



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Mid-Western Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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



Mid-Western Regional Council

General Purpose Financial Statements

for the year ended 30 June 2018

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Overview

Mid-Western Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

86 Market Street
Mudgee NSW 2850

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

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

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

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

Mid-Western Regional Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Mid-Western Regional Council

General Purpose Financial Statements for the year ended 30 June 2018

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:

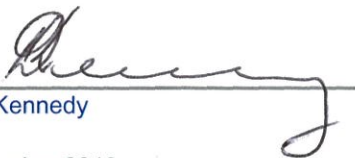
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the year,
- 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 19 September 2018.




Clr Des Kennedy
Mayor
19 September 2018



CR SAM PAINE
Councillor
19 September 2018



Mr Brad Cam
General Manager
19 September 2018



Mr Neil Bungate
Responsible Accounting Officer
19 September 2018

Mid-Western Regional Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
28,823	Rates and annual charges	3a	28,807	27,749
12,084	User charges and fees	3b	18,629	13,256
1,668	Interest and investment revenue	3c	1,693	1,698
2,291	Other revenues	3d	2,737	2,747
14,765	Grants and contributions provided for operating purposes	3e,f	15,884	18,087
22,306	Grants and contributions provided for capital purposes	3e,f	14,194	18,807
81,937	Total income from continuing operations		81,944	82,344
Expenses from continuing operations				
23,403	Employee benefits and on-costs	4a	22,521	21,227
1,118	Borrowing costs	4b	1,064	1,108
11,384	Materials and contracts	4c	14,181	12,860
19,039	Depreciation and amortisation	4d	15,842	15,477
6,452	Other expenses	4e	6,224	6,769
1,280	Net losses from the disposal of assets	5	5,747	5,253
62,676	Total expenses from continuing operations		65,579	62,694
19,261	Operating result from continuing operations		16,365	19,650
19,261	Net operating result for the year		16,365	19,650
19,261	Net operating result attributable to Council		16,365	19,650
Net operating result for the year before grants and contributions provided for capital purposes				
(3,045)			2,171	843

Mid-Western Regional Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		16,365	19,650
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	34,940	29,830
Impairment (loss) reversal relating to IPP&E	9a	—	(1,325)
Total items which will not be reclassified subsequently to the operating result		34,940	28,505
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of available for sale investments		209	—
Other movements in reserves – transfer to provision asset remediation		—	(1,746)
Other movements		773	—
Total items which will be reclassified subsequently to the operating result when specific conditions are met		982	(1,746)
Total other comprehensive income for the year		35,922	26,759
Total comprehensive income for the year		52,287	46,409
Total comprehensive income attributable to Council		52,287	46,409

Mid-Western Regional Council

Statement of Financial Position as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	6,481	3,016
Investments	6b	55,824	62,515
Receivables	7	6,435	9,227
Inventories	8	1,197	1,037
Total current assets		69,937	75,795
Non-current assets			
Investments	6b	10,000	–
Receivables	7	181	–
Infrastructure, property, plant and equipment	9	931,099	885,890
Intangible assets	10	346	369
Total non-current assets		941,626	886,259
TOTAL ASSETS		1,011,563	962,054
LIABILITIES			
Current liabilities			
Payables	11	5,267	6,532
Income received in advance	11	950	900
Borrowings	11	1,693	1,591
Provisions	12	6,501	6,395
Total current liabilities		14,411	15,418
Non-current liabilities			
Borrowings	11	12,976	14,667
Provisions	12	2,899	2,979
Total non-current liabilities		15,875	17,646
TOTAL LIABILITIES		30,286	33,064
Net assets		981,277	928,990
EQUITY			
Accumulated surplus	13	405,443	380,748
Revaluation reserves	13	575,625	548,242
Other reserves	13	209	–
Total equity		981,277	928,990

Mid-Western Regional Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Available	Total equity	2017	IPP&E	Available	Total equity
		Accumulated surplus	revaluation reserve	for sale reserve		Accumulated surplus	revaluation reserve	for sale reserve	
Opening balance		380,748	548,242	–	928,990	357,662	524,919	–	882,581
Net operating result for the year prior to correction of errors and changes in accounting policies		16,365	–	–	16,365	19,650	–	–	19,650
Net operating result for the year		16,365	–	–	16,365	19,650	–	–	19,650
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	9a	–	34,940	–	34,940	–	29,830	–	29,830
– Gain (loss) on revaluation of available for sale investments		–	–	209	209	–	–	–	–
– Impairment (loss) reversal relating to IPP&E	9a	–	–	–	–	–	(1,325)	–	(1,325)
– Other reserves movements		–	–	–	–	–	(1,746)	–	(1,746)
– Other reserves movements (rounding)		9	2	–	11	–	–	–	–
– Other reserves movements (credit to retained earning)		719	–	–	719	–	–	–	–
– Other movements (Asset remediation provision movement)		–	43	–	43	–	–	–	–
Other comprehensive income		728	34,985	209	35,922	–	26,759	–	26,759
Total comprehensive income (c&d)		17,093	34,985	209	52,287	19,650	26,759	–	46,409
Transfers between equity items		7,602	(7,602)	–	–	3,436	(3,436)	–	–
Equity – balance at end of the reporting period		405,443	575,625	209	981,277	380,748	548,242	–	928,990

Mid-Western Regional Council

Statement of Cash Flows for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
<u>Receipts:</u>				
28,823	Rates and annual charges		29,773	27,977
12,084	User charges and fees		18,301	12,594
1,668	Investment and interest revenue received		1,491	1,668
37,070	Grants and contributions		32,568	33,831
–	Bonds, deposits and retention amounts received		279	283
2,291	Other		7,239	5,670
<u>Payments:</u>				
(23,403)	Employee benefits and on-costs		(22,540)	(21,120)
(11,384)	Materials and contracts		(18,326)	(15,392)
(1,118)	Borrowing costs		(1,033)	(1,141)
–	Bonds, deposits and retention amounts refunded		(247)	(351)
(6,452)	Other		(7,176)	(7,484)
39,579	Net cash provided (or used in) operating activities	14b	40,329	36,535
Cash flows from investing activities				
<u>Receipts:</u>				
16,000	Sale of investment securities		74,000	87,900
390	Sale of real estate assets		–	–
710	Sale of infrastructure, property, plant and equipment		1,810	757
<u>Payments:</u>				
–	Purchase of investment securities		(77,100)	(97,115)
(55,788)	Purchase of infrastructure, property, plant and equipment		(33,985)	(25,102)
(150)	Deferred debtors and advances made		–	–
(38,838)	Net cash provided (or used in) investing activities		(35,275)	(33,560)
Cash flows from financing activities				
<u>Receipts:</u>				
Nil				
<u>Payments:</u>				
(1,657)	Repayment of borrowings and advances		(1,589)	(1,502)
(1,657)	Net cash flow provided (used in) financing activities		(1,589)	(1,502)
(916)	Net increase/(decrease) in cash and cash equivalents		3,465	1,473
5,000	Plus: cash and cash equivalents – beginning of year	14a	3,016	1,543
4,084	Cash and cash equivalents – end of the year	14a	6,481	3,016
Additional Information:				
	plus: Investments on hand – end of year	6b	65,824	62,515
	Total cash, cash equivalents and investments		72,305	65,531

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 19/09/2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 12,
- (iii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Waste management
- Mudgee Sports Council (s355)
- Gulgong Sports Council (s355)
- Rylstone Sports Council (s355)

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

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

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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

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

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- AASB 16 *Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Looking after our community	3,522	3,895	13,019	13,674	(9,497)	(9,779)	2,008	2,182	84,200	64,956
Protecting our natural environment	18,119	18,079	18,506	18,350	(387)	(271)	981	925	195,976	147,415
Building a strong local economy	1,169	811	1,852	1,568	(683)	(757)	78	5	17,290	16,500
Connecting the region	28,101	26,450	22,209	20,066	5,892	6,384	13,170	13,041	592,924	630,074
Good government	31,034	33,109	9,993	9,036	21,041	24,073	4,317	5,884	121,173	103,109
Total functions and activities	81,944	82,344	65,579	62,694	16,365	19,650	20,554	22,037	1,011,563	962,054

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2(b). Council functions/activities – component descriptions

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

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.

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 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	9,535	9,083
Farmland	4,509	4,521
Mining	2,164	2,121
Business	1,297	1,269
Total ordinary rates	17,505	16,994
Special rates		
Hunter Valley catchment special rate	15	16
Total special rates	15	16
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,305	1,239
Water supply services	1,360	1,311
Sewerage services	5,904	5,563
Waste management services (non-domestic)	2,718	2,626
Total annual charges	11,287	10,739
TOTAL RATES AND ANNUAL CHARGES	28,807	27,749

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

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

(b) User charges and fees

Specific user charges (per s.502 – specific 'actual use' charges)

Water supply services	5,721	4,944
Sewerage services	718	657
Other	–	1
Total specific user charges	6,439	5,602

Other user charges and fees

(i) Fees and charges – statutory and regulatory functions (per s.608)

Planning and building regulation	812	739
Private works – section 67	117	119
Total fees and charges – statutory/regulatory	929	858

Mid-Western Regional Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	119	81
Aged care	168	192
Cemeteries	248	275
Childrens services	111	116
Leaseback fees – Council vehicles	73	54
Parks and sports grounds	196	151
RMS (formerly RTA) charges (state roads not controlled by Council)	8,465	4,543
Saleyards	389	309
Swimming centres	210	167
Waste depot	1,150	774
Waste water services	55	45
Water connection fees	75	84
Other	2	5
Total fees and charges – other	11,261	6,796
TOTAL USER CHARGES AND FEES	18,629	13,256

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest

– Overdue rates and annual charges (incl. special purpose rates)	78	86
– Cash and investments	1,615	1,612
TOTAL INTEREST AND INVESTMENT REVENUE	1,693	1,698

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	37	43
General Council cash and investments	699	777

Restricted investments/funds – external:

Development contributions		
– Section 7.11	115	99
– Section 64	141	125
Water fund operations	284	255
Sewerage fund operations	270	247
Domestic waste management operations	147	152

Total interest and investment revenue recognised	1,693	1,698
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Accounting policy for interest and investment revenue

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – other council properties		1,051	986
Fines		68	78
Legal fees recovery – rates and charges (extra charges)		159	140
Commissions and agency fees		49	30
Diesel rebate		178	192
Insurance claim recoveries		126	208
Recycling income (non-domestic)		388	363
Reversal of prior period provision – asset remediation		–	320
Sales – events		292	123
Sales – general		97	69
Sales – ironed out		46	46
Sales – mudgee town hall cinema		51	65
Section 44 bushfire reimbursement		–	47
Other		232	80
<u>TOTAL OTHER REVENUE</u>		<u>2,737</u>	<u>2,747</u>

