

*Good
Government*

FINANCIAL
STATEMENTS
2016/17



MID-WESTERN REGIONAL COUNCIL
CORPORATE: FINANCE

■ ■ ■ ■ ■ TOWARDS 2030



Mid-Western Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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



Mid-Western Regional Council

General Purpose Financial Statements

for the year ended 30 June 2017

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

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

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

- (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 03 October 2017. 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 2017

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 2017.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Mid-Western Regional Council

General Purpose Financial Statements for the year ended 30 June 2017

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 20 September 2017.



Clr Des Kennedy
Mayor



Clr Paul Cavalier
Councillor



Mr Brad Cam
General manager



Ms Leonie Johnson
Responsible accounting officer

Mid-Western Regional Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
27,764	Rates and annual charges	3a	27,749	26,724
11,141	User charges and fees	3b	13,256	15,634
1,641	Interest and investment revenue	3c	1,698	1,735
2,383	Other revenues	3d	2,747	2,129
15,884	Grants and contributions provided for operating purposes	3e,f	18,087	15,657
21,506	Grants and contributions provided for capital purposes	3e,f	18,807	14,863
80,319	Total income from continuing operations		82,344	76,742
Expenses from continuing operations				
22,730	Employee benefits and on-costs	4a	21,227	20,454
1,352	Borrowing costs	4b	1,108	1,204
10,006	Materials and contracts	4c	12,860	11,772
16,568	Depreciation and amortisation	4d	15,477	19,206
–	Impairment	4d	–	–
6,264	Other expenses	4e	6,769	6,111
1,473	Net losses from the disposal of assets	5	5,253	7,559
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
58,393	Total expenses from continuing operations		62,694	66,306
21,926	Operating result from continuing operations		19,650	10,436
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
21,926	Net operating result for the year		19,650	10,436
21,926	Net operating result attributable to Council		19,650	10,436
–	Net operating result attributable to non-controlling interests		–	–
420	Net operating result for the year before grants and contributions provided for capital purposes		843	(4,427)

¹ Original budget as approved by Council – refer Note 16

Mid-Western Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		19,650	10,436
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	29,830	11,135
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(1,325)	(8)
Total items which will not be reclassified subsequently to the operating result		28,505	11,127
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves – transfer to provision asset remediation	20b (ii)	(1,746)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(1,746)	–
Total other comprehensive income for the year		26,759	11,127
Total comprehensive income for the year		46,409	21,563
Total comprehensive income attributable to Council		46,409	21,563
Total comprehensive income attributable to non-controlling interests		–	–

Mid-Western Regional Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	6,431	1,543
Investments	6b	59,100	53,300
Receivables	7	9,227	7,079
Inventories	8	1,037	1,080
Other	8	–	11
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		75,795	63,013
Non-current assets			
Investments	6b	–	–
Receivables	7	–	–
Infrastructure, property, plant and equipment	9	885,890	851,750
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	369	323
Total non-current assets		886,259	852,073
TOTAL ASSETS		962,054	915,086
LIABILITIES			
Current liabilities			
Payables	10	6,532	6,205
Income received in advance	10	900	762
Borrowings	10	1,591	1,503
Provisions	10	6,395	6,323
Total current liabilities		15,418	14,793
Non-current liabilities			
Payables	10	–	–
Income received in advance	10	–	–
Borrowings	10	14,667	16,257
Provisions	10	2,979	1,455
Total non-current liabilities		17,646	17,712
TOTAL LIABILITIES		33,064	32,505
Net assets		928,990	882,581
EQUITY			
Retained earnings	20	380,748	357,662
Revaluation reserves	20	548,242	524,919
Other reserves	20	–	–
Council equity interest		928,990	882,581
Non-controlling equity interests		–	–
Total equity		928,990	882,581

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

Mid-Western Regional Council

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		357,662	524,919	–	882,581	–	882,581	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		357,662	524,919	–	882,581	–	882,581	342,541	518,477	–	861,018	–	861,018
c. Net operating result for the year		19,650	–	–	19,650	–	19,650	10,436	–	–	10,436	–	10,436
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	29,830	–	29,830	–	29,830	–	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)	–	(1,325)	–	(1,325)	–	(1,325)	–	(8)	–	(8)	–	(8)
– Other reserves movements	20b (ii)	–	(1,746)	–	(1,746)	–	(1,746)	–	–	–	–	–	–
Other comprehensive income		–	26,759	–	26,759	–	26,759	–	11,127	–	11,127	–	11,127
Total comprehensive income (c&d)		19,650	26,759	–	46,409	–	46,409	10,436	11,127	–	21,563	–	21,563
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		3,436	(3,436)	–	–	–	–	4,685	(4,685)	–	–	–	–
Equity – balance at end of the reporting period		380,748	548,242	–	928,990	–	928,990	357,662	524,919	–	882,581	–	882,581

Mid-Western Regional Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
27,764	Rates and annual charges		27,977	27,550
11,141	User charges and fees		12,594	15,259
1,641	Investment and interest revenue received		1,668	1,614
37,390	Grants and contributions		33,831	31,051
–	Bonds, deposits and retention amounts received		283	–
2,383	Other		5,670	7,137
Payments:				
(22,730)	Employee benefits and on-costs		(21,120)	(20,389)
(10,006)	Materials and contracts		(15,392)	(13,452)
(1,352)	Borrowing costs		(1,141)	(1,207)
–	Bonds, deposits and retention amounts refunded		(351)	(5)
(6,264)	Other		(7,484)	(9,225)
39,967	Net cash provided (or used in) operating activities	11b	36,535	38,333
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		87,900	89,600
1,440	Sale of infrastructure, property, plant and equipment		757	611
–	Deferred debtors receipts		–	120
Payments:				
–	Purchase of investment securities		(93,700)	(96,600)
(48,240)	Purchase of infrastructure, property, plant and equipment		(25,102)	(30,693)
(46,800)	Net cash provided (or used in) investing activities		(30,145)	(36,962)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(1,639)	Repayment of borrowings and advances		(1,502)	(1,409)
(1,639)	Net cash flow provided (used in) financing activities		(1,502)	(1,409)
(8,472)	Net increase/(decrease) in cash and cash equivalents		4,888	(38)
12,674	Plus: cash and cash equivalents – beginning of year	11a	1,543	1,581
4,202	Cash and cash equivalents – end of the year	11a	6,431	1,543
Additional Information:				
	plus: Investments on hand – end of year	6b	59,100	53,300
Total cash, cash equivalents and investments			65,531	54,843
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 2017

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n/a – not applicable

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]. This bears no impact to Council.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

(b) Revenue recognition

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

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

Control over granted assets/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.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

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

(iii) 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.

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) 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

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), 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.

Cash and other assets of 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 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Joint operations

Council has no interest in any joint operations.

Joint ventures/associates

Council has no interest in any joint ventures or associates.

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

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

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

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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

(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.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(j) 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.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised

Internally valued:

- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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 asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 300 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) Payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(o) Borrowing costs

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

(p) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

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

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee

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

(ii) Other long-term employee benefit obligations

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

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

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

(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 Statement of Financial Position, 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 that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield, (FIAA) on 2 December 2016 and covers the period ended 30 June 2016.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 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 \$ 376,419.

The amount of additional contributions included in the total employer contribution advised above is \$152,000.

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.

(r) 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.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

(u) 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.

(v) Rural fire service assets

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

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

(w) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to the taxation authority is included with

other receivables or payables in the Statement of Financial Position.

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

(x) New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 Amendments to Australian Accounting

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

Effective for annual reporting periods beginning on or after 1 January 2018

AASB 9 Financial Instruments (December 2009)

AASB 15 Revenue from Contracts with Customers

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

AASB 2014-1 Amendments to Australian Accounting Standards (Part E)

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
AASB 1057 Application of Australian Accounting Standards

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 Leases

AASB 16 Leases (Appendix D)

AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities

AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect on Council's future financial statements, financial position, financial performance or cash flows 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.

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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 16 – Leases

AASB 16 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.

AASB 1058 – Income of Not-for-Profit Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contribution.

The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

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 1058. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- Upon initial recognition of an asset, this Standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable Accounting Standard, such as:
 - (a) contributions by owners
 - (b) revenue, or a contract liability arising from a contract with a customer
 - (c) a lease liability
 - (d) a financial instrument
 - (e) a provision.
- Prepaid rates received prior to the beginning of a rating period will now be recognised as a financial liability until the commencement of the rating period.
- Changes in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

Apart from those listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(y) Rounding of amounts

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

(z) 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.

(aa) 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 2017

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	83	85	79	698	551	377	(615)	(466)	(298)	–	4	27,035	113
Looking after our community	4,229	3,988	4,119	13,640	13,674	12,515	(9,411)	(9,686)	(8,396)	2,182	2,614	64,956	74,070
Protecting our natural environment	17,790	17,930	16,306	17,220	18,350	16,266	570	(420)	40	750	1,400	147,415	143,533
Building a strong local economy	622	825	840	1,432	1,568	1,178	(810)	(743)	(338)	5	107	16,500	16,500
Connecting the region	25,101	23,275	23,554	14,534	20,066	26,829	10,567	3,209	(3,275)	9,841	9,929	630,074	589,927
Good government	8,513	9,398	8,157	10,869	8,485	9,141	(2,356)	913	(984)	230	145	76,074	90,943
Total functions and activities	56,338	55,501	53,055	58,393	62,694	66,306	(2,055)	(7,193)	(13,251)	13,008	14,199	962,054	915,086
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	23,981	26,843	23,687	–	–	–	23,981	26,843	23,687	9,029	6,114	–	–
Operating result from continuing operations	80,319	82,344	76,742	58,393	62,694	66,306	21,926	19,650	10,436	22,037	20,313	962,054	915,086

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 2017

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

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

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 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		9,083	8,821
Farmland		4,521	4,450
Mining		2,121	2,084
Business		1,269	1,250
Total ordinary rates		16,994	16,605
Special rates			
Hunter Valley catchment special rate		16	18
Total special rates		16	18
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,239	1,188
Water supply services		1,311	1,265
Sewerage services		5,563	5,112
Waste management services (non-domestic)		2,626	2,536
Total annual charges		10,739	10,101
TOTAL RATES AND ANNUAL CHARGES		27,749	26,724

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 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		4,944	4,837
Sewerage services		657	691
Other		1	1
Total user charges		5,602	5,529
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		739	731
Private works – section 67		119	516
Total fees and charges – statutory/regulatory		858	1,247
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		81	74
Aged care		192	186
Cemeteries		275	270
Childrens services		116	133
Leaseback fees – Council vehicles		54	62
Parks and sports grounds		151	133
RMS (formerly RTA) charges (state roads not controlled by Council)		4,543	6,460
Saleyards		309	299
Swimming centres		167	164
Waste depot		774	938
Waste water services		45	38
Water connection fees		84	99
Other		5	2
Total fees and charges – other		6,796	8,858
TOTAL USER CHARGES AND FEES		13,256	15,634

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		86	90
– Interest earned on investments (interest and coupon payment income)		1,612	1,645
TOTAL INTEREST AND INVESTMENT REVENUE		1,698	1,735
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		43	90
General Council cash and investments		777	860
Restricted investments/funds – external:			
Development contributions			
– Section 94		99	80
– Section 64		125	106
Water fund operations		255	232
Sewerage fund operations		247	216
Domestic waste management operations		152	151
Total interest and investment revenue recognised		1,698	1,735
(d) Other revenues			
Rental income – other council properties		986	1,017
Fines		78	97
Legal fees recovery – rates and charges (extra charges)		140	137
Commissions and agency fees		30	7
Diesel rebate		192	185
Insurance claim recoveries		208	102
Recycling income (non-domestic)		363	309
Sales – events		123	34
Sales – general		69	52
Sales – ironed out		46	44
Sales – Mudgee town hall cinema		65	67
Section 44 Bushfire Reimbursement		47	–
Reversal of prior period provision – asset remediation		320	–
Other		80	78
TOTAL OTHER REVENUE		2,747	2,129

