated: 10 October, 2016


John O'Malley
Director

Mid-Western Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

*"a prosperous and progressive
community that we proudly call home"*



Mid-Western Regional Council

Special Schedules for the year ended 30 June 2016

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Mid-Western Regional Council

Special Schedule 1 – Net Cost of Services for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	377	–	–	(377)
Administration	8,716	957	1,225	(6,534)
Public order and safety				
Fire service levy, fire protection, emergency services	985	485	1	(499)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	175	51	–	(124)
Other	178	70	–	(108)
Total public order and safety	1,338	606	1	(731)
Health	57	8	–	(49)
Environment				
Noxious plants and insect/vermin control	623	141	–	(482)
Other environmental protection	161	3	–	(158)
Solid waste management	4,463	6,179	–	1,716
Street cleaning	231	–	–	(231)
Drainage	982	266	–	(716)
Stormwater management	–	–	–	–
Total environment	6,460	6,589	–	129
Community services and education				
Administration and education	357	124	–	(233)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	755	848	–	93
Children's services	917	950	–	33
Total community services and education	2,029	1,922	–	(107)
Housing and community amenities				
Public cemeteries	469	269	–	(200)
Public conveniences	45	–	–	(45)
Street lighting	303	34	–	(269)
Town planning	1,134	545	–	(589)
Other community amenities	127	72	–	(55)
Total housing and community amenities	2,078	920	–	(1,158)
Water supplies	4,869	6,509	554	2,194
Sewerage services	4,939	5,990	257	1,308

Mid-Western Regional Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,071	134	—	(937)
Museums	107	—	—	(107)
Art galleries	—	—	—	—
Community centres and halls	327	81	—	(246)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	2,167	217	41	(1,909)
Swimming pools	1,254	178	50	(1,026)
Parks and gardens (lakes)	1,475	(12)	360	(1,127)
Other sport and recreation	—	—	—	—
Total recreation and culture	6,401	598	451	(5,352)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	440	125	—	(315)
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	440	125	—	(315)
Transport and communication				
Urban roads (UR) – local	4,521	591	2,291	(1,639)
Urban roads – regional	179	—	—	(179)
Sealed rural roads (SRR) – local	4,090	1,316	1,146	(1,628)
Sealed rural roads (SRR) – regional	5,371	2,699	6,812	4,140
Unsealed rural roads (URR) – local	5,730	943	170	(4,617)
Unsealed rural roads (URR) – regional	211	283	188	260
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	1,124	39	563	(522)
Bridges on URR – local	—	—	—	—
Bridges on regional roads	58	69	646	657
Parking areas	304	28	—	(276)
Footpaths	170	—	2	(168)
Aerodromes	595	75	435	(85)
Other transport and communication	4,633	6,459	—	1,826
Total transport and communication	26,986	12,502	12,253	(2,231)
Economic affairs				
Camping areas and caravan parks	61	138	2	79
Other economic affairs	1,555	1,205	120	(230)
Total economic affairs	1,616	1,343	122	(151)
Totals – functions	66,306	38,069	14,863	(13,374)
General purpose revenues ⁽¹⁾		23,810		23,810
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	66,306	61,879	14,863	10,436

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

(2) As reported in the Income Statement

Mid-Western Regional Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	5	5	10	–	4	–	–	–	5	1	6
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	1,405	17,754	19,159	–	1,405	–	–	1,188	1,497	16,257	17,754
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	1,410	17,759	19,169	–	1,409	–	–	1,188	1,502	16,258	17,760
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	1,410	17,759	19,169	–	1,409	–	–	1,188	1,502	16,258	17,760

Notes: excludes (i) internal loans and (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 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	663	333
b. Engineering and supervision	1,003	694
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	40
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	747	1,213
– Reservoirs		
e. Operation expenses	109	148
f. Maintenance expenses	80	93
– Pumping stations		
g. Operation expenses (excluding energy costs)	82	68
h. Energy costs	117	142
i. Maintenance expenses	61	267
– Treatment		
j. Operation expenses (excluding chemical costs)	678	736
k. Chemical costs	262	253
l. Maintenance expenses	223	261
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	108	89
3. Depreciation expenses		
a. System assets	1,618	1,583
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	215	239
b. Revaluation decrements	–	–
c. Other expenses	1	4
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	5,967	6,163