Accounting policy for other revenue

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

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

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

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

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

Mid-Western Regional Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,903	3,599	–	–
Financial assistance – local roads component	1,178	2,230	–	–
Payment in advance – future year allocation				
Financial assistance – general component	1,954	1,861	–	–
Financial assistance – local roads component	1,205	1,145	–	–
Other				
Pensioners' rates subsidies – general component	194	194	–	–
Total general purpose	6,434	9,029	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	63	62	–	–
– Sewerage	58	57	–	–
– Domestic waste management	74	72	–	–
Sewerage services	–	–	–	(33)
Aerodromes	–	111	260	574
Aged care	720	1,002	–	–
Bushfire and emergency services	436	525	170	20
Childrens services	586	654	–	–
Employment and training programs	–	100	–	–
Environmental programs	260	85	–	–
FESL Implementation	–	70	–	–
Heritage and cultural	16	15	–	–
Library	82	92	–	–
Library – special projects	–	–	88	–
LIRS subsidy	105	121	–	–
Noxious weeds	157	125	–	–
Other waste management	–	–	–	8
Recreation and culture	2	–	244	115
Street lighting	36	35	–	–
Transport (roads to recovery)	2,137	1,751	–	–
Transport (other roads and bridges funding)	–	–	8,460	7,439
Waste management	–	2	–	–
Youth services	1	1	–	–
Other	52	5	113	–
Total specific purpose	4,785	4,885	9,335	8,123
Total grants	11,219	13,914	9,335	8,123
Grant revenue is attributable to:				
– Commonwealth funding	9,151	9,861	297	–
– State funding	1,837	3,938	8,958	8,112
– Other funding	231	115	80	11
	11,219	13,914	9,335	8,123

Mid-Western Regional Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	1,035	1,016
S 7.11 – contributions towards amenities/services		–	–	212	696
S 7.12 – fixed development consent levies		–	–	118	25
S 64 – water supply contributions		–	–	335	1,041
S 64 – sewerage service contributions		–	–	192	596
Total developer contributions – cash		–	–	1,892	3,374
Total developer contributions	22	–	–	1,892	3,374
Other contributions:					
Cash contributions					
Dedications – subdivisions (other than by s7.11)		–	–	–	–
Occupational health and safety		73	67	–	–
Recreation and culture		–	–	5	–
Roads and bridges		650	643	2,358	2,907
RMS contributions (regional roads, block grant)		3,797	3,411	501	1,947
Youth Services		120	–	–	–
Other		25	52	37	–
Total other contributions – cash		4,665	4,173	2,901	4,854
Non-cash contributions					
Dedications – subdivisions (other than by s7.11)		–	–	66	2,456
Total other contributions		4,665	4,173	2,967	7,310
Total contributions		4,665	4,173	4,859	10,684
TOTAL GRANTS AND CONTRIBUTIONS		15,884	18,087	14,194	18,807

Accounting policy for contributions

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

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

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

Mid-Western Regional Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	4,182	1,027
Add: operating grants recognised in the current period but not yet spent	3,647	3,410
Less: operating grants recognised in a previous reporting period now spent	(4,056)	(255)
Unexpended and held as restricted assets (operating grants)	3,773	4,182
Capital grants		
Unexpended at the close of the previous reporting period	139	379
Add: capital grants recognised in the current period but not yet spent	385	58
Less: capital grants recognised in a previous reporting period now spent	(62)	(298)
Unexpended and held as restricted assets (capital grants)	462	139
Contributions		
Unexpended at the close of the previous reporting period	14,604	11,527
Add: contributions recognised in the current period but not yet spent	2,706	3,641
Less: contributions recognised in a previous reporting period now spent	(942)	(564)
Unexpended and held as restricted assets (contributions)	16,368	14,604

Mid-Western Regional Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	18,210	17,853
Employee termination costs	46	68
Travel expenses	15	9
Employee leave entitlements (ELE)	3,920	3,439
Superannuation – defined contribution plans	1,833	1,737
Superannuation – defined benefit plans	410	376
Workers' compensation insurance	427	469
Fringe benefit tax (FBT)	137	125
Payroll tax	128	108
Training costs (other than salaries and wages)	354	313
Protective clothing	90	94
Recruitment costs	39	43
Other	34	19
Total employee costs	25,643	24,653
Less: capitalised costs	(3,122)	(3,426)
TOTAL EMPLOYEE COSTS EXPENSED	22,521	21,227
Number of 'full-time equivalent' employees (FTE) at year end	307	307
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	333	319

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

(b) Borrowing costs	2018	2017
(i) Interest bearing liability costs		
Interest on loans	1,002	1,095
Other debts	13	–
Total interest bearing liability costs expensed	1,015	1,095
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	49	13
Total other borrowing costs	49	13
TOTAL BORROWING COSTS EXPENSED	1,064	1,108

Accounting policy for borrowing costs

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

Mid-Western Regional Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	4,769	3,730
Contractor and consultancy costs	4,623	4,545
– Labour contracts	608	566
– Plant hire wet	1,564	1,371
– Road sealing contract	827	1,593
– Tourism contract	485	432
– Consultancy	182	–
– Organics Bin Rollout	411	–
Auditors remuneration ⁽²⁾	53	75
Legal expenses:		
– Legal expenses: planning and development	49	17
– Legal expenses: debt recovery	156	140
– Legal expenses: other	135	77
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	319	314
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>14,181</u>	<u>12,860</u>

Operating leases

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

1. Operating lease payments are attributable to:

Buildings	40	43
Computers	279	258
Motor vehicles	–	13
	<u>319</u>	<u>314</u>

2. Auditor remuneration

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

Non NSW Auditor-General audit firms:

(i) Audit and other assurance services

Audit and review of financial statements	53	70
Remuneration for audit and other assurance services	<u>53</u>	<u>70</u>

(ii) Non-assurance services

Remuneration advice	–	5
Remuneration for non-assurance services	<u>–</u>	<u>5</u>
Total remuneration of non NSW Auditor-General audit firms	<u>53</u>	<u>75</u>

Total Auditor remuneration	<u>53</u>	<u>75</u>
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Mid-Western Regional Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,308	2,087
Office equipment		114	68
Furniture and fittings		47	59
Land improvements (depreciable)		8	5
Infrastructure:			
– Buildings – non-specialised		892	886
– Buildings – specialised		989	966
– Other structures		259	223
– Roads		5,519	5,500
– Bridges		1,093	1,095
– Footpaths		137	121
– Stormwater drainage		233	222
– Water supply network		1,761	1,506
– Sewerage network		1,467	1,776
– Swimming pools		235	229
– Other open space/recreational assets		397	380
Other assets:			
– Library books		77	77
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 12	119	151
– Quarry assets	9 & 12	39	–
Intangible assets	10	148	126
Total depreciation and amortisation costs		15,842	15,477
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>15,842</u>	<u>15,477</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

Impairment of non-financial 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.

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Impairment of financial assets

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

\$ '000	2018	2017
(e) Other expenses		
Advertising	95	91
Bad and doubtful debts	38	91
Bank charges	114	106
Cost of sales	22	–
Computer software charges	653	672
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	38	42
– NSW fire brigade levy	56	54
– NSW rural fire service levy	567	552
– Other contributions/levies	165	157
Councillor expenses – mayoral fee	42	24
Councillor expenses – councillors' fees	174	98
Councillors' expenses (incl. mayor) – other (excluding fees above)	20	38
Donations, contributions and assistance	254	275
– Pelican Airline air service	102	119
– Housing plus crisis accommodation	85	85
– Kandos Bicentennial Industrial Museum Incorporated Association	–	599
Electricity and heating	1,231	1,087
Family day care centre	496	563
Insurance	915	1,074
Postage	116	115
Printing and stationery	152	140
Street lighting	408	337
Subscriptions and publications	126	110
Telephone and communications	355	340
<u>TOTAL OTHER EXPENSES</u>	<u>6,224</u>	<u>6,769</u>

Accounting policy for other expenses

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

Mid-Western Regional Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Less: carrying amount of property assets sold/written off		(3)	(159)
Net gain/(loss) on disposal		(3)	(159)
Plant and equipment	9		
Proceeds from disposal – plant and equipment		1,810	757
Less: carrying amount of plant and equipment assets sold/written off		(1,965)	(885)
Net gain/(loss) on disposal		(155)	(128)
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(5,589)	(4,966)
Net gain/(loss) on disposal		(5,589)	(4,966)
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		74,000	87,900
Less: carrying amount of financial assets sold/redeemed/matured		(74,000)	(87,900)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(5,747)	(5,253)

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	53	(2)
Cash-equivalent assets		
– Deposits at call	4,737	1,561
– Managed funds	1,691	1,457
Total cash and cash equivalents	6,481	3,016

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Change in the Classification of a Managed Fund

In the 2016/2017 Financial Statements Council held units in a managed fund at 30 June 2017 valued at \$3,414,680. Due to the ability of these units to be readily converted to cash Council classified this asset as a cash-equivalent asset. Upon review Council believes the more appropriate classification for this asset is an Available for Sale Investment. This is due to managements intention to hold this asset for the medium term and a risk of change in value estimated at +/-7%. Management has therefore restated the comparatives for 2016/17.

Mid-Western Regional Council

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

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'Held to maturity'	49,700	10,000	59,100	–
b. 'Available for sale'	6,124	–	3,415	–
Total investments	55,824	10,000	62,515	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>62,305</u>	<u>10,000</u>	<u>65,531</u>	<u>–</u>
Held to maturity investments				
Long term deposits	49,700	10,000	59,100	–
Total	49,700	10,000	59,100	–
Available for sale financial assets				
Managed funds	6,124	–	3,415	–
Total	6,124	–	3,415	–

Accounting policy for investments

Classification

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

(a) Held to maturity investments

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

(b) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments 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. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

Recognition and de-recognition

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

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

Impairment of available for sale investments

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.

Mid-Western Regional Council

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	62,305	10,000	65,531	–
attributable to:				
External restrictions (refer below)	40,428	6,447	43,027	–
Internal restrictions (refer below)	12,753	2,063	14,921	–
Unrestricted	9,124	1,490	7,583	–
	62,305	10,000	65,531	–

\$ '000	2018	2017
Details of restrictions		
External restrictions – included in liabilities		
Trust deposits	967	935
External restrictions – included in liabilities	967	935
External restrictions – other		
Developer contributions – general	7,501	6,546
Developer contributions – water fund	5,742	5,366
Developer contributions – sewer fund	2,803	2,565
Specific purpose unexpended grants	4,234	4,317
Specific purpose unexpended grants-water fund	1	1
Water supplies	8,277	7,335
Sewerage services	8,519	8,134
Domestic waste management	4,806	4,072
Bequest – Simpkins park	100	100
Community services	274	186
Community tenancy scheme	147	116
Family day care	145	127
Ulan road strategy	3,035	3,098
Other contributions	324	129
External restrictions – other	45,908	42,092
Total external restrictions	46,875	43,027
Internal restrictions		
Plant and vehicle replacement	3,772	4,365
Employees leave entitlement	2,545	2,295
Asset replacement	1,887	1,487
Capital program	371	613
Council elections	186	170
Future fund	500	500
Land development	5,075	5,232
Mudgee bicentenary	20	10
Saleyards	60	49
State roads warranty	400	200
Total internal restrictions	14,816	14,921
TOTAL RESTRICTIONS	61,691	57,948

Mid-Western Regional Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	879	–	864	–
Interest and extra charges	197	–	181	–
User charges and fees	3,679	–	4,006	–
Accrued revenues				
– Interest on investments	635	44	503	–
Government grants and subsidies	827	–	3,007	–
Loans to non-profit organisations	13	137	–	–
Net GST receivable	259	–	473	–
Other debtors	47	–	339	–
Total	6,536	181	9,373	–
Less: provision for impairment				
Rates and annual charges	(19)	–	(56)	–
Interest and extra charges	–	–	(10)	–
User charges and fees	(82)	–	(80)	–
Total provision for impairment – receivables	(101)	–	(146)	–
<u>TOTAL NET RECEIVABLES</u>	<u>6,435</u>	<u>181</u>	<u>9,227</u>	<u>–</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	39	–	38	–
– Other	1,397	–	1,121	–
Sewerage services				
– Rates and availability charges	177	–	155	–
– Other	189	–	170	–
Domestic waste management	226	–	136	–
Other				
General fund specific purpose grants	2,017	–	3,007	–
Total external restrictions	4,045	–	4,627	–
Internally restricted receivables				
Plant Replacement Reserve	–	–	37	–
Internally restricted receivables	–	–	37	–
Unrestricted receivables	2,390	181	4,563	–
<u>TOTAL NET RECEIVABLES</u>	<u>6,435</u>	<u>181</u>	<u>9,227</u>	<u>–</u>
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			146	105
+ new provisions recognised during the year			36	82
– amounts already provided for and written off this year			(75)	(24)
– amounts provided for but recovered during the year			(6)	(17)
Balance at the end of the year			101	146

Mid-Western Regional Council

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

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in 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.