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	5,460	3,705	–	–
Financial assistance – local roads component	3,375	2,213	–	–
Pensioners' rates subsidies – general component	194	196	–	–
Total general purpose	9,029	6,114	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	62	62	–	–
– Sewerage	57	57	–	–
– Domestic waste management	72	72	–	–
Sewerage services	–	–	(33)	44
Aerodromes	111	–	574	435
Aged care	1,002	900	–	–
Bushfire and emergency services	525	594	20	1
Childrens services	654	780	–	109
Employment and training programs	100	49	–	–
Environmental programs	85	3	–	–
FESL Implementation	70	–	–	–
Heritage and cultural	15	4	–	–
Library	92	91	–	–
LIRS subsidy	121	137	–	–
Noxious weeds	125	134	–	–
Other waste management	–	–	8	–
Recreation and culture	–	–	115	446
Street lighting	35	34	–	–
Transport (roads to recovery)	1,751	3,008	–	–
Transport (other roads and bridges funding)	–	–	7,439	6,719
Youth services	1	1	–	–
Waste management	2	513	–	–
Other	5	6	–	–
Total specific purpose	4,885	6,445	8,123	7,754
Total grants	13,914	12,559	8,123	7,754
Grant revenue is attributable to:				
– Commonwealth funding	9,861	10,245	–	–
– State funding	3,938	2,314	8,112	7,748
– Other funding	115	–	11	6
	13,914	12,559	8,123	7,754

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000		2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions					
Developer contributions:					
(s93 & s94 – EP&A Act, s64 of the LGA):					
S 93F – contributions using planning agreements		–	–	1,016	572
S 94 – contributions towards amenities/services		–	–	696	721
S 94A – fixed development consent levies		–	–	25	37
S 64 – water supply contributions		–	–	1,041	481
S 64 – sewerage service contributions		–	–	596	180
Total developer contributions	17	–	–	3,374	1,991
Other contributions:					
Dedications (other than by S94)		–	–	2,456	–
Occupational health and safety		67	64	–	–
Recreation and culture		–	–	–	7
Risk management		–	33	–	–
Roads and bridges		643	631	2,907	2,649
RMS contributions (regional roads, block grant)		3,411	2,357	1,947	2,459
Other		52	13	–	3
Total other contributions		4,173	3,098	7,310	5,118
Total contributions		4,173	3,098	10,684	7,109
TOTAL GRANTS AND CONTRIBUTIONS		18,087	15,657	18,807	14,863

\$ '000	Actual 2017	Actual 2016
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(g) Unspent 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	12,933	12,260
Add: grants and contributions recognised in the current period but not yet spent:	7,161	3,266
Less: grants and contributions recognised in a previous reporting period now spent:	(1,170)	(2,593)
Net increase (decrease) in restricted assets during the period	5,991	673
Unexpended and held as restricted assets	18,924	12,933
Comprising:		
– Specific purpose unexpended grants	4,318	1,406
– Developer contributions	14,477	11,226
– Other contributions	129	301
	18,924	12,933

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		17,853	17,032
Employee termination costs (where material – other than vested leave paid)		68	260
Travel expenses		9	5
Employee leave entitlements (ELE)		3,439	3,777
Superannuation – defined contribution plans		1,737	1,670
Superannuation – defined benefit plans		376	411
Workers' compensation insurance		469	454
Fringe benefit tax (FBT)		125	160
Payroll tax		108	104
Training costs (other than salaries and wages)		313	302
Protective clothing		94	90
Recruitment costs		43	23
Other		19	26
Total employee costs		24,653	24,314
Less: capitalised costs		(3,426)	(3,860)
TOTAL EMPLOYEE COSTS EXPENSED		21,227	20,454
Number of 'full-time equivalent' employees (FTE) at year end		307	299
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		319	313
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,095	1,188
Total interest bearing liability costs expensed		1,095	1,188
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	13	16
Total other borrowing costs		13	16
TOTAL BORROWING COSTS EXPENSED		1,108	1,204

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		3,730	3,868
Contractor and consultancy costs		4,545	4,205
– Plant hire wet		1,371	1,336
– Road sealing contract		1,593	669
– Tourism contract		432	377
– Labour contracts		566	647
Auditors remuneration ⁽¹⁾		75	56
Legal expenses:			
– Legal expenses: planning and development		17	18
– Legal expenses: debt recovery		140	137
– Legal expenses: other		77	105
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		314	340
– Operating lease rentals: contingent rentals ⁽²⁾		–	14
TOTAL MATERIALS AND CONTRACTS		12,860	11,772
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
Nil			
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		70	55
Remuneration for audit and other assurance services		70	55
(ii) Other non-assurance services			
– Remuneration advice		5	1
Remuneration for other services		5	1
Total remuneration of other Council's Auditors		75	56
Total Auditor remuneration		75	56
2. Operating lease payments are attributable to:			
Buildings		43	52
Computers		258	248
Motor vehicles		13	54
		314	354

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		2,087	1,927
Office equipment		68	8
Furniture and fittings		59	60
Land improvements (depreciable)		5	7
Infrastructure:			
– Buildings – non-specialised		886	891
– Buildings – specialised		966	1,009
– Other structures		223	330
– Roads		5,500	9,133
– Bridges		1,095	1,090
– Footpaths		121	119
– Stormwater drainage		222	222
– Water supply network		1,506	1,617
– Sewerage network		1,776	1,798
– Swimming pools		229	160
– Other open space/recreational assets		380	497
Other assets			
– Library books		77	84
Asset reinstatement costs	9 & 26	151	104
Intangible assets	25	126	150
Total depreciation and amortisation costs		15,477	19,206
Impairment			
Infrastructure:			
– Buildings – specialised		–	8
– Roads		1,325	–
Total gross impairment costs		1,325	8
Less: IPP&E impairments (to)/from equity	9a	(1,325)	(8)
Total impairment costs		–	–
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>15,477</u>	<u>19,206</u>

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		91	83
Bad and doubtful debts		91	28
Bank charges		106	98
Computer software charges		672	664
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		42	39
– NSW fire brigade levy		54	53
– NSW rural fire service levy		552	475
– Other contributions/levies		157	167
Councillor expenses – mayoral fee		24	24
Councillor expenses – councillors' fees		98	99
Councillors' expenses (incl. mayor) – other (excluding fees above)		38	16
Donations, contributions and assistance to other organisations (Section 356)			
Donations, contributions and assistance		275	302
– Housing plus crisis accomodation		85	85
– Kandos Bicentennial Industrial Museum Incorporated Association		599	80
– Pelican Airline air service		119	254
Electricity and heating		1,087	1,041
Family day care centre		563	667
Insurance		1,074	1,031
Postage		115	98
Printing and stationery		140	136
Street lighting		337	294
Subscriptions and publications		110	127
Telephone and communications		340	250
<u>TOTAL OTHER EXPENSES</u>		<u>6,769</u>	<u>6,111</u>

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		–	167
Less: carrying amount of property assets sold/written off		(159)	(32)
Net gain/(loss) on disposal		(159)	135
Plant and equipment			
Proceeds from disposal – plant and equipment		757	444
Less: carrying amount of plant and equipment assets sold/written off		(885)	(641)
Net gain/(loss) on disposal		(128)	(197)
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(4,966)	(7,497)
Net gain/(loss) on disposal		(4,966)	(7,497)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		87,900	89,600
Less: carrying amount of financial assets sold/redeemed/matured		(87,900)	(89,600)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(5,253)</u>	<u>(7,559)</u>

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		(2)	–	45	–
Cash-equivalent assets ¹					
– Deposits at call		1,561	–	1,498	–
– Managed funds		4,872	–	–	–
Total cash and cash equivalents		6,431	–	1,543	–
Investments (Note 6b)					
– Long term deposits		59,100	–	53,300	–
Total investments		59,100	–	53,300	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		65,531	–	54,843	–

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'	6,431	–	1,543	–
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Investments

a. 'Held to maturity'	59,100	–	53,300	–
Investments	59,100	–	53,300	–

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 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	65,531	–	54,843	–
attributable to:				
External restrictions (refer below)	43,027	–	33,428	–
Internal restrictions (refer below)	14,921	–	8,980	–
Unrestricted	7,583	–	12,435	–
	65,531	–	54,843	–

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Trust deposits	1,003	–	(68)	935
External restrictions – included in liabilities	1,003	–	(68)	935

External restrictions – other

Developer contributions – general (D)	5,042	1,851	(347)	6,546
Developer contributions – water fund (D)	4,256	1,110	–	5,366
Developer contributions – sewer fund (D)	1,928	637	–	2,565
Other contributions (E)	301	44	(216)	129
Specific purpose unexpended grants (F)	1,405	2,912	–	4,317
Specific purpose unexpended grants-water fund (F)	1	–	–	1
Water supplies (G)	6,356	979	–	7,335
Sewerage services (G)	6,847	1,287	–	8,134
Domestic waste management (G)	4,550	–	(478)	4,072
Bequest – Simpkins park	100	–	–	100
Bequest – Kandos museum	34	–	(34)	–
Community services	196	34	(44)	186
Community tenancy scheme	96	60	(40)	116
Family day care	110	17	–	127
Ulan road strategy	1,203	1,895	–	3,098
External restrictions – other	32,425	10,826	(1,159)	42,092
Total external restrictions	33,428	10,826	(1,227)	43,027

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 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,613	3,715	(1,963)	4,365
Employees leave entitlement	2,295	–	–	2,295
Asset replacement	1,656	1,262	(1,431)	1,487
Capital program	780	518	(685)	613
Community plan	33	–	(33)	–
Community services (Rylstone)	6	–	(6)	–
Council elections	255	62	(147)	170
Emergency disaster	200	–	(200)	–
Future fund	500	–	–	500
Land development	413	4,846	(27)	5,232
Mudgee Bicentenary	–	10	–	10
Saleyards	29	30	(10)	49
State roads warranty	200	–	–	200
Total internal restrictions	8,980	10,443	(4,502)	14,921
TOTAL RESTRICTIONS	42,408	21,269	(5,729)	57,948

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		864	–	827	–
Interest and extra charges		181	–	167	–
User charges and fees		4,006	–	2,793	–
Contributions to works		–	–	13	–
Accrued revenues					
– Interest on investments		503	–	482	–
Government grants and subsidies		3,007	–	2,272	–
Net GST receivable		473	–	554	–
Other debtors		339	–	76	–
Total		9,373	–	7,184	–
Less: provision for impairment					
Rates and annual charges		(56)	–	(62)	–
Interest and extra charges		(10)	–	(5)	–
User charges and fees		(80)	–	(38)	–
Total provision for impairment – receivables		(146)	–	(105)	–
<u>TOTAL NET RECEIVABLES</u>		<u>9,227</u>	<u>–</u>	<u>7,079</u>	<u>–</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		38	–	34	–
– Other		1,121	–	1,186	–
Sewerage services					
– Specific purpose grants		–	–	435	–
– Rates and availability charges		155	–	144	–
– Other		170	–	164	–
Domestic waste management		136	–	250	–
Other					
General fund specific purpose grants		3,007	–	1,826	–
Contributions to works		–	–	13	–
Total external restrictions		4,627	–	4,052	–
Internally restricted receivables					
Plant Replacement Reserve		37	–	33	–
Internally restricted receivables		37	–	33	–
Unrestricted receivables		4,563	–	2,994	–
<u>TOTAL NET RECEIVABLES</u>		<u>9,227</u>	<u>–</u>	<u>7,079</u>	<u>–</u>

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		724	–	730	–
Gravel stockpile		313	–	350	–
Total inventories at cost		1,037	–	1,080	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		1,037	–	1,080	–
(b) Other assets					
Prepayments		–	–	11	–
TOTAL OTHER ASSETS		–	–	11	–
Externally restricted assets					
Water					
Stores and materials		204	–	200	–
Total water		204	–	200	–
Sewerage					
Stores and materials		20	–	22	–
Total sewerage		20	–	22	–
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		224	–	222	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		813	–	869	–
TOTAL INVENTORIES AND OTHER ASSETS		1,037	–	1,091	–

(i) Other disclosures

(a) Inventories recognised as an expense for the year included:	2017	2016
– Stores and materials	1,940	2,001