Mid-Western Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	989	930
b. Usage charges	3,872	3,739
7. Non-residential charges		
a. Access (including rates)	276	269
b. Usage charges	1,361	1,347
8. Extra charges	25	26
9. Interest income	281	217
10. Other income	108	125
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	62	54
c. Other grants	–	–
12. Contributions		
a. Developer charges	481	1,193
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	7,455	7,900
14. Gain (or loss) on disposal of assets	13	(12)
15. Operating result	1,501	1,725
15a. Operating result (less grants for acquisition of assets)	1,501	1,725

Mid-Western Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	85	725
c. Renewals	782	–
d. Plant and equipment	–	–
17. Repayment of debt	393	310
18. Totals	1,260	1,035
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	7,336	6,858
b. Residential (unoccupied, ie. vacant lot)	338	612
c. Non-residential (occupied)	870	915
d. Non-residential (unoccupied, ie. vacant lot)	36	75
23. Number of ETs for which developer charges were received	56 ET	143 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 113,288	\$ 114,734

Mid-Western Regional Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	4,256	–	4,256
b. Special purpose grants	1	–	1
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,356	–	6,356
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	34	–	34
c. User charges	1,179	–	1,179
d. Other	7	–	7
27. Inventories	200	–	200
28. Property, plant and equipment			
a. System assets	–	63,529	63,529
b. Plant and equipment	–	–	–
29. Other assets	–	3	3
30. Total assets	12,033	63,532	75,565
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	478	–	478
33. Borrowings	420	2,676	3,096
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	898	2,676	3,574
36. NET ASSETS COMMITTED	11,135	60,856	71,991
EQUITY			
37. Accumulated surplus			53,889
38. Asset revaluation reserve			18,102
39. TOTAL EQUITY			71,991
Note to system assets:			
40. Current replacement cost of system assets			110,507
41. Accumulated current cost depreciation of system assets			(46,978)
42. Written down current cost of system assets			63,529

Mid-Western Regional Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	486	483
b. Engineering and supervision	1,011	708
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	515	502
– Pumping stations		
c. Operation expenses (excluding energy costs)	133	128
d. Energy costs	100	117
e. Maintenance expenses	79	63
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	470	263
g. Chemical costs	138	81
h. Energy costs	130	154
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	446	213
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	1,859	1,877
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	619	636
b. Revaluation decrements	–	–
c. Other expenses	163	94
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	6,149	5,319

Mid-Western Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	4,824	4,406
7. Non-residential charges		
a. Access (including rates)	290	282
b. Usage charges	626	651
8. Trade waste charges		
a. Annual fees	—	—
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	12	13
10. Interest income	236	220
11. Other income	73	33
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	44	100
b. Grants for pensioner rebates	57	59
c. Other grants	—	—
13. Contributions		
a. Developer charges	180	601
b. Developer provided assets	—	—
c. Other contributions	—	—
14. Total income	6,342	6,365
15. Gain (or loss) on disposal of assets	(30)	(328)
16. Operating result	163	718
16a. Operating result (less grants for acquisition of assets)	119	618

Mid-Western Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	67	723
c. Renewals	855	–
d. Plant and equipment	–	–
18. Repayment of debt	327	369
19. Totals	1,249	1,092
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	6,485	6,083
b. Residential (unoccupied, ie. vacant lot)	294	639
c. Non-residential (occupied)	626	555
d. Non-residential (unoccupied, ie. vacant lot)	36	68
24. Number of ETs for which developer charges were received	46 ET	157 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 106,644	\$ 107,895