Impairment

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

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

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

Mid-Western Regional Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	640	–	724	–
Gravel stockpile	557	–	313	–
Total inventories at cost	1,197	–	1,037	–
TOTAL INVENTORIES	1,197	–	1,037	–
Externally restricted assets				
Water				
Stores and materials	202	–	204	–
Total water	202	–	204	–
Sewerage				
Stores and materials	20	–	20	–
Total sewerage	20	–	20	–
Total externally restricted assets	222	–	224	–
Total unrestricted assets	975	–	813	–
TOTAL INVENTORIES AND OTHER ASSETS	1,197	–	1,037	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Mid-Western Regional Council

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

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period										as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements (rounding)	Other movements (had not commissioned)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	13,128	–	13,128	6,958	–	–	–	–	(7,358)	–	–	–	–	12,728	–	12,728
Plant and equipment	29,981	13,419	16,562	4,692	1,722	–	(1,965)	(2,308)	–	–	2	73	–	31,715	12,937	18,778
Office equipment	3,575	3,013	562	4	3	–	–	(114)	–	–	–	–	–	3,582	3,127	455
Furniture and fittings	858	596	262	45	4	–	–	(47)	–	–	1	–	–	908	643	265
Land:																
– Operational land	32,145	–	32,145	–	20	–	–	–	–	(878)	–	416	11,539	43,242	–	43,242
– Community land	16,669	–	16,669	–	24	–	(3)	–	–	878	–	230	–	17,798	–	17,798
– Land under roads (post 30/6/08)	1,302	–	1,302	–	179	–	–	–	124	–	–	–	–	1,605	–	1,605
Land improvements – non-depreciable	1,444	–	1,444	158	–	–	–	–	–	–	–	–	–	1,602	–	1,602
Land improvements – depreciable	525	249	276	61	14	–	–	(8)	2	–	–	–	–	602	257	345
Infrastructure:																
– Buildings – non-specialised	42,278	18,589	23,689	114	18	–	(7)	(892)	–	–	(2)	–	10,635	48,798	15,243	33,555
– Buildings – specialised	43,576	17,821	25,755	111	152	–	(10)	(989)	39	–	–	–	9,499	44,306	9,749	34,557
– Other structures	9,765	2,481	7,284	231	1,196	–	(1)	(259)	241	–	–	–	–	11,427	2,735	8,692
– Roads	362,505	149,576	212,929	10,668	325	1,655	(5,140)	(5,519)	5,861	–	–	–	–	367,085	146,306	220,779
– Bridges	102,990	46,065	56,925	427	435	–	–	(1,093)	119	–	–	–	–	103,971	47,158	56,813
– Footpaths	9,120	3,713	5,407	66	–	–	(1)	(137)	1	–	(1)	–	–	9,151	3,816	5,335
– Bulk earthworks (non-depreciable)	281,921	–	281,921	411	8	–	–	–	484	–	–	–	–	282,824	–	282,824
– Stormwater drainage	28,516	10,227	18,289	204	27	–	–	(233)	20	–	1	–	–	28,767	10,459	18,308
– Water supply network	108,556	38,646	69,910	814	327	–	(157)	(1,761)	198	–	2	–	1,430	111,478	40,715	70,763
– Sewerage network	109,638	25,532	84,106	1,106	105	–	(269)	(1,467)	196	–	–	–	1,696	112,311	26,838	85,473
– Swimming pools	9,519	4,940	4,579	49	–	–	(3)	(235)	–	–	–	–	–	9,564	5,174	4,390
– Other open space/recreational assets	13,136	3,446	9,690	134	250	–	(1)	(397)	73	–	–	–	–	13,579	3,830	9,749
Other assets:																
– Library books	1,243	593	650	–	79	–	–	(77)	–	–	1	–	–	1,323	670	653
Reinstatement, rehabilitation and restoration assets (refer Note 12):																
– Tip assets	2,520	375	2,145	–	–	–	–	(119)	–	–	1	–	120	2,641	494	2,147
– Quarry assets	401	140	261	–	–	–	–	(39)	–	–	–	–	21	422	179	243
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,225,311	339,421	885,890	26,253	4,888	1,655	(7,557)	(15,694)	–	–	5	719	34,940	1,261,429	330,330	931,099

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5	Playground equipment	50
Office furniture	10	Benches, seats etc.	50
Computer equipment	5		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	8 to 13	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	120
Reticulation pipes: PVC	80	Culverts	120
Reticulation pipes: other	45 to 300		
Pumps and telemetry	25 to 70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 25	Bulk earthworks	Infinite
Sealed roads: structure	75 to 130	Swimming pools	8 to 100
Unsealed roads	9 to 25	Other open space/recreational assets	3 to 80
Bridge: concrete	80 to 117	Other infrastructure	3 to 100
Bridge: other	80 to 130		
Kerb, gutter and footpaths	60 to 75		

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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.

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.

Crown reserves

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

Rural Fire Service assets

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

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

Mid-Western Regional Council

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

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	167	–	167	256	–	256
Land						
– Operational land	4,619	–	4,619	1,096	–	1,096
– Community land	751	–	751	993	–	993
Buildings	32	4	28	38	12	26
Infrastructure	111,478	40,715	70,763	108,553	38,645	69,908
Total water supply	117,047	40,719	76,328	110,936	38,657	72,279
Sewerage services						
WIP	1,335	–	1,335	1,527	–	1,527
Land						
– Operational land	1,331	–	1,331	946	–	946
– Community land	894	–	894	894	–	894
Buildings	197	69	128	722	277	445
Infrastructure	112,311	26,838	85,473	109,640	25,532	84,108
Total sewerage services	116,068	26,907	89,161	113,729	25,809	87,920
TOTAL RESTRICTED IPP&E	233,115	67,626	165,489	224,665	64,466	160,199

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

\$ '000	Notes	2018	2017
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Impairment losses recognised direct to equity (ARR):

– Flood damage to Roads	–	(1,325)
Total impairment losses	–	(1,325)
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	–	(1,325)

Mid-Western Regional Council

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

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,394	1,222
Accumulated amortisation (1/7)	(1,025)	(899)
Net book value – opening balance	369	323
Movements for the year		
– Purchases	125	172
– Amortisation charges	(148)	(126)
Closing values:		
Gross book value (30/6)	1,519	1,394
Accumulated amortisation (30/6)	(1,173)	(1,025)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>346</u>	<u>369</u>

¹ The net book value of intangible assets represent:

– Software	346	369
	346	369

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

Mid-Western Regional Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	2,865	–	2,964	–
Goods and services – capital expenditure	1,228	–	2,407	–
Accrued expenses:				
– Borrowings	162	–	180	–
Security bonds, deposits and retentions	967	–	935	–
Other	45	–	46	–
Total payables	5,267	–	6,532	–
Income received in advance				
Payments received in advance	950	–	900	–
Total income received in advance	950	–	900	–
Borrowings				
Loans – secured ¹	1,693	12,976	1,591	14,667
Total borrowings	1,693	12,976	1,591	14,667
TOTAL PAYABLES AND BORROWINGS	7,910	12,976	9,023	14,667

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	985	1,753	902	2,229
Sewer	645	8,141	808	8,539
Domestic waste management	853	–	216	107
Trust deposits	967	–	935	–
Payables and borrowings relating to externally restricted assets	3,450	9,894	2,861	10,875
Total payables and borrowings relating to restricted assets	3,450	9,894	2,861	10,875
Total payables and borrowings relating to unrestricted assets	4,460	3,082	6,162	3,792
TOTAL PAYABLES AND BORROWINGS	7,910	12,976	9,023	14,667

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 18.

Mid-Western Regional Council

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

Note 11. Payables and borrowings (continued)

\$ '000						2018	2017
(b) Changes in liabilities arising from financing activities							
Class of borrowings	2017	Non-cash changes				2018	
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18	
Loans – secured	16,258	(1,589)	–	–	–	14,669	
TOTAL	16,258	(1,589)	–	–	–	14,669	

\$ '000	2018	2017
(c) 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	200
Operating lease facilitiy	600	600
Total financing arrangements	1,500	1,500
Drawn facilities as at balance date:		
– Credit cards/purchase cards	3	4
– Operating lease facilitiy	318	430
Total drawn financing arrangements	321	434
Undrawn facilities as at balance date:		
– Bank overdraft facilities	700	700
– Credit cards/purchase cards	197	196
– Other	282	170
Total undrawn financing arrangements	1,179	1,066

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance 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.

Mid-Western Regional Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,524	–	1,510	–
Sick leave	1,187	–	1,262	–
Long service leave	3,784	372	3,623	421
Asset remediation/restoration:				
Asset remediation/restoration (future works)	6	2,527	–	2,558
Sub-total – asset remediation/restoration	6	2,527	–	2,558
<u>TOTAL PROVISIONS</u>	<u>6,501</u>	<u>2,899</u>	<u>6,395</u>	<u>2,979</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	–	2,266	–	2,259
Provisions relating to externally restricted assets	–	2,266	–	2,259
Internally restricted assets				
Employee leave entitlements	2,545	–	2,295	–
Provisions relating to internally restricted assets	2,545	–	2,295	–
Total provisions relating to restricted assets	2,545	2,266	2,295	2,259
Total provisions relating to unrestricted assets	3,956	633	4,100	720
<u>TOTAL PROVISIONS</u>	<u>6,501</u>	<u>2,899</u>	<u>6,395</u>	<u>2,979</u>

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	4,683	4,911
	4,683	4,911

Mid-Western Regional Council

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

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	1,510	1,262	4,044	–	–	6,816
Additional provisions	1,557	2	691	–	–	2,250
Amounts used (payments)	(1,542)	(75)	(571)	–	–	(2,188)
Remeasurement effects	(1)	(2)	(8)	–	–	(11)
Total ELE provisions at end of year	1,524	1,187	4,156	–	–	6,867

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	1,488	1,304	3,868	–	–	6,660
Additional provisions	1,446	45	738	–	–	2,229
Amounts used (payments)	(1,424)	(50)	(447)	–	–	(1,921)
Remeasurement effects	–	(37)	(115)	–	–	(152)
Total ELE provisions at end of year	1,510	1,262	4,044	–	–	6,816

2018	Other provisions	
	Asset remediation	Total
At beginning of year	2,558	2,558
Changes to provision:		
– New disturbances to tip	7	7
Additional provisions	(41)	(41)
Amounts used (payments)	(30)	(30)
Remeasurement effects	(10)	(10)
Unwinding of discount	49	49
Total other provisions at end of year	2,533	2,533

2017	Other provisions	
	Asset remediation	Total
At beginning of year	1,118	1,118
Changes to provision:		
Additional provisions	1,458	1,458
Remeasurement effects	(31)	(31)
Unwinding of discount	13	13
Total other provisions at end of year	2,558	2,558

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Available for sale financial investments revaluation reserve

The available for sale financial investments revaluation reserve is used to account for the fair value movements in all financial assets so classified that remain on hand at year end.

Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve.

Mid-Western Regional Council

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

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	6,481	3,016
Less bank overdraft	13	–	–
Balance as per the Statement of Cash Flows		6,481	3,016
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		16,365	19,650
Adjust for non-cash items:			
Depreciation and amortisation		15,842	15,477
Net losses/(gains) on disposal of assets		5,747	5,253
Non-cash capital grants and contributions		(66)	(2,456)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
Other movements in reserves - transfer to provision asset remediation		–	(1,746)
Unwinding of discount rates on reinstatement provisions		49	(18)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,656	(2,189)
Increase/(decrease) in provision for doubtful debts		(45)	41
Decrease/(increase) in inventories		(160)	43
Decrease/(increase) in other assets		–	11
Increase/(decrease) in payables		(99)	800
Increase/(decrease) in accrued interest payable		(18)	(15)
Increase/(decrease) in other accrued expenses payable		–	(2)
Increase/(decrease) in other liabilities		81	72
Increase/(decrease) in employee leave entitlements		51	156
Increase/(decrease) in other provisions		(74)	1,458
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		40,329	36,535
(c) Non-cash investing and financing activities			
Other dedications		66	2,456
Total non-cash investing and financing activities		66	2,456

Mid-Western Regional Council

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

Note 15. Interests in other entities

\$ '000

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 four year contract, from 1 July 2017 to 30 June 2021 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.

	2018	2017
Losses (or expenses) incurred by Council relating to the Structured Entity	485	433
Income received by Council relating to the Structured Entity		
– Rental income – other Council properties	1	–
– IT support Income	2	2

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 four year 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 included 6 months of support for ground handling staff and waiver of landing fees for the year.

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.

	2018	2017
Losses (or expenses) incurred by Council relating to the Structured Entity	102	119

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 2018

Note 16. Commitments for expenditure

\$ '000	2018	2017
(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	22	68
Plant and equipment	522	1,897
Drainage	4	4
Other assets	10	173
Roads and transport	4,030	4,679
Sewerage network	–	518
Water supply network	56	87
Land development	–	195
Waste assets	147	6
Total commitments	4,791	7,627
These expenditures are payable as follows:		
Within the next year	4,791	7,627
Total payable	4,791	7,627
Sources for funding of capital commitments:		
Unrestricted general funds	63	–
Future grants and contributions	3,791	4,885
Section 7.11 and 64 funds/reserves	–	45
Externally restricted reserves	400	562
Internally restricted reserves	537	2,135
Total sources of funding	4,791	7,627
(b) 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	232	233
Later than one year and not later than 5 years	161	177
Total non-cancellable operating lease commitments	393	410

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.

Mid-Western Regional Council

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

Note 17. Contingencies and other liabilities/assets not recognised

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.

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

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$409,912.71.

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

Council's expected contributions to the Fund for the next annual reporting period is \$318,295.72.

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

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

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

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

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

* Plus promotional increases

Mid-Western Regional Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

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

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

Council's additional lump sum contribution is around 0.38% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(ii) 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.

(iii) 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 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

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) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Infringement notices/fines

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

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

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

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

(ii) Bank Guarantees

Council holds a number of bank guarantees to the value of \$749,702. 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.

(iii) Contingent assets

Council has been advised that the stage government proposes to transfer the former Cudgegong Shire building and associated land to the Council in near future. Documentation is currently being completed to effect the transfer.

Mid-Western Regional Council

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

Note 18. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	6,481	3,016	6,481	3,016
Investments				
– 'Held to maturity'	59,700	59,100	59,700	59,100
– 'Available for sale'	6,124	3,415	6,124	3,415
Receivables	6,616	9,227	6,616	9,227
Total financial assets	78,921	74,758	78,921	74,758
Financial liabilities				
Payables	5,267	6,532	5,267	6,532
Loans/advances	14,669	16,258	14,669	16,258
Total financial liabilities	19,936	22,790	19,936	22,790

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.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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.

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

The risks associated with the investments held are:

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

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

(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
2018				
Possible impact of a 10% movement in market values	–	612	–	(612)
Possible impact of a 1% movement in interest rates	597	597	(597)	(597)
2017				
Possible impact of a 10% movement in market values	–	341	–	(341)
Possible impact of a 1% movement in interest rates	655	655	(655)	(655)

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	86%	69%	80%	94%
Overdue	14%	31%	20%	6%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
Current			752	691
< 1 year overdue			9	18
1 – 2 years overdue			54	63
2 – 5 years overdue			66	89
> 5 years overdue			(2)	3
			879	864
Other receivables				
Current			4,035	7,968
0 – 30 days overdue			1,374	144
31 – 60 days overdue			79	64
61 – 90 days overdue			47	13
> 91 days overdue			303	320
			5,838	8,509

Mid-Western Regional Council

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

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 10-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 – 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2018							
Trade/other payables		967	4,300	-	-	5,267	5,267
Loans and advances	6.47%	-	2,608	8,372	10,073	21,053	14,669
Total financial liabilities		967	6,908	8,372	10,073	26,320	19,936
2017							
Trade/other payables		935	5,597	-	-	6,532	6,532
Loans and advances	6.60%	-	2,608	9,448	11,606	23,662	16,258
Total financial liabilities		935	8,205	9,448	11,606	30,194	22,790

Mid-Western Regional Council

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

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 21 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	28,823	28,807	(16)	(0%)	U
User charges and fees	12,084	18,629	6,545	54%	F
Council received an additional \$5.5 million from RMS works on State Roads compared to Original Budget. The most significant project variations were for works at Sofala curves and Sofala Hill. The other significant variation is due to water supply charges higher than budget by \$478,000.					
Interest and investment revenue	1,668	1,693	25	1%	F
Other revenues	2,291	2,737	446	19%	F
Major Event ticket sales accounted for \$240,000 of additional income to the original budget. Insurance reimbursement of costs exceeded budget by \$85,000.					
Operating grants and contributions	14,765	15,884	1,119	8%	F
Capital grants and contributions	22,306	14,194	(8,112)	(36%)	U
Council has been delayed in completion of the Wollar Road Seal Extension project therefore grant income is deferred and did not meet budget by \$3.58 million. Council was not successful in 2017/18 for a capital grant to proceed with Glen Willow upgrades as budgeted worth \$2.6 million. Capital works and grant income was also not required for \$1.2 million at Rylstone Dam.					

Mid-Western Regional Council

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

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	23,403	22,521	882	4%	F
Borrowing costs	1,118	1,064	54	5%	F
Materials and contracts	11,384	14,181	(2,797)	(25%)	U
Additional RMS work on State Roads contributed to an increase of \$2.8 million in actual expenditure					
Depreciation and amortisation	19,039	15,842	3,197	17%	F
Road infrastructure depreciation is lower than the original budget by \$3.5 million due to asset life revisions following the fair revaluation process.					
Other expenses	6,452	6,224	228	4%	F
Net losses from disposal of assets	1,280	5,747	(4,467)	(349%)	U
The unfavourable variance is primary due to the write off of infrastructure replaced during 2017/18. the majority \$4.8 million relates to transport assets.					

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

Cash flows from operating activities	39,579	40,329	750	1.9%	F
Cash flows from investing activities	(38,838)	(35,275)	3,563	(9.2%)	F
Cash flows from financing activities	(1,657)	(1,589)	68	(4.1%)	F

Mid-Western Regional Council

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

Note 20. 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 – Financial assets and liabilities

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

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

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

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

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

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

		Fair value measurement hierarchy			
2018		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Available for sale’	30/06/18	–	6,124	–	6,124
Total financial assets		–	6,124	–	6,124
Infrastructure, property, plant and equipment					
Work in progress	30/06/18	–	–	12,728	12,728
Plant and equipment	30/06/18	–	–	18,778	18,778
Office equipment	30/06/16	–	–	455	455
Furniture and fittings	30/06/16	–	–	265	265
Operational land	30/06/18	–	43,242	–	43,242
Community land	30/06/16	–	–	17,798	17,798
Land under roads	30/06/14	–	–	1,605	1,605
Land improvements – non-depreciable		–	–	1,602	1,602
Land improvements – depreciable		–	–	345	345
Buildings – market value/income approach	30/06/18	–	4,061	–	4,061
Buildings – replacement cost	30/06/18	–	–	64,051	64,051
Other structures	30/06/16	–	–	8,692	8,692
Roads	30/06/15	–	–	220,779	220,779
Bridges	30/06/15	–	–	56,813	56,813
Footpaths	30/06/15	–	–	5,335	5,335
Bulk earthworks	30/06/15	–	–	282,824	282,824
Stormwater drainage	30/06/15	–	–	18,308	18,308
Water supply network	30/06/17	–	–	70,763	70,763
Sewerage network	30/06/17	–	–	85,473	85,473
Swimming pools	30/06/16	–	–	4,390	4,390
Other open space/recreational assets	30/06/16	–	–	9,749	9,749
Library books	30/06/16	–	–	653	653
Tip assets	30/06/14	–	–	2,147	2,147
Quarry assets	30/06/14	–	–	243	243
Total infrastructure, property, plant and equipment		–	47,303	883,796	931,099

Mid-Western Regional Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Available for sale’	30/06/17	–	3,415	–	3,415
Total financial assets		–	3,415	–	3,415
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

(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 2018

Note 20. 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 (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

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

Financial assets

Managed Funds – Available for Sale financial assets

Valuation technique: The unit price of each fund is equal to the total fair value of the net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

Inputs Used (Level 2): Prices are observable, however, no active market exists for these funds as they are only accessible to government agencies.

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.

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 adjustment 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.

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 2018

Note 20. Fair value measurement (continued)

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. APV Assets Valuer Three buildings were assessed using this technique.

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

Buildings replacement costs – Level 3

Valuation Techniques – Cost approach.

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 method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment.

To determine the Fair Value we applied the following process –

- Determine the Replacement Cost (Gross)
- Determining the components and where relevant split between short-life and long-life parts based on planned asset management strategies.
- Assessing the level of remaining service potential of the Depreciable Amount of each component (short-life and long-life parts).
 - o For the short-life part, this is based on a Consumption Rating that primarily considers the component specific factors (such as physical condition and maintenance history) as well as considering obsolescence. This is primarily aimed at estimating the cost to bring the part back to 'as new' (as a market participant would consider when pricing the asset).
 - o For the long-life part the valuer uses professional judgment to estimate the level of remaining service potential (RSP%). This effectively is an overall assessment of obsolescence (function, technical and economic) and the impact it may have on a market participants view of price. For example – despite an asset being aged and part way through its lifecycle, providing the asset is expected to be operational for many years to come the market the impact of obsolescence may be insignificant or minor. Likewise, if there is an expectation that the asset has a limited remaining life the impact of obsolescence will be greater as the asset nears the end of life.
- Summing the calculated value of the short-life part and long-life part together to determine the value of each component
- Summing the value of each component together to determine the Fair Value (Current Replacement Cost)

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

Unobservable inputs - Estimates of useful life, and condition

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

Valuation Techniques – Cost Approach Method.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

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, and condition

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.
- 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:

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

- 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.