(b) Inventory write downs

\$19,576 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 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period									as at 30/6/2017			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	WIP transfers	Other movements	Other movements	Revaluation increments to equity (ARR)	At cost	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	17,963	–	17,963	9,769	–	–	–	–	(14,603)	–	(1)	–	13,128	–	–	13,128
Plant and equipment	29,737	13,015	16,722	2,555	258	(885)	(2,087)	–	–	–	(1)	–	–	29,981	13,419	16,562
Office equipment	3,314	2,946	368	–	162	–	(68)	–	99	–	1	–	–	3,575	3,013	562
Furniture and fittings	762	537	225	48	47	–	(59)	–	–	–	1	–	–	858	596	262
Land:																
– Operational land	31,720	–	31,720	–	85	–	–	–	–	–	–	340	–	32,145	–	32,145
– Community land	16,494	–	16,494	–	75	(159)	–	–	–	–	1	258	–	16,669	–	16,669
– 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	500	267	233	–	118	(64)	(5)	–	29	(34)	(1)	–	–	525	249	276
Infrastructure:																
– Buildings – non-specialised	42,559	18,487	24,072	280	6	–	(886)	–	810	(592)	(1)	–	–	42,278	18,589	23,689
– Buildings – specialised	43,500	17,313	26,187	293	65	(162)	(966)	–	316	18	4	–	–	43,576	17,821	25,755
– Other structures	8,548	2,278	6,270	239	157	(188)	(223)	–	995	34	0	–	–	9,765	2,481	7,284
– Roads	356,308	148,388	207,920	7,557	846	(3,317)	(5,500)	(1,325)	7,415	(668)	1	–	–	362,505	149,576	212,929
– Bridges	102,734	45,872	56,862	144	–	(112)	(1,095)	–	1,126	–	–	–	–	102,990	46,065	56,925
– Footpaths	8,059	3,605	4,454	103	594	(4)	(121)	–	380	–	1	–	–	9,120	3,713	5,407
– Bulk earthworks (non-depreciable)	280,916	–	280,916	69	240	–	–	–	695	–	1	–	–	281,921	–	281,921
– Stormwater drainage	27,155	10,005	17,150	220	892	–	(222)	–	248	–	1	–	–	28,516	10,227	18,289
– Water supply network	107,105	46,967	60,138	657	413	(632)	(1,506)	–	1,286	–	–	9,554	–	108,556	38,646	69,910
– Sewerage network	102,393	36,411	65,982	101	817	(312)	(1,776)	–	1,145	668	–	17,481	–	109,638	25,532	84,106
– Swimming pools	9,267	4,722	4,545	296	–	(14)	(229)	–	–	(18)	(1)	–	–	9,519	4,940	4,579
– Other open space/recreational assets	12,691	3,080	9,611	189	221	(9)	(380)	–	59	–	(1)	–	–	13,136	3,446	9,690
Other assets:																
– Library books	2,094	1,322	772	–	66	–	(77)	–	–	–	2	(113)	–	1,243	593	650
Reinstatement, rehabilitation and restoration assets (refer Note 26):																
– Tip assets	907	643	264	–	–	(151)	(113)	–	–	–	(1)	2,146	–	2,520	375	2,145
– Quarry assets	318	182	136	–	–	(1)	(38)	–	–	–	–	164	–	401	140	261
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,207,790	356,040	851,750	22,520	5,062	(6,010)	(15,351)	(1,325)	–	(592)	6	29,830	13,128	1,212,183	339,421	885,890

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 2017

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	256	–	256	1,322	–	1,322
Land						
– Operational land	1,096	–	1,096	1,068	–	1,068
– Community land	993	–	993	974	–	974
Buildings	38	12	26	38	11	27
Infrastructure	108,553	38,645	69,908	107,105	46,967	60,138
Total water supply	110,936	38,657	72,279	110,507	46,978	63,529
Sewerage services						
WIP	1,527	–	1,527	2,437	–	2,437
Land						
– Operational land	946	–	946	946	–	946
– Community land	894	–	894	894	–	894
Buildings	722	277	445	763	255	508
Infrastructure	109,640	25,532	84,108	103,201	36,512	66,689
Total sewerage services	113,729	25,809	87,920	108,241	36,767	71,474
Domestic waste management						
WIP	–	–	–	690	–	690
Plant and equipment	–	–	–	640	402	238
Land						
– Operational land	–	–	–	1,480	–	1,480
– Community land	–	–	–	435	–	435
– Improvements – depreciable	–	–	–	292	236	56
Buildings	–	–	–	1,284	599	685
Other structures	–	–	–	2,852	550	2,302
Infrastructure	–	–	–	1,441	686	755
Total DWM	–	–	–	9,114	2,473	6,641
TOTAL RESTRICTED I,PP&E	224,665	64,466	160,199	227,862	86,218	141,644

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

\$ '000	Notes	Actual 2017	Actual 2016
(i) Impairment losses recognised direct to equity (ARR):			
– Flood damage to Roads		(1,325)	–
– Cahill Park Amenity Building Roof was damaged by storm		–	(8)
Total impairment losses		(1,325)	(8)
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	(1,325)	(8)

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		2,964	–	2,164	–
Goods and services – capital expenditure		2,407	–	2,797	–
Accrued expenses:					
– Borrowings		180	–	195	–
– Salaries and wages		–	–	2	–
Security bonds, deposits and retentions		935	–	1,003	–
Other		46	–	44	–
Total payables		6,532	–	6,205	–
Income received in advance					
Payments received in advance		900	–	762	–
Total income received in advance		900	–	762	–
Borrowings					
Loans – secured ¹		1,591	14,667	1,497	16,257
Government advances		–	–	6	–
Total borrowings		1,591	14,667	1,503	16,257
Provisions					
Employee benefits:					
Annual leave		1,510	–	1,488	–
Sick leave		1,262	–	1,304	–
Long service leave		3,623	421	3,372	496
Sub-total – aggregate employee benefits		6,395	421	6,164	496
Asset remediation/restoration (future works) ²⁶		–	2,558	159	959
Total provisions		6,395	2,979	6,323	1,455
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		15,418	17,646	14,793	17,712
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		902	2,229	898	2,676
Sewer		808	8,539	1,079	8,912
Domestic waste management		216	2,366	407	800
Trust deposits		935	–	1,003	–
Liabilities relating to externally restricted assets		2,861	13,134	3,387	12,388
Internally restricted assets					
Employee leave entitlements		2,295	–	2,295	–
Liabilities relating to internally restricted assets		2,295	–	2,295	–
Total liabilities relating to restricted assets		5,156	13,134	5,682	12,388
Total liabilities relating to unrestricted assets		10,262	4,512	9,111	5,324
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		15,418	17,646	14,793	17,712

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 2017

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

\$ '000	Actual 2017	Actual 2016
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(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	4,911	4,638
	<u>4,911</u>	<u>4,638</u>

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	1,488	1,446	(1,424)	–	–	1,510
Sick leave	1,304	45	(50)	(37)	–	1,262
Long service leave	3,868	738	(447)	(115)	–	4,044
Asset remediation	1,118	1,471	–	(31)	–	2,558
TOTAL	7,778	3,700	(1,921)	(183)	–	9,374

- a. 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.
- b. 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 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	6,431	1,543
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		6,431	1,543
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		19,650	10,436
Adjust for non-cash items:			
Depreciation and amortisation		15,477	19,206
Net losses/(gains) on disposal of assets		5,253	7,559
Non-cash capital grants and contributions		(2,456)	–
Other movements in reserves - transfer to provision asset remediation		(1,746)	–
Unwinding of discount rates on reinstatement provisions		(18)	12
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,189)	1,376
Increase/(decrease) in provision for doubtful debts		41	(2)
Decrease/(increase) in inventories		43	47
Decrease/(increase) in other assets		11	48
Increase/(decrease) in payables		800	(657)
Increase/(decrease) in accrued interest payable		(15)	(15)
Increase/(decrease) in other accrued expenses payable		(2)	(516)
Increase/(decrease) in other liabilities		72	78
Increase/(decrease) in employee leave entitlements		156	654
Increase/(decrease) in other provisions		1,458	107
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		36,535	38,333

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Other dedications		2,456	–
Total non-cash investing and financing activities		2,456	–
(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		200	172
Operating lease facility		600	600
Total financing arrangements		1,500	1,472
Amounts utilised as at balance date:			
– Credit cards/purchase cards		4	6
– Operating lease facility		430	544
Total financing arrangements utilised		434	550

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 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(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		68	9
Plant and equipment		1,897	1,014
Other structures		–	11
Drainage		4	170
Other assets		173	–
Recreational facilities		–	35
Roads and transport		4,679	945
Sewerage network		518	244
Water supply network		87	25
Land development		195	66
Waste assets		6	58
Total commitments		7,627	2,577
These expenditures are payable as follows:			
Within the next year		7,627	2,577
Total payable		7,627	2,577
Sources for funding of capital commitments:			
Unrestricted general funds		–	108
Future grants and contributions		4,885	923
Sect 64 and 94 funds/reserves		45	8
Externally restricted reserves		562	303
Internally restricted reserves		2,135	1,235
Total sources of funding		7,627	2,577

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(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		233	235
Later than one year and not later than 5 years		177	280
Later than 5 years		–	–
Total non-cancellable operating lease commitments		410	515

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

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

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>6,096</u>	9.59%	5.06%	7.48%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>63,537</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>45,450</u>	55.20%	60.23%	62.70%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>82,344</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>27,917</u>	3.65x	3.66x	2.98x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>7,646</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>22,681</u>	8.69x	9.01x	8.38x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>2,610</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>979</u>	3.39%	3.33%	3.42%	< 5% Metro
Rates, annual and extra charges collectible	<u>28,902</u>				<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>65,531</u>	16.73 mths	14.4 mths	12.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>3,916</u>				

Notes

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

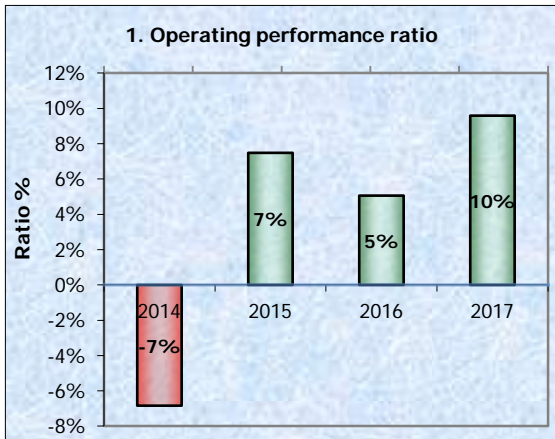
⁽³⁾ Refer to Note 10(a).

⁽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 2017

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



Purpose of operating performance ratio

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



Commentary on 2016/17 result

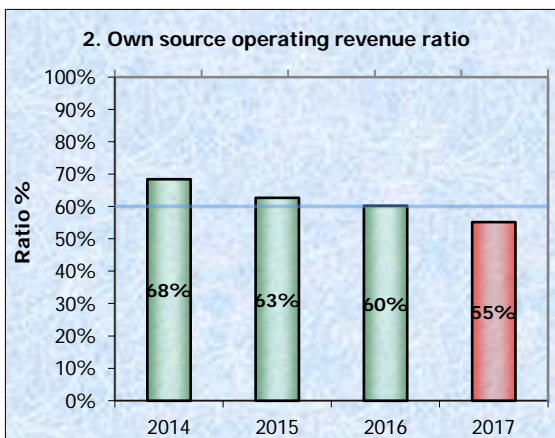
2016/17 ratio 9.59%

A materially increased Operating Performance Ratio is due to additional Financial Assistance Grant funding (50% prepayment of 2017/18 FAG). Councils operating result without this was still positive, and resulted from increases in revenue streams from RMS Contract Works and operating expenditure savings.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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



Commentary on 2016/17 result

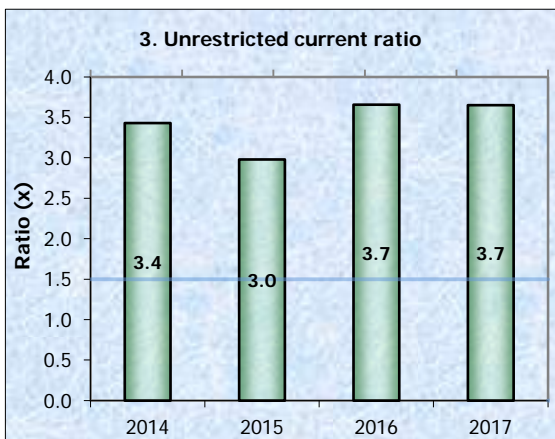
2016/17 ratio 55.20%

MWRC continues to be very successful in obtaining grants and contributions, with a reduced ratio this year, mainly the result of additional Financial Assistance Grant funding (50% prepayment of 2017/18 FAG).

Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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



Commentary on 2016/17 result

2016/17 ratio 3.65x

MWRC's Unrestricted Current Ratio remains relatively consistent from year to year, and continues to exceed the benchmark of 1.5x.