Mid-Western Regional Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	1,928	—	1,928
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	6,847	—	6,847
27. Receivables			
a. Specific purpose grants	435	—	435
b. Rates and availability charges	144	—	144
c. User charges	164	—	164
d. Other	—	—	—
28. Inventories	22	—	22
29. Property, plant and equipment			
a. System assets	—	71,474	71,474
b. Plant and equipment	—	—	—
30. Other assets	—	—	—
31. Total assets	9,540	71,474	81,014
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	729	—	729
34. Borrowings	350	8,912	9,262
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	1,079	8,912	9,991
37. NET ASSETS COMMITTED	8,461	62,562	71,023
EQUITY			
38. Accumulated surplus			46,812
39. Asset revaluation reserve			24,211
40. TOTAL EQUITY			71,023
Note to system assets:			
41. Current replacement cost of system assets			108,241
42. Accumulated current cost depreciation of system assets			(36,767)
43. Written down current cost of system assets			71,474

Mid-Western Regional Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Mid-Western Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Centres	106	–	212	236	6,153	10,456	6%	34%	57%	4%	0%
	Councils Works Depot	161	–	67	74	8,094	14,989	6%	36%	56%	1%	2%
	Council Halls	900	–	115	101	4,537	11,814	4%	28%	46%	15%	8%
	Council Houses	197	–	91	52	5,463	7,447	9%	37%	46%	6%	2%
	Museum	–	–	13	15	615	1,377	100%	0%	0%	0%	0%
	Library	–	–	52	59	3,768	5,266	6%	94%	0%	0%	0%
	Childcare Centre(s)	–	–	8	–	1,605	2,476	29%	51%	20%	0%	0%
	Amenities/Toilets	1,502	–	242	263	17,926	28,512	11%	47%	25%	14%	4%
	Rural Fire Service	100	–	–	–	2,098	3,723	0%	42%	47%	9%	1%
	Sub-total	2,966	–	800	800	50,259	86,060	9.4%	41.9%	37.5%	8.4%	2.8%
Other structures	Other structures	23	–	–	–	6,270	8,548	47%	40%	11%	2%	0%
	Sub-total	23	–	–	–	6,270	8,548	47.0%	40.0%	11.0%	2.0%	0.0%
Roads	Sealed roads	6,010	–	922	953	104,185	159,819	32%	34%	23%	11%	1%
	Unsealed roads	2,793	–	1,570	1,497	24,338	72,588	20%	25%	30%	20%	5%
	Bridges	305	–	47	13	31,461	56,544	6%	25%	66%	3%	0%
	Footpaths and Cycleways	222	–	52	30	4,455	8,059	24%	29%	27%	20%	0%
	Kerb and Gutter	206	–	29	30	9,246	19,047	35%	31%	31%	4%	0%
	Parking Areas	22	–	12	4	1,151	1,676	52%	22%	21%	4%	0%
	Culverts and Causeways	425	–	74	87	5,023	10,395	17%	17%	35%	21%	9%
	RMS Regional Roads	6,950	–	593	545	63,976	92,782	17%	27%	35%	19%	1%
	Regional Bridges	–	–	35	52	25,401	46,189	22%	76%	2%	0%	0%
	Bulk Earthwork	–	–	–	–	280,916	280,916	0%	100%	0%	0%	0%
	Sub-total	16,933	–	3,334	3,211	550,152	748,015	14.2%	58.5%	19.0%	7.4%	0.9%

Mid-Western Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)
as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network												
	Dams and Weirs	–	–	–	–	5,848	14,799	9%	91%	0%	0%	0%
	Reservoirs	356	–	51	64	8,655	15,684	33%	52%	7%	8%	0%
	Pumping Stations	–	–	49	52	3,055	5,651	7%	72%	19%	0%	2%
	Treatment	–	–	476	479	13,357	22,917	0%	50%	50%	0%	0%
	Bores	–	–	98	61	293	1,427	0%	56%	45%	0%	0%
	Reticulation Mains	1,980	–	521	577	17,842	29,418	35%	15%	35%	1%	15%
	Maind Delivery	34	–	–	–	11,087	17,210	64%	8%	27%	1%	0%
	Sub-total	2,370	–	1,194	1,232	60,138	107,105	26.3%	40.9%	27.3%	1.4%	4.1%
Sewerage network												
	Pump Stations	–	–	134	158	5,553	8,213	44%	40%	17%	0%	0%
	Treatment	702	–	415	507	16,160	28,928	43%	22%	25%	10%	0%
	Reticulation Mains	9,588	–	295	317	38,058	57,572	21%	12%	12%	43%	12%
	Rising Mains	251	–	–	–	6,211	7,680	81%	4%	7%	3%	5%
	Sub-total	10,541	–	844	982	65,982	102,393	33.9%	16.4%	15.7%	26.9%	7.1%