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 2018

Note 20. 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 – 1/7/16	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
Transfers from/(to) another asset class	(7,358)	–	–	–	(7,358)
Purchases (GBV)	6,958	6,414	7	49	13,428
Disposals (WDV)	–	(1,965)	–	–	(1,965)
Depreciation and impairment	–	(2,308)	(114)	(47)	(2,469)
Other movement (rounding)	–	2	–	1	3
Other movement (had not commissioned)	–	73	–	–	73
Closing balance – 30/6/18	12,728	18,778	455	265	32,226

	Operational land	Community land	Land under roads	Land improv'mnt non-deprec	Total
Opening balance – 1/7/16	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
Transfers from/(to) level 2 FV hierarchy 204(b)	(43,242)	–	–	–	(43,242)
Transfers from/(to) another asset class	(878)	878	124	–	124
Purchases (GBV)	20	24	179	158	381
Disposals (WDV)	–	(3)	–	–	(3)
FV gains – other comprehensive income	11,539	–	–	–	11,539
Other movement (had not commissioned)	416	230	–	–	646
Closing balance – 30/6/18	–	17,798	1,605	1,602	21,005

Mid-Western Regional Council

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

Note 20. 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 – 1/7/16	233	46,107	6,269	207,920	260,529
Transfers from/(to) another asset class	(5)	1,144	1,029	6,747	8,916
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	1	1	3
Transfer to others	–	(592)	–	–	(592)
Closing balance – 30/6/17	276	45,356	7,284	212,929	265,845
Transfers from/(to) another asset class	2	39	241	5,861	6,143
Purchases (GBV)	75	395	1,427	12,648	14,545
Disposals (WDV)	–	(17)	(1)	(5,140)	(5,158)
Depreciation and impairment	(8)	(1,881)	(259)	(5,519)	(7,667)
FV gains – other comprehensive income	–	20,161	–	–	20,161
Other movement (rounding)	–	(2)	–	–	(2)
Closing balance – 30/6/18	345	64,051	8,692	220,779	293,867

	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Total
Opening balance – 1/7/16	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
Transfers from/(to) another asset class	484	20	198	196	898
Purchases (GBV)	419	231	1,141	1,211	3,002
Disposals (WDV)	–	–	(157)	(269)	(426)
Depreciation and impairment	–	(233)	(1,761)	(1,467)	(3,461)
FV gains – other comprehensive income	–	–	1,430	1,696	3,126
Other movement (rounding)	–	1	2	–	3
Closing balance – 30/6/18	282,824	18,308	70,763	85,473	457,368

Mid-Western Regional Council

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

Note 20. 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 – 1/7/16	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
Transfers from/(to) another asset class	119	–	–	–	119
Purchases (GBV)	862	79	–	–	941
Disposals (WDV)	–	–	–	(39)	(39)
Depreciation and impairment	(1,093)	(77)	(119)	–	(1,289)
FV gains – other comprehensive income	–	–	120	21	141
Other movement (rounding)	–	1	1	–	2
Closing balance – 30/6/18	56,813	653	2,147	243	59,856

	Footpaths	Swimming pools	Other open space/ recreational	Total
Opening balance – 1/7/16	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)	(2)	(2)
Closing balance – 30/6/17	5,407	4,579	9,690	19,676
Transfers from/(to) another asset class	1	–	73	74
Purchases (GBV)	66	49	384	499
Disposals (WDV)	(1)	(3)	(1)	(5)
Depreciation and impairment	(137)	(235)	(397)	(769)
Other movement (rounding)	(1)	–	–	(1)
Closing balance – 30/6/18	5,335	4,390	9,749	19,474

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Operational land was revalued at market value (\$43,242 thousand), so transferred from Level 3 to Level 2.

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

I,PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Plant and equipment	18,778	Depreciated historic cost	Estimated useful life and residual value
Office equipment	455	Depreciated historic cost	Estimated useful life and residual value
Furniture and fittings	265	Depreciated historic cost	Estimated useful life and residual value
Community land	17,798	Market Approach	Factors relevant to a market participants and/or embodied with the assets
Land under roads	1,605	Market Approach	Factors relevant to a market participants and/or embodied with the assets
Land improvements – non depreciable	1,602	Cost Approach	Estimated useful life, cost, and condition
Land improvements – depreciable	345	Depreciated historic cost	Estimated useful life, cost, and condition
Buildings – replacement cost	64,051	Cost Approach	Estimated useful life, cost, and condition
Other structures	8,692	Cost Approach	Estimated useful life, cost, and condition
Roads, bridges, footpaths	282,927	Cost Approach	Estimated useful life, cost, and condition
Bulk earthworks	282,824	Cost Approach	Estimated useful life, cost, and condition
Stormwater drainage	18,308	Cost Approach	Estimated useful life, cost, and condition
Water supply network	70,763	Cost Approach	Estimated useful life, cost, and condition
Sewerage network	85,473	Cost Approach	Estimated useful life, cost, and condition
Swimming pools	4,390	Cost Approach	Estimated useful life, cost, and condition
Other open space/recreational assets	9,749	Cost Approach	Estimated useful life, cost, and condition
Library books	653	Cost Approach	Estimated useful life, cost, and condition
Tip and quarry reinstatement assets	2,390	Cost estimate of future liability	

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

d. 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 who) analyses the level 3 fair value movements 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
Community land	Market Approach	Comparison with other property sales	Council	Council	Valuer General
Land under roads	Market Approach	Englobo methodology	Council	Council	Council
Land improvements – non depreciable	Cost Approach	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	Cost Approach	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
Roads, bridges, footpaths	Cost Approach	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

Mid-Western Regional Council

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

Note 20. Fair value measurement (continued)

Class	Valuation Processes	Description of the process	how (and by who) the valuation processes are decided	how (and who) analyses the level 3 fair value movements post valuation	who undertakes the valuations
Bulk earthworks	Cost Approach	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	Cost Approach	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	Cost Approach	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
Sewerage network	Cost Approach	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	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 2018

Note 20. Fair value measurement (continued)

Class	Valuation Processes	Description of the process	how (and by who) the valuation processes are decided	how (and who) analyses the level 3 fair value movements post valuation	who undertakes the valuations
Other open space/recreational assets	Cost Approach	Analysis of data and physical inspection of assets to review condition.	Council	Council	Council
Library books	Cost Approach	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 2018

Note 21. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	1,358	1,195
Other long-term benefits	43	33
Termination benefits	—	75
Total	1,401	1,303

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		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Employee expenses relating to close family members of KMP	1	159,000	-	Local Government (State) Award 2017	-	-
Affordable Housing Project - Donation to Housing Plus	2	94,000	-	per contract	-	-

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions (continued)

b. Other transactions with KMP and their related parties (continued)

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2017						
Employee expenses relating to close family members of KMP	3	314,000	-	Local Government (State) Award 2014	-	-
Affordable Housing Project - Donation to Housing Plus	4	94,000	-	per contract	-	-
Community Grants Program - Youth Representative Grant	5	1,000	-	per Council Resolution	-	-
Development Fees paid to Council	6	189,000	-	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 2 close family members of KMP who were employed with Council during 2017/2018
- 2 KMP is a director of Housing Plus
- 3 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
- 4 KMP is a director of Housing Plus
- 5 Close Family member of a KMP was granted \$1000 via our Community Grants Program
- 6 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 2018

Note 22. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	92	–	–	1	–	–	93	–
Open space	1,941	132	–	33	(225)	–	1,881	–
Community facilities	625	25	–	10	(45)	–	615	–
Transport management	597	37	–	11	–	–	645	–
Car parking	248	–	–	5	–	–	253	–
Administration	411	18	–	6	(30)	–	405	–
Civic improvements	(5)	–	–	–	–	–	(5)	–
S7.11 contributions – under a plan	3,909	212	–	66	(300)	–	3,887	–
S7.12 levies – under a plan	532	118	–	10	–	–	660	–
Total S7.11 and S7.12 revenue under plans	4,441	330	–	76	(300)	–	4,547	–
S7.4 planning agreements	2,106	1,035	–	39	(224)	–	2,956	
S64 contributions	7,930	527	–	141	(55)	–	8,543	
Total contributions	14,477	1,892	–	256	(579)	–	16,046	–

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN: 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	92	–	–	1	–	–	93	
Open space	1,941	132	–	33	(225)	–	1,881	
Community facilities	625	25	–	10	(45)	–	615	
Transport management	597	37	–	11	–	–	645	
Car parking	248	–	–	5	–	–	253	
Administration	411	18	–	6	(30)	–	405	
Civic improvements	(5)	–	–	–	–	–	(5)	
Total	3,909	212	–	66	(300)	–	3,887	–

S7.12 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	532	118	–	10	–	–	660	–
Total	532	118	–	10	–	–	660	–

Mid-Western Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,355	5,857	21,595
User charges and fees	6,217	813	11,599
Interest and investment revenue	379	316	998
Other revenues	2	58	2,677
Grants and contributions provided for operating purposes	63	58	15,763
Grants and contributions provided for capital purposes	335	192	13,667
Total income from continuing operations	8,351	7,294	66,299
Expenses from continuing operations			
Employee benefits and on-costs	1,533	1,213	19,775
Borrowing costs	160	572	332
Materials and contracts	1,410	1,038	11,733
Depreciation and amortisation	1,762	1,480	12,600
Other expenses	2,007	2,031	2,186
Net losses from the disposal of assets	157	270	5,320
Total expenses from continuing operations	7,029	6,604	51,946
Operating result from continuing operations	1,322	690	14,353
 Net operating result attributable to each council fund	 1,322	 690	 14,353
 Net operating result for the year before grants and contributions provided for capital purposes	 987	 498	 686

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

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 2018

Note 23. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	1,257	1,015	4,209
Investments	10,825	8,741	36,258
Receivables	1,436	366	4,633
Inventories	202	20	975
Total current assets	13,720	10,142	46,075
Non-current assets			
Investments	1,939	1,566	6,495
Receivables	–	–	181
Infrastructure, property, plant and equipment	76,328	89,161	765,610
Intangible assets	3	–	343
Total non-current assets	78,270	90,727	772,629
TOTAL ASSETS	91,990	100,869	818,704
LIABILITIES			
Current liabilities			
Payables	323	247	4,697
Income received in advance	185	–	765
Borrowings	477	398	818
Provisions	–	–	6,501
Total current liabilities	985	645	12,781
Non-current liabilities			
Borrowings	1,753	8,141	3,082
Provisions	–	–	2,899
Total non-current liabilities	1,753	8,141	5,981
TOTAL LIABILITIES	2,738	8,786	18,762
Net assets	89,252	92,083	799,942
EQUITY			
Accumulated surplus	57,137	49,029	299,277
Revaluation reserves	32,115	43,054	500,456
Other reserves	–	–	209
Total equity	89,252	92,083	799,942

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

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 2018

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	7,918	11.69%	9.59%	5.06%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	67,750				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	51,866	63.29%	55.20%	60.23%	> 60.00%
Total continuing operating revenue ⁽¹⁾	81,944				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	25,242	4.02x	3.65x	3.66x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	6,278				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	24,824	9.36x	8.69x	9.01x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,653				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,057	3.52%	3.39%	3.33%	10%
Rates, annual and extra charges collectible	30,023				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	66,181	15.60 mths	15.9 mths	14.4 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	4,243				

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 Notes 11 and 12.