Benchmark: ——— Minimum ≥ 1.50

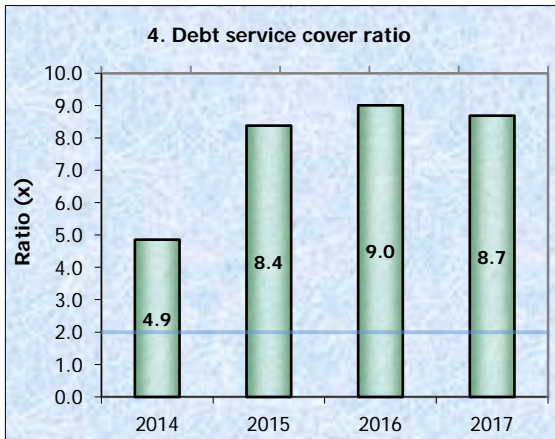
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

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



Purpose of debt service cover ratio

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

Commentary on 2016/17 result

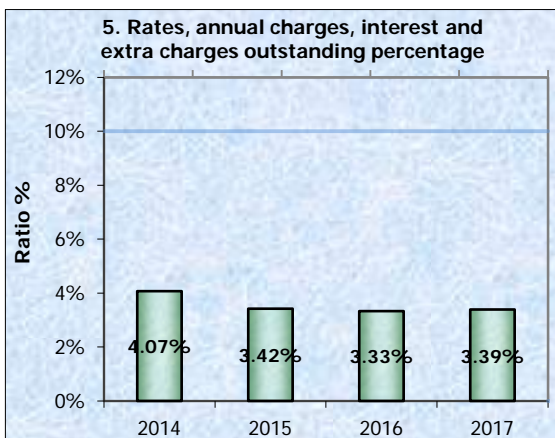
2016/17 ratio 8.69x

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 3 years.

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

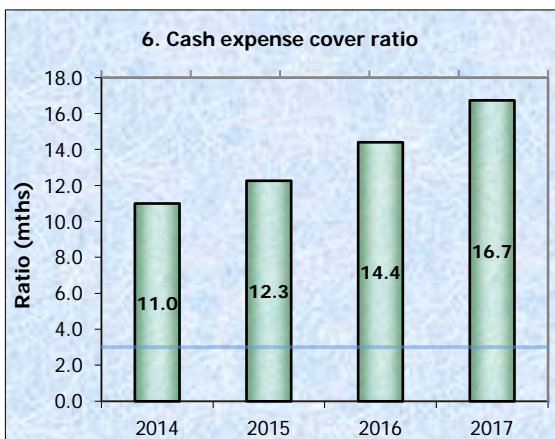
2016/17 ratio 3.39%

MWRC continues to implement effective controls over the collection of outstanding Rates, Annual Charges, Interest and Extra Charges.

Benchmark: ——— Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 16.73 mths

An increased cash and investments balance, mostly attributable to externally restricted funds set aside for major capital projects due for completion in the next 3-5 years, has resulted in an improved Cash Expense Cover Ratio.

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	9.42%	4.43%	12.43%	14.47%	7.84%	-0.74%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	48.07%	52.94%	83.95%	92.72%	86.01%	95.45%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	3.65x	3.66x	9.64x	8.66x	10.49x	6.65x	>1.5x

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 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	9.40x	17.27x	13.74x	4.63x	4.93x	2.57x	>2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.58%	3.55%	3.08%	2.88%	2.72%	2.52%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	13.57 months	11.61 months	29.59 months	26.86 months	27.95 months	24.51 months	> 3 months

Notes

(1) 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 2017

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	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	6,431	1,543	6,431	1,543
Investments				
– 'Held to maturity'	59,100	53,300	59,100	53,300
Receivables	9,227	7,079	9,227	7,079
Total financial assets	74,758	61,922	74,758	61,922
Financial liabilities				
Payables	6,532	6,205	6,532	6,205
Loans/advances	16,258	17,760	16,258	19,628
Total financial liabilities	22,790	23,965	22,790	25,833

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 2017

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 it's 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.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 1% movement in interest rates	655	655	(655)	(655)
2016				
Possible impact of a 1% movement in interest rates	548	548	(548)	(548)

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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.

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

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

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

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

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		80%	94%	71%	79%
Overdue		20%	6%	29%	21%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	691	7,968	588	5,010
< 1 year overdue	0 – 30 days overdue	18	144	99	972
1 – 2 years overdue	31 – 60 days overdue	63	64	61	94
2 – 5 years overdue	61 – 90 days overdue	89	13	76	16
> 5 years overdue	> 91 days overdue	3	320	3	265
		864	8,509	827	6,357
(iii) Movement in provision for impairment of receivables					
				2017	2016
Balance at the beginning of the year				105	107
+ new provisions recognised during the year				82	47
– amounts already provided for and written off this year				(24)	(6)
– amounts provided for but recovered during the year				(17)	(43)
Balance at the end of the year				146	105

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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		
2017									
Trade/other payables	935	5,597	–	–	–	–	–	6,532	6,532
Loans and advances	–	2,608	2,608	2,826	2,069	1,945	11,606	23,662	16,258
Total financial liabilities	935	8,205	2,608	2,826	2,069	1,945	11,606	30,194	22,790
2016									
Trade/other payables	1,003	5,202	–	–	–	–	–	6,205	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	7,816	2,608	2,608	2,826	2,069	13,551	32,481	23,965

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:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	6,532	0.00%	6,205	0.00%
Loans and advances – fixed interest rate	16,258	6.60%	17,760	6.60%
	<u>22,790</u>		<u>23,965</u>	

Loan agreement breaches

There were no breaches to loan agreements during the reporting year.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 15 June 2016.

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	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	27,764	27,749	(15)	(0%)	U
User charges and fees	11,141	13,256	2,115	19%	F
Council received an additional \$2.462 million from RMS works on State Roads compared to Original Budget. The most significant project variations for 2016/17 were Mudgee Asphalt works, Cherry Tree Culvert Repair and Guntawang Widening.					
Interest and investment revenue	1,641	1,698	57	3%	F
Other revenues	2,383	2,747	364	15%	F
Council booked a \$320k reversal of prior period decrements on the reinstatement assets for Tips \$225k, and Quarries \$95k.					
Operating grants and contributions	15,884	18,087	2,203	14%	F
Financial Assistance Grants of \$2.839 million were received in advance, these are the first 2 quarter payments for 2017/18. Council also received additional RMS contributions towards natural disaster recovery works of \$1.009 million. Council also deferred Road to Recovery funded works to the value of \$1.733 million.					
Capital grants and contributions	21,506	18,807	(2,699)	(13%)	U
Council deferred \$5.8 million on the Wollar Road Seal Extension in line with the planned completion of this staged project. Partially offsetting this, Council received \$2.4 million in developer contributed assets (non-cash), and \$1.53 million additional Blackspot funding for Hill End Road.					

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	22,730	21,227	1,503	7% F
Borrowing costs	1,352	1,108	244	18% F
Planned borrowing for 2016/17 was removed for Mortimer St Complex capital works, resulting in a \$121k reduction in interest payable. And Rylstone Dam capital works was deferred to 2017/18, resulting in deferred borrowings and reduced interest payable by \$100k.				
Materials and contracts	10,006	12,860	(2,854)	(29%) U
Increase in actual expenditure on materials and contracts is mainly due to additional RMS work on State Roads \$1.646 million beyond original budget, and repairs to natural disaster damage on roads \$1.092 million.				
Depreciation and amortisation	16,568	15,477	1,091	7% F
Other expenses	6,264	6,769	(505)	(8%) U
Net losses from disposal of assets	1,473	5,253	(3,780)	(257%) U
The unfavourable result from Disposal of Assets is primarily attributable to the scrapping of infrastructure replaced during the course of 2016/17, over budget by \$4.515 million. This was partially offset by favourable variances from the sale of plant and equipment, \$893k.				
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	39,967	36,535	(3,432)	(8.6%) U
Cash flows from investing activities	(46,800)	(30,145)	16,655	(35.6%) F
Cash outflows for capital works were lower than budget by \$23.1 million. This is mostly attributable to deferral of Wollar Road Seal Extension \$5.7 million, Rylstone Dam Upgrade \$5.9 million, Mortimer St Development \$4.8 million, Ulan Road \$2 million. Cash outflows were higher than budget by \$5.8 million due to an increase in the investment portfolio balance.				
Cash flows from financing activities	(1,639)	(1,502)	137	(8.4%) F

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	58	91	–	1	(58)	–	92	–
Open space	1,548	388	–	30	(25)	–	1,941	–
Community facilities	565	59	–	11	(10)	–	625	–
Transport management	569	105	–	10	(87)	–	597	–
Car parking	244	–	–	4	–	–	248	–
Administration	351	53	–	7	–	–	411	–
Civic improvements	(5)	–	–	–	–	–	(5)	–
S94 contributions – under a plan	3,330	696	–	63	(180)	–	3,909	–
S94A levies – under a plan	498	25	–	9	–	–	532	–
Total S94 revenue under plans	3,828	721	–	72	(180)	–	4,441	–
S93F planning agreements	1,214	1,016	–	27	(151)	–	2,106	–
S64 contributions	6,184	1,637	–	125	(16)	–	7,930	–
Total contributions	11,226	3,374	–	224	(347)	–	14,477	–

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	58	91	–	1	(58)	–	92	–
Open space	1,548	388	–	30	(25)	–	1,941	–
Community facilities	565	59	–	11	(10)	–	625	–
Transport management	569	105	–	10	(87)	–	597	–
Car parking	244	–	–	4	–	–	248	–
Administration	351	53	–	7	–	–	411	–
Civic improvements	(5)	–	–	–	–	–	(5)	–
Total	3,330	696	–	63	(180)	–	3,909	–

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	498	25	–	9	–	–	532	–
Total	498	25	–	9	–	–	532	–

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 2017

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 \$1,021,742. 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 2017

Note 19. Interests in other entities

\$ '000

Council has no interest in any controlled entities, joint arrangements or associates.

(a) 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 one year contract, from 1 July 2016 to 30 June 2017 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.

	2017	2016
Losses (or expenses) incurred by Council relating to the Structured Entity	432,399	382,412
Income received by Council relating to the Structured Entity		
– Rental income – other Council properties	–	464
– IT support Income	2,465	–

Non-contractual financial support provided

No non-contractual financial support was provided to MRTI.

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.

	2017	2016
Losses (or expenses) incurred by Council relating to the Structured Entity	119,400	254,231

Non-contractual financial support provided

No non-contractual financial support was provided to Fly Pelican.

Current intention to provide financial support

Council intends to continue to support Fly Pelican through the terms of the contract only, which ceases when Fly Pelican reach an agreed flight sales level.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		357,662	341,899
a. Correction of prior period errors	20 (c)	–	642
b. Net operating result for the year		19,650	10,436
c. Transfers between equity		3,436	4,685
Balance at end of the reporting period		380,748	357,662
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		548,242	524,919
Total		548,242	524,919
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		524,919	518,477
– Revaluations for the year	9(a)	29,830	11,135
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	(1,325)	(8)
– Transfer to retained earnings for asset disposals		(3,436)	(4,685)
– Increase in Provision for Asset Remediation		(1,746)	–
– Balance at end of year		548,242	524,919
TOTAL VALUE OF RESERVES		548,242	524,919

(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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
– Average GRC of Library Book is \$19, not \$40 for FV2016			
Correction of errors as disclosed in last year's financial statements:			
Correction of prior year reported values for roads revaluation			
– \$401,000 roads		401	
– \$241,000 earthworks			241
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 – 1/7/15 (relating to adjustments for the 30/6/15 reporting year end and prior periods)		–	–
– Adjustments to closing equity – 30/6/16 (relating to adjustments for the 30/6/16 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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017	Actual 2017
<u>Continuing operations</u>	Waste	Water	Sewer	General¹
Income from continuing operations				
Rates and annual charges	3,863	1,306	5,556	17,024
User charges and fees	926	5,416	552	6,362
Interest and investment revenue	153	341	286	918
Other revenues	621	21	41	2,064
Grants and contributions provided for operating purposes	380	62	57	17,588
Grants and contributions provided for capital purposes	8	1,292	991	16,516
Total income from continuing operations	5,951	8,438	7,483	60,472
Expenses from continuing operations				
Employee benefits and on-costs	2,218	1,455	1,142	16,412
Borrowing costs	26	188	596	298
Materials and contracts	2,151	1,320	888	8,501
Depreciation and amortisation	292	1,507	1,829	11,849
Impairment	–	–	–	–
Other expenses	833	1,763	1,508	2,665
Net losses from the disposal of assets	390	631	433	3,799
Share of interests in joint ventures and associates using the equity method	–	–	–	–
Total expenses from continuing operations	5,910	6,864	6,396	43,524
Operating result from continuing operations	41	1,574	1,087	16,948
<u>Discontinued operations</u>				
Net profit/(loss) from discontinued operations	–	–	–	–
Net operating result for the year	41	1,574	1,087	16,948
Net operating result attributable to each council fund	41	1,574	1,087	16,948
Net operating result attributable to non-controlling interests	–	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	33	282	96	432

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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017	Actual 2017
ASSETS	Waste	Water	Sewer	General¹
Current assets				
Cash and cash equivalents	101	1,244	1,048	4,038
Investments	4,584	11,458	9,651	33,407
Receivables	136	1,159	325	7,607
Inventories	–	204	20	813
Other	–	–	–	–
Non-current assets classified as 'held for sale'	–	–	–	–
Total current assets	4,821	14,065	11,044	45,865
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Infrastructure, property, plant and equipment	8,455	72,279	87,920	717,236
Investments accounted for using the equity method	–	–	–	–
Intangible assets	–	–	–	366
Other	–	3	–	–
Total non-current assets	8,455	72,282	87,920	717,602
TOTAL ASSETS	13,276	86,347	98,964	763,467
LIABILITIES				
Current liabilities				
Payables	116	456	435	5,525
Income received in advance	–	–	–	900
Borrowings	100	446	373	672
Provisions	–	–	–	6,395
Total current liabilities	216	902	808	13,492
Non-current liabilities				
Payables	–	–	–	–
Income received in advance	–	–	–	–
Borrowings	107	2,229	8,539	3,792
Provisions	2,259	–	–	720
Total non-current liabilities	2,366	2,229	8,539	4,512
TOTAL LIABILITIES	2,582	3,131	9,347	18,004
Net assets	10,694	83,216	89,617	745,463
EQUITY				
Retained earnings	7,722	55,746	48,067	269,213
Revaluation reserves	2,972	27,470	41,550	476,250
Total equity	10,694	83,216	89,617	745,463

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 2017

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 2017) 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 03/10/17.