Mid-Western Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)
as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	260	507	17,150	27,155	23%	0%	77%	0%	0%
	Sub-total	–	–	260	507	17,150	27,155	22.5%	0.0%	77.0%	0.0%	0.5%
Open space/recreational assets	Swimming pools	82	–	377	507	4,545	9,267	25%	7%	64%	4%	0%
	Open Space and Recreation	392	–	1,619	1,687	9,611	12,691	35%	26%	27%	12%	0%
	Sub-total	474	–	1,996	2,194	14,156	21,958	30.8%	18.0%	42.6%	8.6%	0.0%
	TOTAL – ALL ASSETS	33,307	–	8,428	8,926	764,107	1,101,234	17.6%	49.2%	22.8%	8.5%	1.9%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Mid-Western Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	14,322	84.88%	73.99%	71.51%
Depreciation, amortisation and impairment	16,874			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	33,307	6.89%	10.95%	19.14%
Carrying value of infrastructure assets	483,424			
3. Asset maintenance ratio				
Actual asset maintenance	8,926	1.06	0.89	0.82
Required asset maintenance	8,428			
4. Capital expenditure ratio				
Annual capital expenditure	23,319	1.21	1.46	1.02
Annual depreciation	19,206			

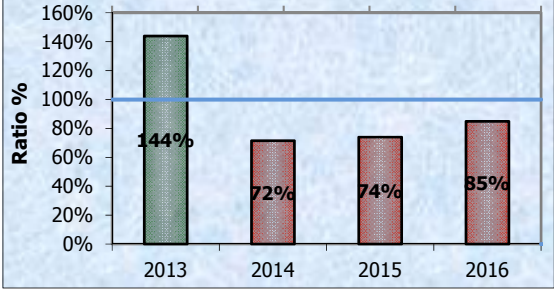
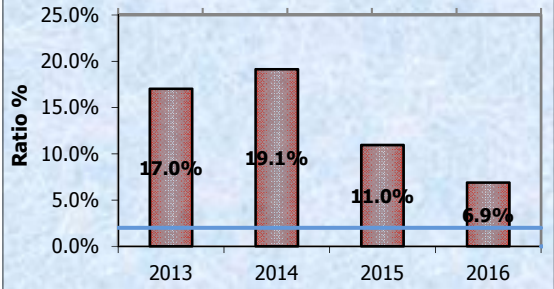
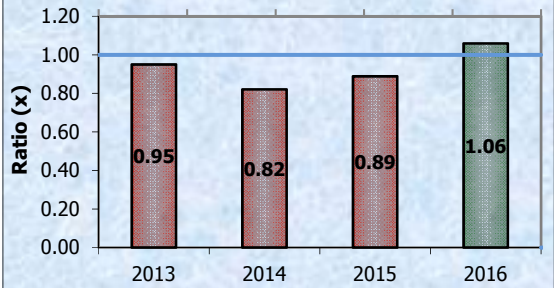
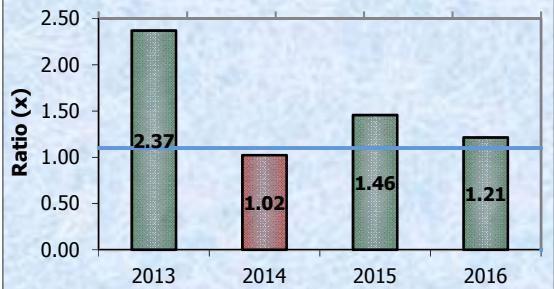
Notes