⁽⁴⁾ Refer to Note 11(b) and 12(b) – 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 2018

Note 24(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>	11.62%	9.42%	13.25%	12.43%	10.43%	7.84%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>	55.61%	48.07%	95.23%	83.95%	96.57%	86.01%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>	4.02x	3.65x	8.10x	9.64x	11.38x	10.49x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 24a 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 2018

Note 24(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	17.28x	9.40x	4.92x	13.74x	2.96x	4.93x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.68%	3.58%	3.47%	3.08%	2.94%	2.72%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.87	12.47	27.52	29.59	23.79	27.95	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 24a above.

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

END OF AUDITED FINANCIAL STATEMENTS

Mid-Western Regional Council

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

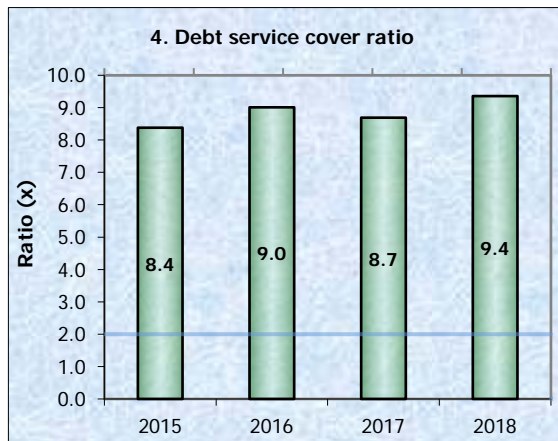
Note 24(c). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 11.69%</p> <p>An increased Operating Performance Ratio is mainly due to increased revenue from RMS Contract Works on State Roads.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 63.29%</p> <p>The increase in Own Source Revenue is mainly due to increased revenue from RMS Contract Works on State Roads.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 4.02x</p> <p>Whilst Council's unrestricted current assets declined this year the unrestricted liabilities decreased by a greater proportion thereby improving this ratio. Payables relating to unrestricted assets declined by \$1.7m.</p>

Mid-Western Regional Council

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

Note 24(c). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum ≥ 2.00

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

Purpose of debt service cover ratio

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

Commentary on 2017/18 result

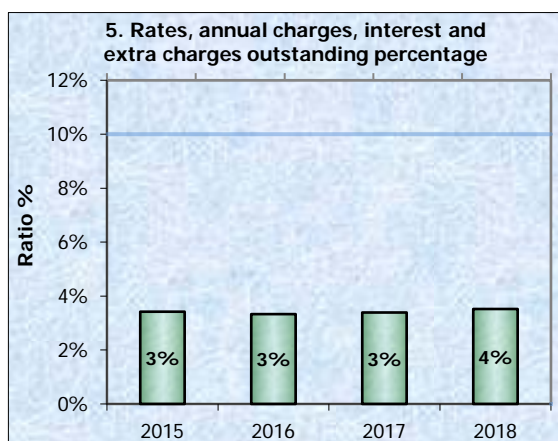
2017/18 ratio 9.36x

Debt servicing costs remain stable across the recent years. The increase in this ratio is due to improvement in operating result.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

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

Purpose of rates and annual charges outstanding ratio

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

Commentary on 2017/18 result

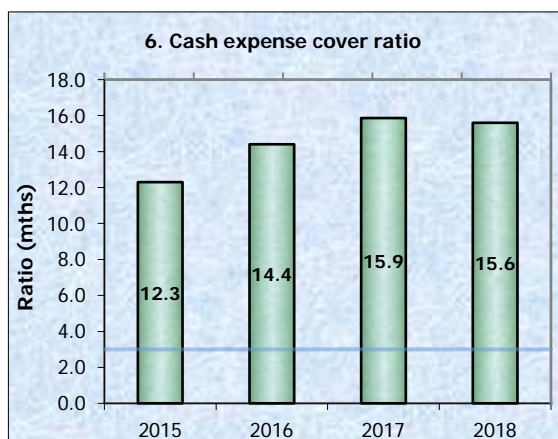
2017/18 ratio 3.52%

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



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

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

Commentary on 2017/18 result

2017/18 ratio 15.60 mths

This year saw an increase to Council's cash, cash equivalents and term deposits of \$4 million. The increase has been offset by a proportionately greater increase in the payments from operating cash flows.



Ratio achieves benchmark

Ratio is outside benchmark

Mid-Western Regional Council

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

Note 25. 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

Mr Neil Bungate

PUBLIC OFFICER

Mr Tim Johnston

AUDITORS

NSW Auditor General
Level 15, 1 Margaret Street
Sydney NSW 2000

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 report

Mid-Western Regional Council

To the Councillors of the Mid-Western Regional Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in blue ink, appearing to read 'Karen Taylor', is positioned above a faint, light blue rectangular stamp.

Karen Taylor
Director, Financial Audit Services

26 October 2018
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: D1824617/1760

26 October 2018

Dear Mr Mayor

Report on the Conduct of the Audit for the year ended 30 June 2018 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 2018 as required by section 415 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 2018 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

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	28.8	27.7	3.9 ↑
User charges and fees	18.6	13.3	40.5 ↑
Grants and contributions revenue	30.1	36.9	18.5 ↓
Operating result for the year	16.4	19.6	16.7 ↓
Net operating result before capital amounts	2.2	0.8	157 ↑

Council's operating result (\$16.4 million including the effect of depreciation and amortisation expense of \$15.8 million) was \$3.2 million lower than the 2016–17 result.

Conversely, the net operating result before capital grants and contributions (\$2.2 million) was \$1.4 million higher than the 2016–17 result.

Whilst total income from continuing operations was consistent with the prior year, a change in the relative mix of operating and capital revenue has impacted on Council's operating results before and after capital grants and contributions for the year.

Rates and annual charges revenue (\$28.8 million) increased by \$1.1 million (3.9 per cent) in 2017–18. This growth is consistent with the rate pegging of 1.5 per cent combined with an increase in the number of rateable properties in the Council area.

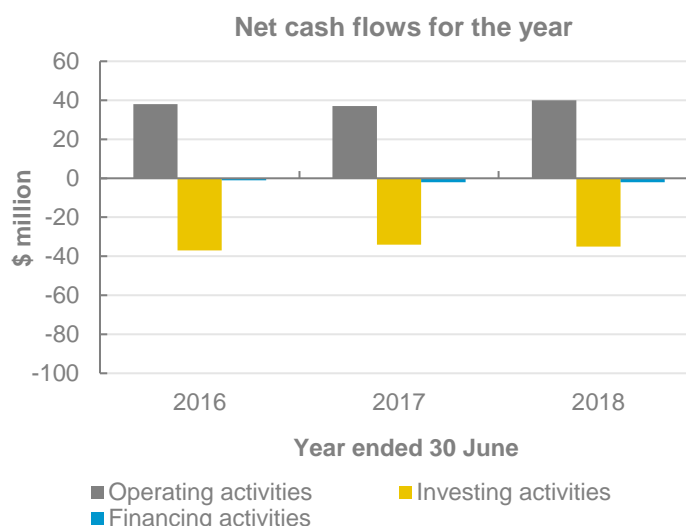
User charges and fees revenue increased from \$13.3 million in 2016–17 to \$18.6 million on 2017–18, mainly due to \$4 million increase in revenue from the RMS for work on State Roads.

Grants and contributions revenue (\$30.1 million) decreased by \$6.8 million in 2017–18 due to:

- Financial Assistance Grants received in 2017–18 were \$6.2 million compared to \$8.8 million in 2016–17 due to the timing of payments by the Commonwealth
- Less non-cash dedications (\$0.1 million) in 2017–18 (\$2.5 million in 2016–17).

STATEMENT OF CASH FLOWS

The net cash inflow for 2017–18 was \$3.5 million (2017 net cash inflow of \$1.5 million). The increase was primarily generated by Council's cash flows from operating activities, which increased by \$3.8 million.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	46.9	43.0	Externally restricted balances include unexpended developer contributions water, sewer and domestic waste management charges.
Internal restrictions	14.8	14.9	
Unrestricted	10.6	7.6	
Cash and investments	72.3	65.5	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.

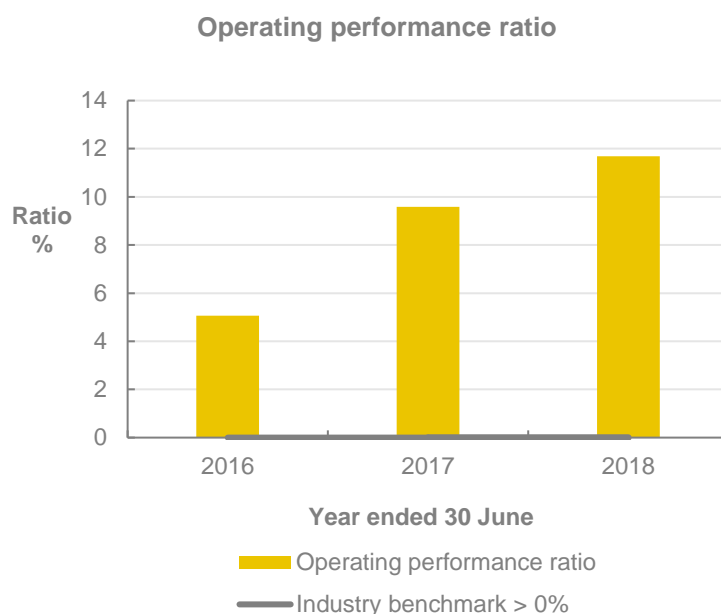
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 24 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

The ratio increased primarily due to increased user charges received from the RMS for Council to complete work on State Controlled roads.

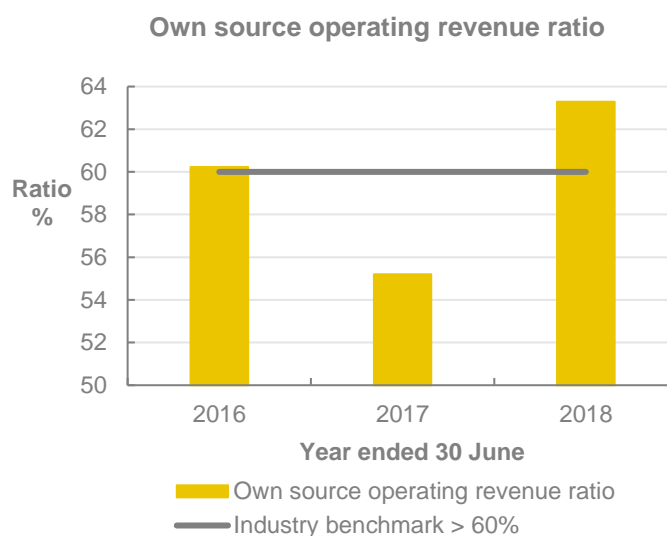
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

As with the operating performance ratio, the increase in this ratio is primarily due to increased user charges received from the RMS for Council to complete work on State Controlled roads.