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 2017.

(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 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

– Council received notification of approval of insurance reimbursement for an environmental liability claim of \$75,000 after 30 June 2017. Works occurred in 2016/17 but the claim was not accrued due to lack of approval notification.

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 2017

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,222	1,158
Accumulated amortisation (1/7)	(899)	(749)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	323	409
Movements for the year		
– Purchases	172	64
– Amortisation charges	(126)	(150)
Closing values:		
Gross book value (30/6)	1,394	1,222
Accumulated amortisation (30/6)	(1,025)	(899)
Accumulated impairment (30/6)	–	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	369	323
¹ The net book value of intangible assets represent:		
– Software	369	323
	369	323

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	
		2017	2016
Mudgee Waste Facility	2019 - 2037	2,259	746
Gravel pits	2019 - 2050	299	372
Balance at end of the reporting period	10(a)	2,558	1,118

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	1,118	999
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	(31)	(4)
Effect of a change in other calculation estimates used	1,458	138
Amortisation of discount (expensed to borrowing costs)	13	16
Expenditure incurred attributable to provisions	–	(31)
Total – reinstatement, rehabilitation and restoration provision	2,558	1,118

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Provisions for close down and restoration and for environmental clean up costs – tips and quarries

Restoration

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

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

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

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

Rehabilitation

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

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

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

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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:

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Work in progress	30/06/17	–	–	13,128	13,128
Plant and equipment	30/06/13	–	–	16,562	16,562
Office equipment	30/06/15	–	–	562	562
Furniture and fittings	30/06/15	–	–	262	262
Operational land	30/06/13	–	–	32,145	32,145
Community land	30/06/16	–	–	16,669	16,669
Land under roads	30/06/14	–	–	1,302	1,302
Land improvements – non-depreciable		–	–	1,444	1,444
Land improvements – depreciable		–	–	276	276
Buildings – market value/income approach	30/06/13	–	4,088	–	4,088
Buildings – replacement cost	30/06/13	–	–	45,356	45,356
Other structures	30/06/16	–	–	7,284	7,284
Roads	30/06/15	–	–	212,929	212,929
Bridges	30/06/15	–	–	56,925	56,925
Footpaths	30/06/15	–	–	5,407	5,407
Bulk earthworks	30/06/15	–	–	281,921	281,921
Stormwater drainage	30/06/15	–	–	18,289	18,289
Water supply network	30/06/17	–	–	69,910	69,910
Sewerage network	30/06/17	–	–	84,106	84,106
Swimming pools	30/06/16	–	–	4,579	4,579
Other open space/recreational assets	30/06/16	–	–	9,690	9,690
Library books	30/06/16	–	–	650	650
Tip assets	30/06/14	–	–	2,145	2,145
Quarry assets	30/06/14	–	–	261	261
Total infrastructure, property, plant and equipment		–	4,088	881,802	885,890

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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):

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant 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

(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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 2017

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 3

Valuation Techniques – Market value direct comparison and Valuer General's Valuation. 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 2017

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 – Cost Approach Method.

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 2017

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 – Cost Approach Method.

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 2017 fair value process. This involves the following process:

- Council used data published in the NSW Reference Rates Manual for Valuation of Water & Sewerage Assets and CENTROC Regional Water & Sewer Asset Valuation Methodology 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.
- Assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives) i.e. civil/structural, electrical, mechanical

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.

Library books – Level 3

Valuation Techniques – Cost approach method. The cost approach has been adopted for other structures and deemed level 3.

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

Unobservable inputs - Estimates of useful life and residual value.

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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 2017

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 – 1/7/15	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
Transfers from/(to) another asset class	(14,603)	–	99	–	(14,504)
Purchases (GBV)	9,769	2,813	162	95	12,839
Disposals (WDV)	–	(885)	–	–	(885)
Depreciation and impairment	–	(2,087)	(68)	(59)	(2,214)
Rounding	(1)	(1)	1	1	–
Closing balance – 30/6/17	13,128	16,562	562	262	30,514
	Operational land	Community land	Land under roads	Land improv'mnt non-deprec	Total
Opening balance – 1/7/15	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
Purchases (GBV)	85	75	–	–	160
Disposals (WDV)	–	(159)	–	–	(159)
FV gains – other comprehensive income	340	258	–	–	598
Rounding	–	1	–	–	1
Closing balance – 30/6/17	32,145	16,669	1,302	1,444	51,560

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 – 1/7/15	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
Transfers from/(to) another asset class	(5)	1,144	1,029	6,747	8,915
Purchases (GBV)	118	644	396	8,403	9,561
Disposals (WDV)	(64)	(162)	(188)	(3,317)	(3,731)
Depreciation and impairment	(5)	(1,788)	(223)	(6,825)	(8,841)
Rounding	(1)	3	0	1	3
Transfer to others	–	(592)	–	–	(592)
Closing balance – 30/6/17	276	45,356	7,283	212,929	265,844

	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Total
Opening balance – 1/7/15	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
Transfers from/(to) another asset class	695	248	1,286	1,813	4,042
Purchases (GBV)	309	1,112	1,070	918	3,409
Disposals (WDV)	–	–	(632)	(312)	(944)
Depreciation and impairment	–	(222)	(1,506)	(1,776)	(3,504)
FV gains – other comprehensive income	–	–	9,554	17,481	27,035
Rounding	1	1	–	–	2
Closing balance – 30/6/17	281,921	18,289	69,910	84,106	454,226

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 – 1/7/15	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
Transfers from/(to) another asset class	1,126	–	–	–	1,126
Purchases (GBV)	144	66	–	–	210
Disposals (WDV)	(112)	–	(151)	(1)	(264)
Depreciation and impairment	(1,095)	(77)	(113)	(38)	(1,323)
FV gains – other comprehensive income	–	(113)	2,146	164	2,197
Rounding	–	2	(1)	–	1
Closing balance – 30/6/17	56,925	650	2,145	261	59,981

	Footpaths	Swimming pools	Other open space/recreational	Total
Opening balance – 1/7/15	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
Transfers from/(to) another asset class	380	(18)	59	421
Purchases (GBV)	697	296	410	1,403
Disposals (WDV)	(4)	(14)	(9)	(27)
Depreciation and impairment	(121)	(229)	(380)	(730)
Rounding	1	(1)	(1)	(1)
Closing balance – 30/6/17	5,407	4,579	9,691	19,677

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

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	Cost Approach	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 2017

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 and External Valuer	Council	Council – Passive assets and External Valuer – Complex assets

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

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	Cost Approach Method	Analysis of data and physical inspection of assets to review condition. Sampling of condition and costing of examples of actual construction.	Council and External Valuer	Council	Council – Passive assets and External Valuer – Complex assets
Swimming pools	Cost Approach Method	Analysis of data and physical inspection of assets to review condition.	Council	Council	Council
Other open space/recreational assets	Cost Approach Method	Analysis of data and physical inspection of assets to review condition.	Council	Council	Council
Library books	Cost Approach Method	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 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

Compensation:	Actual 2017 \$'000
Short-term benefits	1,337
Other long-term benefits	5
Termination benefits	75
Total	<u><u>1,417</u></u>

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
Employee expenses relating to close family members of KMP	1	314	–	Local Government (State) Award 2014	–	–
Printing Services provided to Council	2	27	2	30 day terms on invoice	–	–
Affordable Housing Project - Donation to Housing Plus	3	94	–	per contract	–	–
Community Grants Program - Youth Representative Grant	4	1	–	per Council Resolution	–	–
Development Fees paid to Council	5	189	–	per Development Application	–	–

- 1 Close family members of Council's KMP are employed by council under the relevant pay award on an arm's length basis. There are 4 close family members of KMP who were employed with Council during 2016/2017
- 2 KMP is a director of Convergean Pty Ltd trading as Printstorm
- 3 KMP is a director of Housing Plus
- 4 Close Family member of a KMP was granted \$1000 via our Community Grants Program
- 5 A KMP was the applicant on a Development Applications during the period with fees paid totalling \$189k

Mid-Western Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. 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 Tim Johnston

AUDITORS

Intentus Chartered Accountants
291 Stewart Street
Bathurst NSW 2795

Elected members**MAYOR**

Clr Des Kennedy

COUNCILLORS

Clr Paul Cavalier

Clr Esme Martens

Clr Peter Shelley

Clr Percy Thompson

Clr Sam Paine

Clr Russell Holden

Clr John O'Neill

Clr Alex Karavas

Other information

ABN: 96 149 391 332



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Mid-Western Regional Council

To the Councillors of the Mid-Western Regional Council

Opinion

I have audited the accompanying financial statements of Mid-Western Regional Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 10 October 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in blue ink that reads "Karen Taylor". The signature is written in a cursive, flowing style.

Karen Taylor
Director, Financial Audit Services

3 October 2017
SYDNEY

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

Contact: Karen Taylor
Phone no: (02) 92757311
Our ref: D1724028/1760

3 October 2017

Dear Mr Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Mid-Western Regional Council**

I have audited the general purpose financial statements of the Mid-Western Regional Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2017 \$m	2016 \$m	Variance %
Rates and annual charges revenue	27.7	26.7	3.7 ↑
Grants and contributions revenue	36.9	30.5	20.9 ↑
Operating result for the year	19.6	10.4	88.5 ↑
Net operating result before capital amounts	0.8	(4.4)	118.2 ↑

The growth in rates and annual charges is consistent with the rate pegging of 1.5 per cent, combined with a 7.5 per cent increase in annual charges for sewerage services, consistent with Council’s operational plan.

User charges and fees in 2017 were lower than in 2016 primarily due to a decrease in the level works undertaken on State Roads on behalf of the Roads and Maritime Services.

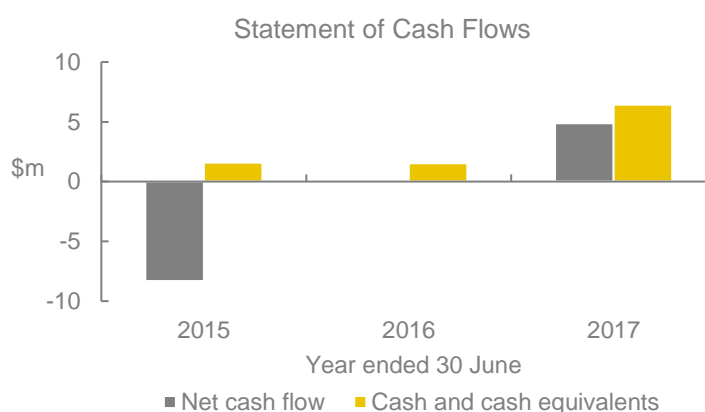
Operating grants and contributions were higher at \$18.1 million (\$15.6 million in 2016), mainly due to the advance payment of the Financial Assistance Grant for 2018, received in 2017.

Council received \$2.5 million in non-cash dedications during the year, increasing capital grants and contributions from \$14.9 million in 2016 to \$18.8 million in 2017.

The General, Water and Sewer Funds all contributed positively to the operating result (see Note 21).