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

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Mid-Western Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016

<p>1. Infrastructure renewals ratio</p>  <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 84.88%</p> <p>Depreciation amounts have increased materially in 2015/16 due to the methodology and change in values during the 2014/15 revaluation of roads. Expenditure on renewals has also increased resulting in an improved ratio.</p>
<p>2. Infrastructure backlog ratio</p>  <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 6.89%</p> <p>Continued investment into the infrastructure backlog has seen an improvement in this ratio. Clarification of the backlog definition has also helped.</p>
<p>3. Asset maintenance ratio</p>  <p>Benchmark: — Minimum > 1.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 1.06 x</p> <p>Council has worked towards ensuring the backlog does not continue to grow and has reviewed the definition of required annual maintenance.</p>
<p>4. Capital expenditure ratio</p>  <p>Benchmark: — Minimum > 1.10 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of capital expenditure ratio</p> <p>To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 1.21 x</p> <p>Capital expenditure continues to be above benchmark, largely due to the success of grant funding applications in this area.</p>

Mid-Western Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	48.33%	45.99%	94.69%
Depreciation, amortisation and impairment			
prior period:	22.81%	24.18%	93.47%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	3.94%	15.69%	5.73%
Carrying value of infrastructure assets			
prior period:	3.09%	25.30%	9.65%
3. Asset maintenance ratio			
Actual asset maintenance	1.03	1.16	1.05
Required asset maintenance			
prior period:	1.06	0.82	0.86
4. Capital expenditure ratio			
Annual capital expenditure	0.54	0.50	1.37
Annual depreciation			
prior period:	0.46	0.39	1.74

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Mid-Western Regional Council

Special Schedule 8 – Permissible Income Calculation for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	16,604	17,075
Plus or minus adjustments ⁽²⁾	b	255	115
Notional general income	c = (a + b)	16,859	17,190
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c - g)	—	—
Or plus rate peg amount	i = c x e	405	309
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	17,264	17,499
Plus (or minus) last year's carry forward total	l	(0)	(0)
Less valuation objections claimed in the previous year	m	(193)	(4)
Sub-total	n = (l + m)	(193)	(4)
Total permissible income	o = k + n	17,071	17,495
Less notional general income yield	p	17,075	17,496
Catch-up or (excess) result	q = o - p	(4)	(1)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	4	1
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r - s	(0)	0

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

**INDEPENDENT AUDITOR'S REPORT
PERMISSIBLE GENERAL INCOME OF MID-WESTERN REGIONAL COUNCIL**

Scope

We have audited the special purpose financial report comprising the reconciliation of total permissible general income of Mid-Western Regional Council for the 2016-'17 year.

The Council is responsible for the preparation and presentation of the report in accordance with a directive of the Chief Executive, Office of Local Government, Department of Premier and Cabinet. We have conducted an independent audit of the report in order to express an opinion on its preparation and presentation.

The report has been prepared for the Office of Local Government in the Department of Premier and Cabinet for the purpose of ensuring compliance by the Council with its financial reporting requirements under the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards so as to provide reasonable assurance as to whether the report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the report. We have not examined forecasts of expenditure or the impact of present or future policy decisions on the report. These procedures have been undertaken to form an opinion as to whether, in all material respects, the report is presented fairly in accordance with the requirements of the Chief Executive, Office of Local Government.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the reconciliation of Council's total permissible general income which shows a carry forward total for 2016-'17 of **two hundred and forty-nine dollars (\$249)** is properly drawn up in accordance with the requirements of the Chief Executive, Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to the fact that the reconciliation of total permissible general income is a special purpose financial report which has been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of the directive of the Chief Executive, Office of Local Government, Department of Premier and Cabinet. As a result, the financial report 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 Office of Local Government or for any purpose other than for which the financial report was prepared.

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John O'Malley
Director

14 Sale Street
Orange
Dated: 10 October, 2016