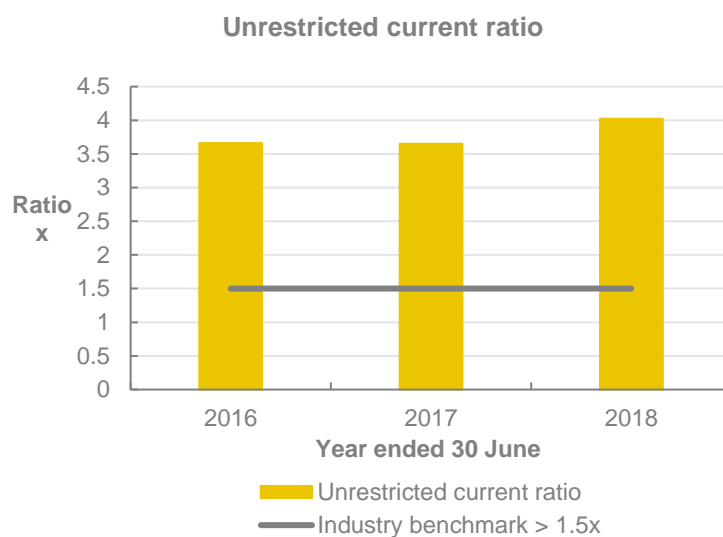
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

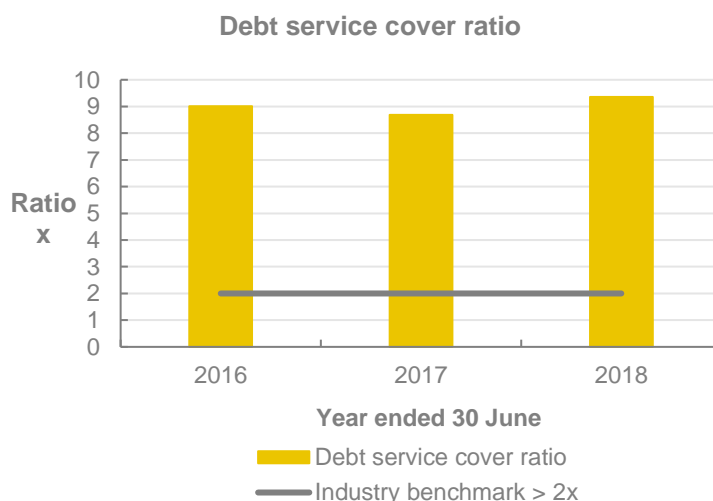
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



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.

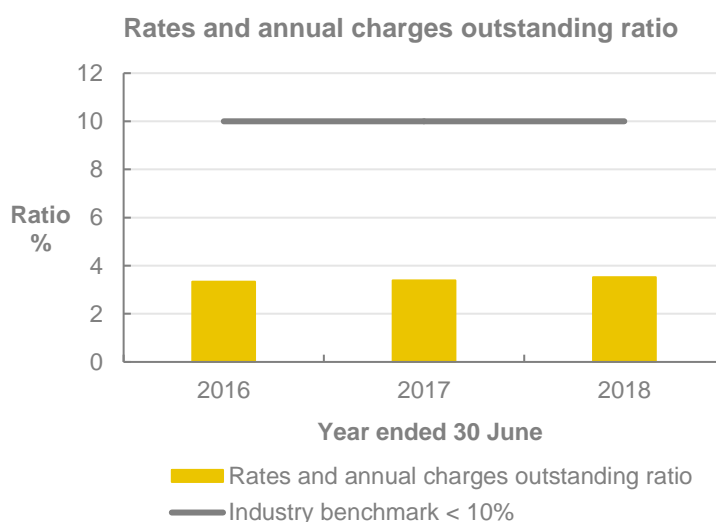
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

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

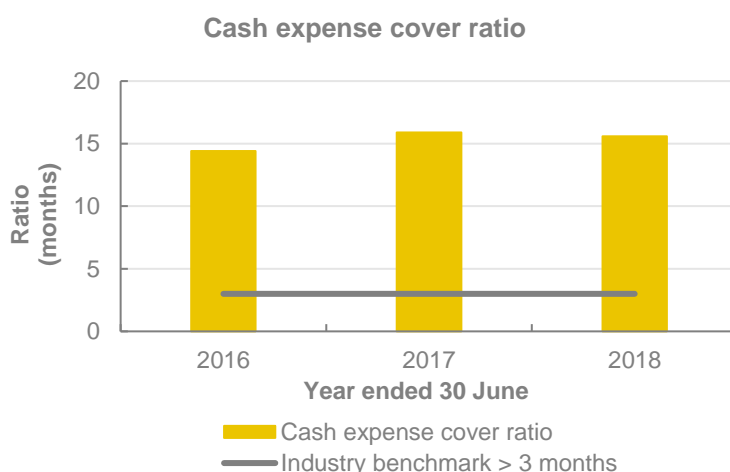
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

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

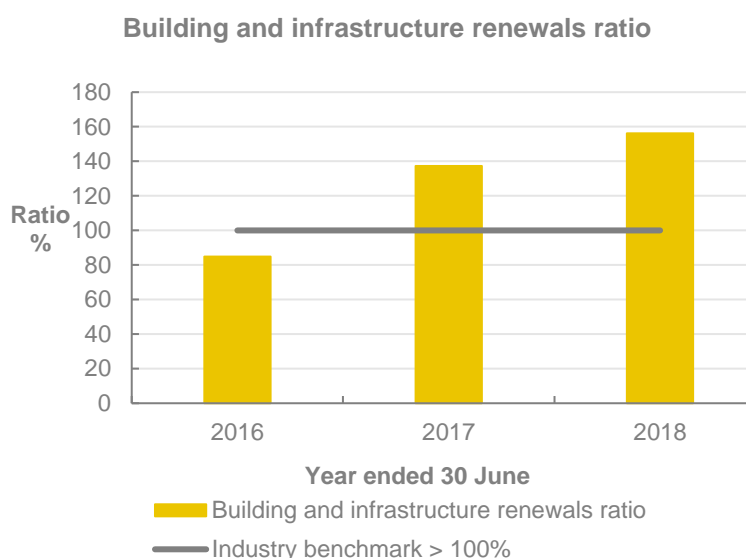


Building and infrastructure renewals ratio (unaudited)

Council has exceeded the building and infrastructure renewals ratio benchmark over the past two years. Council has continued to focus on renewing its assets to meet a standard acceptable to the community.

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

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

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

Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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



Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
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2. Special Purpose Financial Statements:	
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
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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 2018

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:

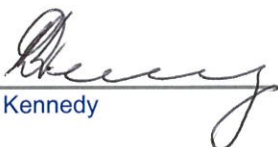
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 19 September 2018.



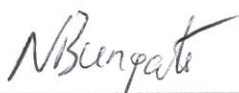
Cllr Des Kennedy
Mayor



Cllr SAM PAINE
Councillor



Mr Brad Cam
General manager



Mr Neil Bungate
Responsible accounting officer

Mid-Western Regional Council

Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,355	1,306
User charges	6,217	5,416
Interest	379	341
Grants and contributions provided for non-capital purposes	63	62
Other income	2	21
Total income from continuing operations	8,016	7,146
Expenses from continuing operations		
Employee benefits and on-costs	1,533	1,455
Borrowing costs	160	188
Materials and contracts	1,410	1,320
Depreciation, amortisation and impairment	1,762	1,507
Loss on sale of assets	157	631
Calculated taxation equivalents	82	25
Other expenses	2,007	1,763
Total expenses from continuing operations	7,111	6,889
Surplus (deficit) from continuing operations before capital amounts	905	257
Grants and contributions provided for capital purposes	335	1,292
Surplus (deficit) from continuing operations after capital amounts	1,240	1,549
Surplus (deficit) from all operations before tax	1,240	1,549
Less: corporate taxation equivalent (30%) [based on result before capital]	(272)	(77)
SURPLUS (DEFICIT) AFTER TAX	969	1,472
Plus opening retained profits	55,746	53,888
Plus/less: prior period adjustments	4	26
Plus/less: Transfer to retained earnings for asset disposals	65	258
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	82	25
– Corporate taxation equivalent	272	77
Closing retained profits	57,137	55,746
Return on capital %	1.4%	0.6%
Subsidy from Council	942	1,275
Calculation of dividend payable:		
Surplus (deficit) after tax	969	1,472
Less: capital grants and contributions (excluding developer contributions)	–	(222)
Surplus for dividend calculation purposes	969	1,250
Potential dividend calculated from surplus	484	625

Mid-Western Regional Council

Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	5,857	5,556
User charges	772	552
Liquid trade waste charges	41	–
Interest	316	286
Grants and contributions provided for non-capital purposes	58	57
Other income	58	41
Total income from continuing operations	7,102	6,492
Expenses from continuing operations		
Employee benefits and on-costs	1,213	1,142
Borrowing costs	572	596
Materials and contracts	1,038	888
Depreciation, amortisation and impairment	1,480	1,829
Loss on sale of assets	270	433
Calculated taxation equivalents	26	21
Other expenses	2,031	1,508
Total expenses from continuing operations	6,630	6,417
Surplus (deficit) from continuing operations before capital amounts	472	75
Grants and contributions provided for capital purposes	192	991
Surplus (deficit) from continuing operations after capital amounts	664	1,066
Surplus (deficit) from all operations before tax	664	1,066
Less: corporate taxation equivalent (30%) [based on result before capital]	(142)	(23)
SURPLUS (DEFICIT) AFTER TAX	522	1,044
Plus opening retained profits	48,067	46,812
Plus/less: prior period adjustments	119	–
Plus/less: Transfer to retained earnings for asset disposals	153	168
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	26	21
– Debt guarantee fees	–	–
– Corporate taxation equivalent	142	23
Closing retained profits	49,029	48,067
Return on capital %	1.2%	0.8%
Subsidy from Council	1,301	1,421
Calculation of dividend payable:		
Surplus (deficit) after tax	522	1,044
Less: capital grants and contributions (excluding developer contributions)	–	32
Surplus for dividend calculation purposes	522	1,076
Potential dividend calculated from surplus	261	538

Mid-Western Regional Council

Income Statement of Council's Other Business Activities for the year ended 30 June 2018

	Waste Category 1	
\$ '000	2018	2017
Income from continuing operations		
Access charges	4,021	3,863
User charges	1,384	926
Interest	147	153
Grants and contributions provided for non-capital purposes	287	380
Other income	415	621
Total income from continuing operations	6,254	5,943
Expenses from continuing operations		
Employee benefits and on-costs	2,288	2,218
Borrowing costs	54	26
Materials and contracts	2,825	2,151
Depreciation, amortisation and impairment	319	292
Loss on sale of assets	7	390
Other expenses	865	833
Total expenses from continuing operations	6,358	5,910
Surplus (deficit) from continuing operations before capital amounts	(104)	33
Grants and contributions provided for capital purposes	—	8
Surplus (deficit) from continuing operations after capital amounts	(104)	41
Surplus (deficit) from all operations before tax	(104)	41
Less: corporate taxation equivalent (30%) [based on result before capital]	—	(10)
SURPLUS (DEFICIT) AFTER TAX	(104)	31
Plus opening retained profits	7,722	7,588
Plus/less: Transfer to retained earnings for asset disposals	2	93
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	—	10
Closing retained profits	7,620	7,722
Return on capital %	-0.6%	0.7%
Subsidy from Council	281	142