STATEMENT OF CASH FLOWS

The net cash inflow for 2017 was \$4.9 million (outflow of \$0.4 million in 2016), due to spending on infrastructure, property, plant and equipment being \$5.6 million lower than in 2016.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	43.0	33.4	Externally restricted balances include unexpended developer contributions, water, sewer and domestic waste management charges.
Internal restrictions	14.9	9.0	Balances are internally restricted due to Council policy or decisions for forward plans including works program.
Unrestricted	7.6	12.4	Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	65.5	54.8	

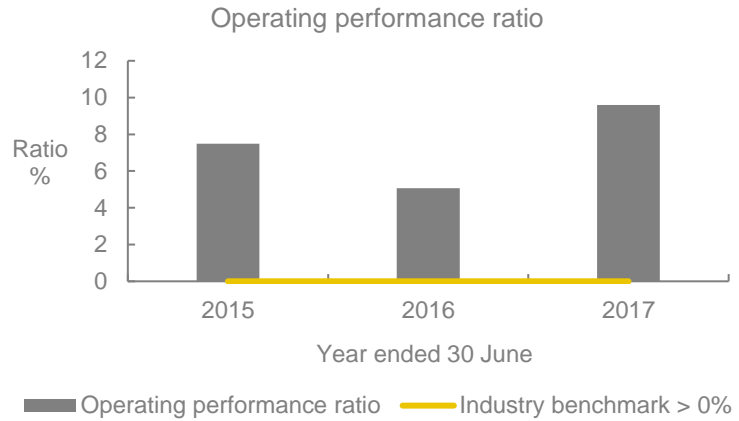
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 13 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s unaudited Special Schedule 7.

Operating performance ratio

Council, has proactively managed its budget to exceed the benchmark.

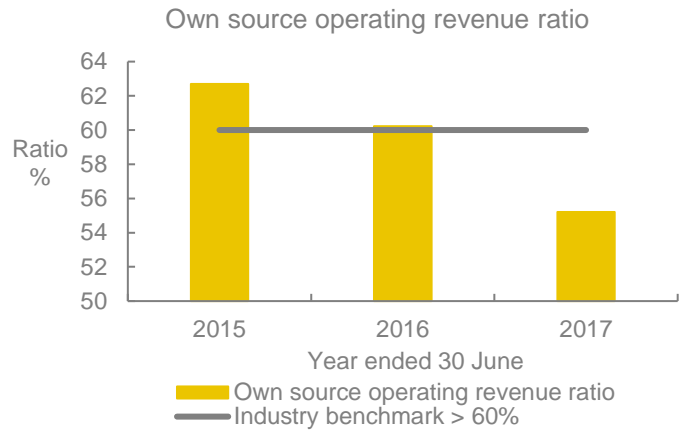
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

The increased level of operating and capital grants and contributions has the effect of decreasing council's own source revenue ratio.

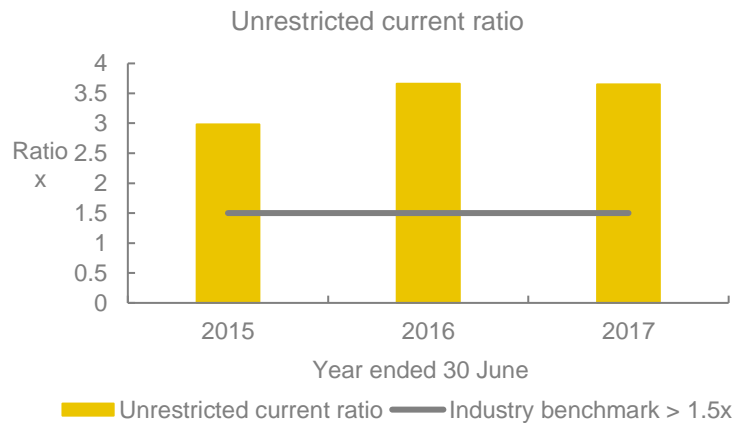
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council effectively manages its liquidity to consistently exceed the benchmark of 1.5 times.

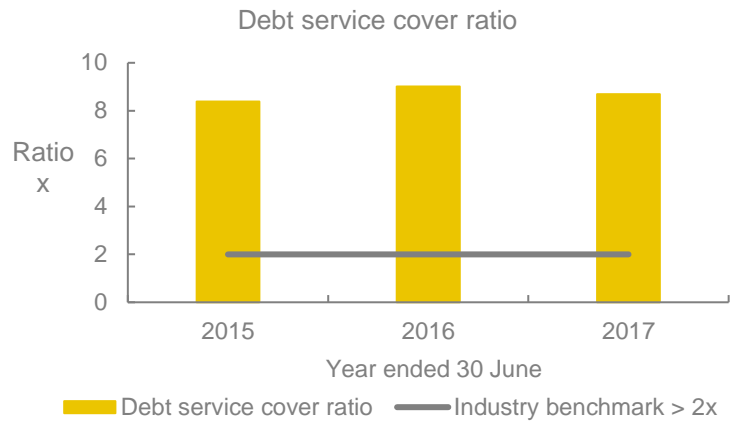
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

This ratio has remained fairly stable over the last few years, as Council continues to repay existing loans and not draw down additional funds.

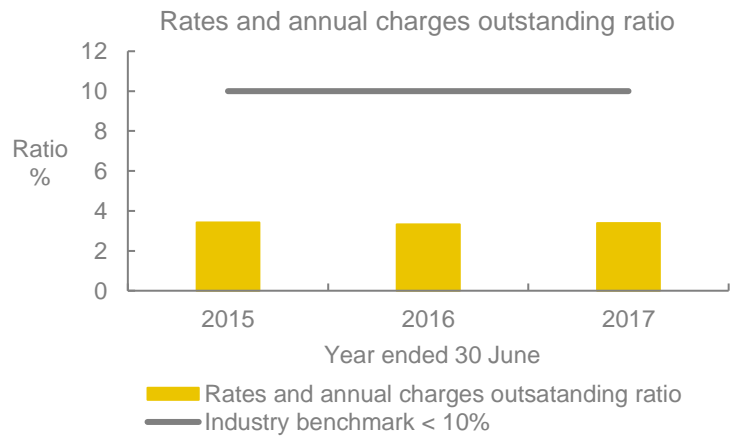
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

A sustained effort to effectively manage recovery has seen Council consistently outperform the benchmark for rural councils.

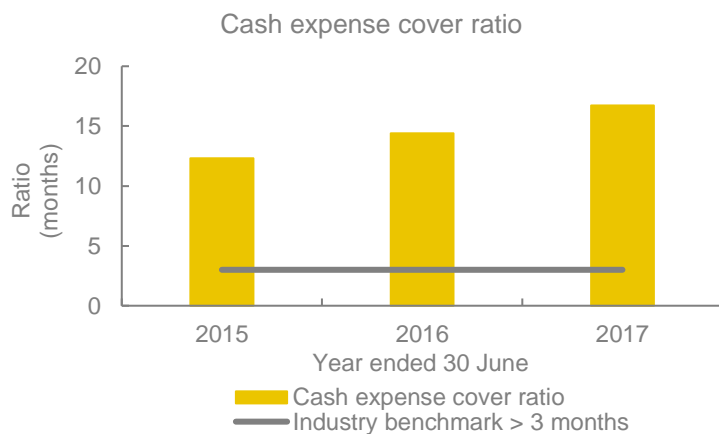
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is greater than 10 per cent for rural councils.



Cash expense cover ratio

Council's has strong liquidity is reflected by this measure. Council comfortably exceeded the benchmark, as it has done for many years.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

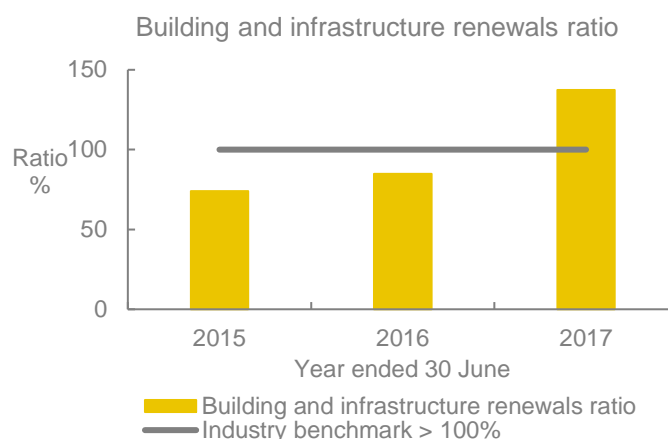


Building and infrastructure renewals ratio

Council's has focussed on renewing its assets, bringing them up to an acceptable standard and thereby reducing the maintenance backlog. Most of Council's renewal work over the last two years has been to its roads network. Depreciation dropped by \$3.7 million in 2017 due to the annual assessment of useful lives for infrastructure assets, which contributed to this improved ratio.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

Valuation of water and sewerage assets

Council revalued its water and sewer infrastructure assets in 2016-17 resulting in a \$27.0 million increase. I assessed:

- the effectiveness and reliability of processes to determine the fair value of assets
- the reasonableness of useful lives and depreciation assumptions
- the qualifications and experience of experts used.

Impairment to Roads Infrastructure

Following the extensive floods experienced in the 2017 financial year, Council impaired its roads infrastructure by \$1.3 million. It received \$2.4 million in capital grants to carry out repairs and by the end of the financial year had completed of \$1.1 million in reinstatement work.

I found Council adopted adequate processes for collecting data to document and quantify the extent of damage and remediation costs were appropriately disclosed in the financial report

Council Entities

I did not audit the following council entities:

- Fly Pelican
- Mudgee Region Tourism Inc
- Kandos Bicentennial Industrial Museum
- Bio Pharmaceutical
- Cudgegong Abattoir County Council
- Central NSW Councils (CENTROC) - Weight of Loads
- Mudgee Showground
- Mudgee Sports Council
- Gulgon Sports Council
- Red Hill Centre Committee.

We have not audited the financial statements of the above council entities as the Act does not appoint the Auditor-General as the independent statutory auditor of council entities. The Auditor-General's obligations with respect to auditing council entities are satisfied through performing those audit procedures necessary to form an opinion on the Council's consolidated general purpose financial reports.

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to not-for-profit public sector entities. Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of related party relationships
- amount and nature of related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Karen Taylor
Director, Financial Audit Services

3 October 2017
SYDNEY

Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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



Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	7
Statement of Financial Position – Sewerage Business Activity	8
Statement of Financial Position – Other Business Activities	9
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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 2017

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:

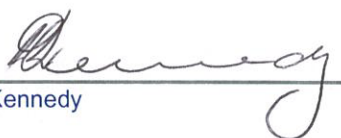
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

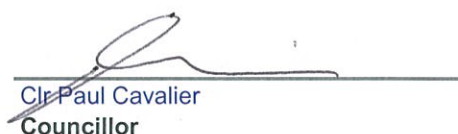
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 20 September 2017.



Clr Des Kennedy
Mayor



Clr Paul Cavalier
Councillor



Mr Brad Cam
General manager



Ms Leonie Johnson
Responsible accounting officer

Mid-Western Regional Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	1,306	1,259
User charges	5,416	5,329
Fees	–	–
Interest	341	306
Grants and contributions provided for non-capital purposes	62	62
Profit from the sale of assets	–	13
Share of profit from equity accounted investment	–	–
Other income	21	12
Total income from continuing operations	7,146	6,981
Expenses from continuing operations		
Employee benefits and on-costs	1,455	1,367
Borrowing costs	188	215
Materials and contracts	1,320	1,089
Depreciation, amortisation and impairment	1,507	1,618
Water purchase charges	–	–
Loss on sale of assets	631	–
Calculated taxation equivalents	25	23
Share of loss from equity accounted investment	–	–
Other expenses	1,763	1,672
Total expenses from continuing operations	6,889	5,984
Surplus (deficit) from continuing operations before capital amounts	257	997
Grants and contributions provided for capital purposes	1,292	481
Surplus (deficit) from continuing operations after capital amounts	1,549	1,478
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,549	1,478
Less: corporate taxation equivalent (30%) [based on result before capital]	(77)	(299)
SURPLUS (DEFICIT) AFTER TAX	1,472	1,179
Plus opening retained profits	53,888	52,364
Plus/less: prior period adjustments	26	2
Plus/less: Transfer to retained earnings for asset disposals	258	21
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	25	23
– Corporate taxation equivalent	77	299
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	55,746	53,888
Return on capital %	0.6%	1.9%
Subsidy from Council	1,275	52
Calculation of dividend payable:		
Surplus (deficit) after tax	1,472	1,179
Less: capital grants and contributions (excluding developer contributions)	(222)	–
Surplus for dividend calculation purposes	1,250	1,179
Potential dividend calculated from surplus	625	589

Mid-Western Regional Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	5,556	5,107
User charges	552	503
Liquid trade waste charges	–	–
Fees	–	–
Interest	286	248
Grants and contributions provided for non-capital purposes	57	57
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	41	34
Total income from continuing operations	6,492	5,949
Expenses from continuing operations		
Employee benefits and on-costs	1,142	1,160
Borrowing costs	596	619
Materials and contracts	888	927
Depreciation, amortisation and impairment	1,829	1,858
Loss on sale of assets	433	30
Calculated taxation equivalents	21	13
Debt guarantee fee (if applicable)	–	–
Other expenses	1,508	1,416
Total expenses from continuing operations	6,417	6,023
Surplus (deficit) from continuing operations before capital amounts	75	(74)
Grants and contributions provided for capital purposes	991	224
Surplus (deficit) from continuing operations after capital amounts	1,066	150
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,066	150
Less: corporate taxation equivalent (30%) [based on result before capital]	(23)	–
SURPLUS (DEFICIT) AFTER TAX	1,044	150
Plus opening retained profits	46,812	46,539
Plus/less: Transfer to retained earnings for asset disposals	168	110
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	21	13
– Debt guarantee fees	–	–
– Corporate taxation equivalent	23	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	48,067	46,812
Return on capital %	0.8%	0.8%
Subsidy from Council	1,421	877
Calculation of dividend payable:		
Surplus (deficit) after tax	1,044	150
Less: capital grants and contributions (excluding developer contributions)	32	(44)
Surplus for dividend calculation purposes	1,076	106
Potential dividend calculated from surplus	538	53

Mid-Western Regional Council

Income Statement of Council's Other Business Activities for the year ended 30 June 2017

\$ '000	Waste	
	Category 1	
	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	3,863	3,721
User charges	926	1,110
Fees	–	–
Interest	153	131
Grants and contributions provided for non-capital purposes	380	832
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	621	333
Total income from continuing operations	5,943	6,127
Expenses from continuing operations		
Employee benefits and on-costs	2,218	2,038
Borrowing costs	26	35
Materials and contracts	2,151	1,915
Depreciation, amortisation and impairment	292	251
Loss on sale of assets	390	144
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Share of loss from equity accounted investment	–	–
Other expenses	833	982
Total expenses from continuing operations	5,910	5,365
Surplus (deficit) from continuing operations before capital amounts	33	762
Grants and contributions provided for capital purposes	8	–
Surplus (deficit) from continuing operations after capital amounts	41	762
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	41	762
Less: corporate taxation equivalent (30%) [based on result before capital]	(10)	(229)
SURPLUS (DEFICIT) AFTER TAX	31	533
Plus opening retained profits	7,588	6,826
Plus/less: Transfer to retained earnings for asset disposals	93	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Corporate taxation equivalent	10	229
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	7,722	7,588
Return on capital %	0.7%	13.8%
Subsidy from Council	142	–

Mid-Western Regional Council

Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	1,244	303
Investments	11,458	10,310
Receivables	1,159	1,220
Inventories	204	200
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	14,065	12,033
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	72,279	63,529
Investments accounted for using equity method	–	–
Investment property	–	–
Other	3	3
Total non-current assets	72,282	63,532
TOTAL ASSETS	86,347	75,565
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	456	478
Income received in advance	–	–
Borrowings	446	420
Provisions	–	–
Total current liabilities	902	898
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	2,229	2,676
Provisions	–	–
Total non-current liabilities	2,229	2,676
TOTAL LIABILITIES	3,131	3,574
NET ASSETS	83,216	71,991
EQUITY		
Retained earnings	55,746	53,888
Revaluation reserves	27,470	18,103
Other reserves	–	–
Council equity interest	83,216	71,991
Non-controlling equity interest	–	–
TOTAL EQUITY	83,216	71,991

Mid-Western Regional Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	1,048	252
Investments	9,651	8,523
Receivables	325	743
Inventories	20	22
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	11,044	9,540
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	87,920	71,474
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
Total non-current assets	87,920	71,474
TOTAL ASSETS	98,964	81,014
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	435	729
Income received in advance	–	–
Borrowings	373	350
Provisions	–	–
Total current liabilities	808	1,079
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	8,539	8,912
Provisions	–	–
Total non-current liabilities	8,539	8,912
TOTAL LIABILITIES	9,347	9,991
NET ASSETS	89,617	71,023
EQUITY		
Retained earnings	48,067	46,812
Revaluation reserves	41,550	24,211
Other reserves	–	–
Council equity interest	89,617	71,023
Non-controlling equity interest	–	–
TOTAL EQUITY	89,617	71,023

Mid-Western Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Waste	
	Category 1	
	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	101	–
Investments	4,584	4,550
Receivables	136	250
Inventories	–	–
Other	–	–
Total Current Assets	4,821	4,800
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	8,455	5,788
Other	–	4
Total non-current assets	8,455	5,792
TOTAL ASSETS	13,276	10,592
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	116	160
Income received in advance	–	–
Borrowings	100	94
Provisions	–	153
Total current liabilities	216	407
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	107	207
Provisions	2,259	593
Other Liabilities	–	–
Total non-current liabilities	2,366	800
TOTAL LIABILITIES	2,582	1,207
NET ASSETS	10,694	9,385
EQUITY		
Retained earnings	7,722	7,588
Revaluation reserves	2,972	1,797
Other reserves	–	–
Council equity interest	10,694	9,385
Non-controlling equity interest	–	–
TOTAL EQUITY	10,694	9,385

Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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 2017

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements 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 these Special Purpose Financial Statements 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 prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. 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' in 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 NSW government policy statement titled '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 a standard for disclosure requirements.

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

Declared business activities

In accordance with *Pricing 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.

c. Mid-Western Regional Council Waste Services

Comprising the activities and net assets of the domestic and other waste servicing of the Mid-Western Regional Council Local Government Area.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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.

Mid-Western Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), 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 to in the NSW Office of Water 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 to the NSW Office of Water 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 the business activities.

Whilst 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/(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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the 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 the SPFS.

The rate applied of 30% is not the equivalent company tax rate prevalent at reporting 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.

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.

Mid-Western Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

(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.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

(iii) Return on investments (rate of return)

The NCP 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 actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return 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 2.38% at 30/6/17.

(iv) Dividends

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

Mid-Western Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	25,000
(ii)	Number of assessments multiplied by \$3/assessment	26,028
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	25,000
(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]	624,950
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	235,280
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	3,977,400

2017 Surplus	1,249,900	2016 Surplus	1,178,900	2015 Surplus	1,548,600
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	235,280
(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 2017

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

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	8,120
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)]	%	78.95%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	72,279
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	4,519
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,070
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)]	%	2.90%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators 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 2017

Note 3. Sewerage business best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	21,000
(ii)	Number of assessments multiplied by \$3/assessment	22,671
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	21,000
(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]	537,750
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	205,710
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	1,782,500

2017 Surplus	1,075,500	2016 Surplus	106,000	2015 Surplus	601,000
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	205,710
(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]	YES
(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 2017

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

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	7,353
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	87,920
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	3,544
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	918
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)]	%	1.13%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	(33)

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	14,409
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.83%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,988
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)]	%	1.64%
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 2017

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

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

2017

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-6.84%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 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: Interest expense (w4a + s4a) – interest income (w9 + s10)		22
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	2,693
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	119

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators 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
Report on the special purpose financial statement
Mid-Western Regional Council

To the Councillors of the Mid-Western Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Mid-Western Regional Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Waste.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 10 October 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Karen Taylor
Director, Financial Audit Services

3 October 2017
SYDNEY

Mid-Western Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

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



Mid-Western Regional Council

Special Schedules

for the year ended 30 June 2017

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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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	551	2	–	(549)
Administration	8,405	1,042	1,650	(5,713)
Public order and safety				
Fire service levy, fire protection, emergency services	1,213	474	20	(719)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	271	67	–	(204)
Other	104	41	–	(63)
Total public order and safety	1,588	582	20	(986)
Health	81	27	–	(54)
Environment				
Noxious plants and insect/vermin control	621	140	–	(481)
Other environmental protection	277	79	–	(198)
Solid waste management	5,155	6,003	8	856
Street cleaning	250	–	–	(250)
Drainage	1,071	69	689	(313)
Stormwater management	–	–	–	–
Total environment	7,374	6,291	697	(386)
Community services and education				
Administration and education	340	121	–	(219)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	854	956	–	102
Children's services	769	807	–	38
Total community services and education	1,963	1,884	–	(79)
Housing and community amenities				
Public cemeteries	446	273	–	(173)
Public conveniences	35	–	–	(35)
Street lighting	347	35	–	(312)
Town planning	1,118	531	–	(587)
Other community amenities	126	61	–	(65)
Total housing and community amenities	2,072	900	–	(1,172)
Water supplies	5,717	6,675	1,378	2,336
Sewerage services	5,260	6,508	1,030	2,278

Mid-Western Regional Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,098	140	–	(958)
Museums	614	–	–	(614)
Art galleries	–	–	–	–
Community centres and halls	272	78	3	(191)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	2,140	207	72	(1,861)
Swimming pools	1,324	176	–	(1,148)
Parks and gardens (lakes)	1,861	98	225	(1,538)
Other sport and recreation	–	–	–	–
Total recreation and culture	7,309	699	300	(6,310)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	538	132	–	(406)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	538	132	–	(406)
Transport and communication				
Urban roads (UR) – local	2,627	368	783	(1,476)
Urban roads – regional	166	–	–	(166)
Sealed rural roads (SRR) – local	3,054	1,081	17	(1,956)
Sealed rural roads (SRR) – regional	3,686	3,127	8,568	8,009
Unsealed rural roads (URR) – local	4,596	1,267	18	(3,311)
Unsealed rural roads (URR) – regional	134	–	3,301	3,167
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	835	45	70	(720)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	535	–	–	(535)
Parking areas	319	28	–	(291)
Footpaths	226	–	401	175
Aerodromes	513	196	574	257
Other transport and communication	3,496	4,536	–	1,040
Total transport and communication	20,187	10,648	13,732	4,193
Economic affairs				
Camping areas and caravan parks	63	141	–	78
Other economic affairs	1,586	1,163	–	(423)
Total economic affairs	1,649	1,304	–	(345)
Totals – functions	62,694	36,694	18,807	(7,193)
General purpose revenues ⁽¹⁾		26,843		26,843
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	62,694	63,537	18,807	19,650

(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 2017

\$'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	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	6	–	6	–	6	–	–	–	–	–	–
Public subscription	–	–	–							–	–
Financial institutions	1,497	16,257	17,754	–	1,496	–	–	1,095	1,591	14,667	16,258
Other	–	–	–							–	–
Total loans	1,503	16,257	17,760	–	1,502	–	–	1,095	1,591	14,667	16,258
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	1,503	16,257	17,760	–	1,502	–	–	1,095	1,591	14,667	16,258

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	690	663
b. Engineering and supervision	1,127	1,003
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	837	747
– Reservoirs		
e. Operation expenses	120	109
f. Maintenance expenses	106	80
– Pumping stations		
g. Operation expenses (excluding energy costs)	82	82
h. Energy costs	114	117
i. Maintenance expenses	94	61
– Treatment		
j. Operation expenses (excluding chemical costs)	666	678
k. Chemical costs	322	262
l. Maintenance expenses	250	223
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	111	108
3. Depreciation expenses		
a. System assets	1,507	1,618
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	188	215
b. Revaluation decrements	–	–
c. Other expenses	24	1
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	6,238	5,967

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	1,033	989
b. Usage charges	3,875	3,872
7. Non-residential charges		
a. Access (including rates)	278	276
b. Usage charges	1,462	1,361
8. Extra charges	18	25
9. Interest income	323	281
10. Other income	100	108
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	62	62
c. Other grants	–	–
12. Contributions		
a. Developer charges	1,041	481
b. Developer provided assets	251	–
c. Other contributions	–	–
13. Total income	8,443	7,455
14. Gain (or loss) on disposal of assets	(631)	13
15. Operating result	1,574	1,501
15a. Operating result (less grants for acquisition of assets)	1,574	1,501

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	413	85
c. Renewals	657	782
d. Plant and equipment	–	–
17. Repayment of debt	–	393
18. Totals	1,070	1,260
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)	7,426	7,336
b. Residential (unoccupied, ie. vacant lot)	330	338
c. Non-residential (occupied)	888	870
d. Non-residential (unoccupied, ie. vacant lot)	32	36
23. Number of ETs for which developer charges were received	123 ET	56 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 113,352	\$ 113,288

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	5,366	–	5,366
b. Special purpose grants	1	–	1
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,335	–	7,335
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	38	–	38
c. User charges	1,117	–	1,117
d. Other	4	–	4
27. Inventories	204	–	204
28. Property, plant and equipment			
a. System assets	–	72,279	72,279
b. Plant and equipment	–	–	–
29. Other assets	–	3	3
30. Total assets	14,065	72,282	86,347
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	456	–	456
33. Borrowings	446	2,229	2,675
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	902	2,229	3,131
36. NET ASSETS COMMITTED	13,163	70,053	83,216
EQUITY			
37. Accumulated surplus			55,746
38. Asset revaluation reserve			27,470
39. Other reserves			–
40. TOTAL EQUITY			83,216
Note to system assets:			
41. Current replacement cost of system assets			110,936
42. Accumulated current cost depreciation of system assets			(38,657)
43. Written down current cost of system assets			72,279

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	441	486
b. Engineering and supervision	1,129	1,011
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	507	515
– Pumping stations		
c. Operation expenses (excluding energy costs)	127	133
d. Energy costs	123	100
e. Maintenance expenses	74	79
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	453	470
g. Chemical costs	147	138
h. Energy costs	171	130
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	372	446
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	1,828	1,859
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	595	619
b. Revaluation decrements	–	–
c. Other expenses	105	163
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	6,072	6,149

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	5,255	4,824
7. Non-residential charges		
a. Access (including rates)	309	290
b. Usage charges	609	626
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	14	12
10. Interest income	272	236
11. Other income	86	73
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	(33)	44
b. Grants for pensioner rebates	57	57
c. Other grants	–	–
13. Contributions		
a. Developer charges	596	180
b. Developer provided assets	427	–
c. Other contributions	–	–
14. Total income	7,592	6,342
15. Gain (or loss) on disposal of assets	(433)	(30)
16. Operating result	1,087	163
16a. Operating result (less grants for acquisition of assets)	1,120	119

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	817	67
c. Renewals	101	855
d. Plant and equipment	–	–
18. Repayment of debt	–	327
19. Totals	918	1,249
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)	6,594	6,485
b. Residential (unoccupied, ie. vacant lot)	287	294
c. Non-residential (occupied)	644	626
d. Non-residential (unoccupied, ie. vacant lot)	32	36
24. Number of ETs for which developer charges were received	154 ET	46 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 106,345	\$ 106,644

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	2,565	–	2,565
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	8,134	–	8,134
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	155	–	155
c. User charges	170	–	170
d. Other	–	–	–
28. Inventories	20	–	20
29. Property, plant and equipment			
a. System assets	–	–	–
b. Plant and equipment	–	87,920	87,920
30. Other assets	–	–	–
31. Total assets	11,044	87,920	98,964
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	435	–	435
34. Borrowings	373	8,539	8,912
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	808	8,539	9,347
37. NET ASSETS COMMITTED	10,236	79,381	89,617
EQUITY			
38. Accumulated surplus			48,067
39. Asset revaluation reserve			41,550
40. Other reserves			–
41. TOTAL EQUITY			89,617
Note to system assets:			
42. Current replacement cost of system assets			113,729
43. Accumulated current cost depreciation of system assets			(25,809)
44. Written down current cost of system assets			87,920

Mid-Western Regional Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

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 2017

\$'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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Councils Offices / Admin Centres	128	128	242	311	5,974	10,522	6%	34%	57%	4%	0%
	Councils Works Depot	130	19	61	59	8,045	15,048	8%	36%	54%	1%	1%
	Council Halls	1,028	488	50	43	4,451	11,985	4%	28%	45%	16%	8%
	Council Houses	220	142	31	26	5,374	7,479	9%	37%	46%	6%	2%
	Museum	–	–	14	15	816	816	100%	0%	0%	0%	0%
	Library	–	–	59	62	3,680	5,271	6%	94%	0%	0%	0%
	Childcare Centre(s)	–	–	5	4	1,553	2,481	29%	51%	20%	0%	0%
	Amenities/Toilets	1,710	999	195	267	17,546	28,528	11%	48%	24%	14%	4%
	Rural Fire Service	117	81	–	–	2,006	3,723	1%	42%	47%	9%	1%
	Sub-total	3,333	1,856	657	787	49,444	85,854	9.2%	42.2%	37.3%	8.6%	2.6%
Other structures	Other structures	53	52	657	675	7,284	9,765	50%	37%	11%	2%	0%
	Sub-total	53	52	657	675	7,284	9,765	50.0%	37.0%	11.0%	2.0%	0.0%
Roads	Sealed roads	4,888	4,888	1,133	1,204	104,992	160,986	31%	31%	29%	9%	1%
	Unsealed roads	5,918	5,918	1,371	1,630	23,175	71,731	20%	25%	30%	20%	5%
	Bridges	455	455	82	85	31,996	56,798	11%	23%	63%	3%	0%
	Footpaths and Cycleways	463	463	54	64	5,407	9,120	28%	33%	22%	17%	0%

Mid-Western Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads (continued)	Kerb and Gutter	2,884	2,884	11	13	9,584	19,628	21%	22%	8%	48%	1%
	Bulk earthworks	–	–	–	–	281,921	281,921	0%	100%	0%	0%	0%
	Parking Areas	22	22	9	5	1,118	1,686	53%	22%	21%	4%	0%
	Culverts and Causeways	1,223	1,223	73	81	6,320	11,826	18%	17%	35%	21%	9%
	RMS Regional Roads	8,524	8,524	611	617	67,738	96,648	24%	31%	17%	25%	3%
	Regional Bridges	–	–	36	50	24,931	46,192	22%	76%	2%	0%	0%
	Sub-total	24,377	24,377	3,381	3,749	557,182	756,535	15.0%	57.9%	17.0%	9.0%	1.2%
Water supply network	Dams and Weirs	–	–	–	–	8,060	11,865	2%	87%	0%	11%	0%
	Reservoirs	73	73	81	70	10,249	15,138	29%	44%	26%	2%	0%
	Pumping Stations	–	–	36	58	3,816	5,399	30%	56%	15%	0%	0%
	Treatment	254	254	498	495	14,319	22,455	40%	38%	18%	4%	0%
	Bores	–	–	110	95	635	927	41%	23%	36%	0%	0%
	Reticulation Mains	2,800	2,800	610	642	20,463	35,733	26%	47%	8%	10%	10%
	Main Delivery	–	–	–	–	12,369	17,039	27%	59%	14%	0%	0%
Sub-total	3,127	3,127	1,334	1,360	69,910	108,556	27.0%	51.2%	13.2%	5.4%	3.3%	
Sewerage network	Pump Stations	45	45	128	145	6,190	8,777	34%	39%	26%	2%	0%
	Treatment	–	–	450	570	21,006	27,971	70%	12%	18%	0%	0%
	Reticulation Mains	2,574	2,574	384	354	53,415	68,735	32%	19%	36%	12%	0%
	Rising Mains	74	74	–	–	3,495	4,156	72%	6%	16%	6%	0%
	Sub-total	2,693	2,693	962	1,069	84,106	109,638	43.5%	18.4%	29.9%	8.1%	0.1%

Mid-Western Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	118	118	417	482	18,289	28,516	26%	2%	72%	0%	1%
	Sub-total	118	118	417	482	18,289	28,516	26.0%	1.5%	71.6%	0.0%	0.9%
Open space/recreational assets	Swimming pools	96	96	436	493	4,579	9,519	27%	27%	43%	4%	0%
	Open Space and Recreational Assets	466	460	1,715	1,759	9,690	13,136	31%	30%	28%	12%	0%
	Sub-total	562	555	2,151	2,252	14,269	22,655	28.9%	28.7%	34.0%	8.4%	-0.1%
TOTAL – ALL ASSETS		34,262	32,779	9,560	10,374	800,484	1,121,518	19.4%	50.0%	21.1%	8.2%	1.3%

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 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>19,539</u>	137.32%	>= 100%	84.88%	73.99%
Depreciation, amortisation and impairment	<u>14,229</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>34,262</u>	6.60%	< 2.00%	6.89%	10.95%
Net carrying amount of infrastructure assets	<u>518,839</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>10,374</u>	1.09	> 1.00	1.06	0.89
Required asset maintenance	<u>9,560</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>32,779</u>	2.92%		0.00%	
Gross replacement cost	<u>1,121,518</u>				

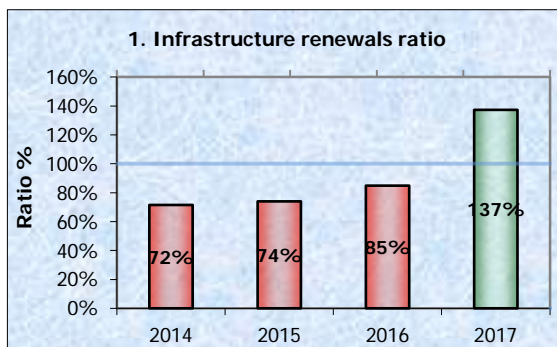
Notes

* 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 2017



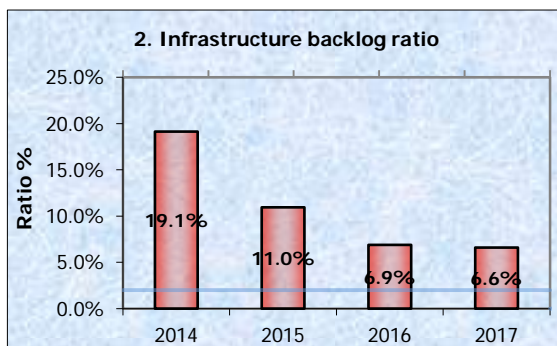
Purpose of asset renewals ratio

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

2016/17 Ratio 137.32%

Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



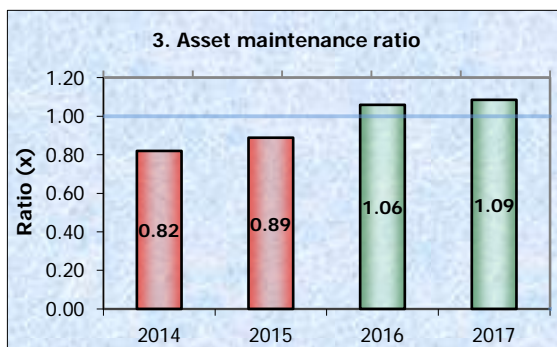
Purpose of infrastructure backlog ratio

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

2016/17 Ratio 6.60%

Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



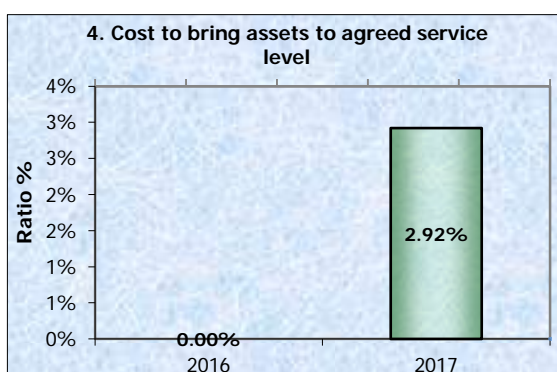
Purpose of asset maintenance ratio

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

2016/17 Ratio 1.09 x

Benchmark: — Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

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

2016/17 Ratio 2.92%

Mid-Western Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
<u>Asset renewals ⁽²⁾</u>	>= 100%	47.30%	7.65%	171.54%
Depreciation, amortisation and impairment	prior period:	48.33%	45.99%	94.69%
2. Infrastructure backlog ratio				
<u>Estimated cost to bring assets to a satisfactory standard</u>	< 2.00%	4.47%	3.20%	7.80%
Net carrying amount of infrastructure assets	prior period:	3.94%	15.69%	5.73%
3. Asset maintenance ratio				
<u>Actual asset maintenance</u>	> 1.00	1.02	1.11	1.09
Required asset maintenance	prior period:	1.03	1.16	1.05
4. Cost to bring assets to agreed service level				
<u>Estimated cost to bring assets to an agreed service level set by Council</u>		2.88%	2.46%	2.98%
Gross replacement cost	prior period:	0.00%	0.00%	0.00%

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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	17,075	17,496
Plus or minus adjustments ⁽²⁾	b	115	147
Notional general income	c = (a + b)	17,190	17,643
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	309	265
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	17,499	17,908
Plus (or minus) last year's carry forward total	l	(0)	0
Less valuation objections claimed in the previous year	m	(4)	(1)
Sub-total	n = (l + m)	(4)	(1)
Total permissible income	o = k + n	17,495	17,907
Less notional general income yield	p	17,496	17,907
Catch-up or (excess) result	q = o – p	(1)	(0)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	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

Special Schedule No. 8

Mid-Western Regional Council

To the Councillors of Mid-Western Regional Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Mid-Western Regional Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Mid-Western Regional Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 10 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Karen Taylor
Director, Financial Audit Services

3 October 2017
SYDNEY