Mid-Western Regional Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	1,257	1,244
Investments	10,825	11,458
Receivables	1,436	1,159
Inventories	202	204
Total current assets	13,720	14,065
Non-current assets		
Investments	1,939	–
Infrastructure, property, plant and equipment	76,328	72,279
Intangible assets	3	–
Other	–	3
Total non-current assets	78,270	72,282
TOTAL ASSETS	91,990	86,347
LIABILITIES		
Current liabilities		
Payables	323	456
Income received in advance	185	–
Borrowings	477	446
Total current liabilities	985	902
Non-current liabilities		
Borrowings	1,753	2,229
Total non-current liabilities	1,753	2,229
TOTAL LIABILITIES	2,738	3,131
NET ASSETS	89,252	83,216
EQUITY		
Accumulated surplus	57,137	55,746
Revaluation reserves	32,115	27,470
TOTAL EQUITY	89,252	83,216

Mid-Western Regional Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	1,015	1,048
Investments	8,741	9,651
Receivables	366	325
Inventories	20	20
Total current Assets	10,142	11,044
Non-current assets		
Investments	1,566	–
Infrastructure, property, plant and equipment	89,161	87,920
Total non-current assets	90,727	87,920
TOTAL ASSETS	100,869	98,964
LIABILITIES		
Current liabilities		
Payables	247	435
Borrowings	398	373
Total current liabilities	645	808
Non-current liabilities		
Borrowings	8,141	8,539
Total non-current liabilities	8,141	8,539
TOTAL LIABILITIES	8,786	9,347
NET ASSETS	92,083	89,617
EQUITY		
Accumulated surplus	49,029	48,067
Revaluation reserves	43,054	41,550
TOTAL EQUITY	92,083	89,617

Mid-Western Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Waste

Category 1

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	440	101
Investments	3,791	4,584
Receivables	227	136
Total Current Assets	4,458	4,821
Non-current assets		
Investments	679	–
Infrastructure, property, plant and equipment	8,780	8,455
Total non-current assets	9,459	8,455
TOTAL ASSETS	13,917	13,276
LIABILITIES		
Current liabilities		
Payables	746	116
Borrowings	107	100
Total current liabilities	853	216
Non-current liabilities		
Borrowings	–	107
Provisions	2,266	2,259
Total non-current liabilities	2,266	2,366
TOTAL LIABILITIES	3,119	2,582
NET ASSETS	10,798	10,694
EQUITY		
Accumulated surplus	7,620	7,722
Revaluation reserves	3,178	2,972
TOTAL EQUITY	10,798	10,694

Mid-Western Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

Mid-Western Regional Council

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

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.

Mid-Western Regional Council

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

Note 1. Significant accounting policies (continued)

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 Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. 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 \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), 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.

Mid-Western Regional Council

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

Note 1. Significant accounting policies (continued)

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.

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

The 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.

Mid-Western Regional Council

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

Note 1. Significant accounting policies (continued)

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 2.63% at 30/6/18.

(iv) Dividends

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

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

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 2018 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.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Mid-Western Regional Council

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

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	82,000
(ii)	Number of assessments multiplied by \$3/assessment	26,349
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	26,349
(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]	484,250
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	237,141
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	3,397,300

2018 Surplus	968,500	2017 Surplus	1,249,900	2016 Surplus	1,178,900
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	237,141
(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 2018

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

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

2018

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	8,027
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)]	%	80.61%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	76,328
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	4,988
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,251
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)]	%	1.67%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Mid-Western Regional Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	26,000
(ii)	Number of assessments multiplied by \$3/assessment	22,989
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	22,989
(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]	261,200
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	206,901
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	1,703,900

2018 Surplus	522,400	2017 Surplus	1,075,500	2016 Surplus	106,000
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	206,901
(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 2018

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

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	6,992
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	89,161
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	4,104
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,215
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)]	%	1.58%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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	14,592
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	2,466
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)]	%	1.62%
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 2018

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

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

2018

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)]	%	-8.04%
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)		40
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	2,012
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	121

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Mid-Western Regional Council

To the Councillors of the Mid-Western Regional Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Mid-Western Regional Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, 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 report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its 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.

Basis for Opinion

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

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the 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.

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, 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 report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. 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 best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director, Financial Audit Services

26 October 2018
SYDNEY

Mid-Western Regional Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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



Mid-Western Regional Council

Special Schedules

for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

Mid-Western Regional Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	464	–	–	(464)
Administration	9,480	1,921	1,377	(6,182)
Public order and safety				
Fire service levy, fire protection, emergency services	1,146	369	119	(658)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	204	73	–	(131)
Other	164	40	–	(124)
Total public order and safety	1,514	482	119	(913)
Health	84	141	–	57
Environment				
Noxious plants and insect/vermin control	670	194	–	(476)
Other environmental protection	195	222	–	27
Solid waste management	5,590	6,387	–	797
Street cleaning	235	–	–	(235)
Drainage	1,086	45	–	(1,041)
Stormwater management	–	–	–	–
Total environment	7,776	6,848	–	(928)
Community services and education				
Administration and education	345	242	–	(103)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	738	652	–	(86)
Children's services	710	705	–	(5)
Total community services and education	1,793	1,599	–	(194)
Housing and community amenities				
Public cemeteries	425	243	–	(182)
Public conveniences	36	–	–	(36)
Street lighting	427	36	–	(391)
Town planning	1,221	431	–	(790)
Other community amenities	131	61	–	(70)
Total housing and community amenities	2,240	771	–	(1,469)
Water supplies	5,782	7,072	430	1,720
Sewerage services	4,949	6,594	238	1,883

Mid-Western Regional Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,113	122	15	(976)
Museums	8	—	—	(8)
Art galleries	—	—	—	—
Community centres and halls	297	60	—	(237)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	2,106	233	22	(1,851)
Swimming pools	1,401	238	—	(1,163)
Parks and gardens (lakes)	1,708	(13)	330	(1,391)
Other sport and recreation	—	—	—	—
Total recreation and culture	6,633	640	367	(5,626)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	721	139	—	(582)
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	721	139	—	(582)
Transport and communication				
Urban roads (UR) – local	2,230	914	—	(1,316)
Urban roads – regional	27	—	—	(27)
Sealed rural roads (SRR) – local	2,551	1,343	537	(671)
Sealed rural roads (SRR) – regional	5,379	2,708	(9)	(2,680)
Unsealed rural roads (URR) – local	3,834	902	418	(2,514)
Unsealed rural roads (URR) – regional	66	—	5,843	5,777
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	666	115	10	(541)
Bridges on URR – local	80	595	4,345	4,860
Bridges on regional roads	532	—	—	(532)
Parking areas	322	29	—	(293)
Footpaths	250	—	175	(75)
Aerodromes	508	115	310	(83)
Other transport and communication	5,797	8,465	—	2,668
Total transport and communication	22,242	15,186	11,629	4,573
Economic affairs				
Camping areas and caravan parks	59	144	—	85
Other economic affairs	1,842	1,538	34	(270)
Total economic affairs	1,901	1,682	34	(185)
Totals – functions	65,579	43,075	14,194	(8,310)
General purpose revenues ⁽¹⁾		24,675		24,675
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	65,579	67,750	14,194	16,365

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	17,907	17,496
Plus or minus adjustments ⁽²⁾	b	170	147
Notional general income	c = (a + b)	18,077	17,643
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	416	265
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	18,493	17,908
Plus (or minus) last year's carry forward total	l	0	0
Less valuation objections claimed in the previous year	m	—	(1)
Sub-total	$n = (l + m)$	0	(1)
Total permissible income	$o = k + n$	18,493	17,907
Less notional general income yield	p	18,495	17,907
Catch-up or (excess) result	$q = o - p$	(2)	0
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	2	—
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 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Mid-Western Regional Council

To the Councillors of Mid-Western Regional Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Karen Taylor
Director, Financial Audit Services

26 October 2018
SYDNEY

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	795	690
b. Engineering and supervision	1,196	1,127
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	879	837
– Reservoirs		
e. Operation expenses	103	120
f. Maintenance expenses	106	106
– Pumping stations		
g. Operation expenses (excluding energy costs)	69	82
h. Energy costs	147	114
i. Maintenance expenses	50	94
– Treatment		
j. Operation expenses (excluding chemical costs)	785	666
k. Chemical costs	361	322
l. Maintenance expenses	350	250
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	147	111
3. Depreciation expenses		
a. System assets	1,762	1,507
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	160	188
b. Revaluation decrements	–	–
c. Other expenses	1	24
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	6,911	6,238

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	1,078	1,033
b. Usage charges	4,482	3,875
7. Non-residential charges		
a. Access (including rates)	277	278
b. Usage charges	1,701	1,462
8. Extra charges	16	18
9. Interest income	363	323
10. Other income	75	100
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	63	62
c. Other grants	–	–
12. Contributions		
a. Developer charges	335	1,041
b. Developer provided assets	–	251
c. Other contributions	–	–
13. Total income	8,390	8,443
14. Gain (or loss) on disposal of assets	(157)	(631)
15. Operating result	1,322	1,574
15a. Operating result (less grants for acquisition of assets)	1,322	1,574

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	382	413
c. Renewals	869	657
d. Plant and equipment	–	–
17. Repayment of debt	446	–
18. Totals	1,697	1,070
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)	7,520	7,426
b. Residential (unoccupied, ie. vacant lot)	332	330
c. Non-residential (occupied)	905	888
d. Non-residential (unoccupied, ie. vacant lot)	26	32
23. Number of ETs for which developer charges were received	38 ET	123 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 111,557	\$ 113,352

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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	5,742	–	5,742
b. Special purpose grants	1	–	1
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,338	1,939	8,277
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	39	–	39
c. User charges	1,387	–	1,387
d. Other	10	–	10
27. Inventories	202	–	202
28. Property, plant and equipment			
a. System assets	–	76,328	76,328
b. Plant and equipment	–	–	–
29. Other assets	–	4	4
30. Total assets	13,719	78,271	91,990
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	508	–	508
33. Borrowings	477	1,753	2,230
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	985	1,753	2,738
36. NET ASSETS COMMITTED	12,734	76,518	89,252
EQUITY			
37. Accumulated surplus			57,137
38. Asset revaluation reserve			32,115
39. Other reserves			–
40. TOTAL EQUITY			89,252
Note to system assets:			
41. Current replacement cost of system assets			117,047
42. Accumulated current cost depreciation of system assets			(40,719)
43. Written down current cost of system assets			76,328

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	535	441
b. Engineering and supervision	1,198	1,129
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	534	507
– Pumping stations		
c. Operation expenses (excluding energy costs)	115	127
d. Energy costs	110	123
e. Maintenance expenses	64	74
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	488	453
g. Chemical costs	168	147
h. Energy costs	165	171
i. Effluent management	–	–
j. Biosolids management	232	–
k. Maintenance expenses	452	372
– Other		
l. Operation expenses	43	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	1,480	1,828
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	572	595
b. Revaluation decrements	–	–
c. Other expenses	178	105
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	6,334	6,072

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	5,544	5,255
7. Non-residential charges		
a. Access (including rates)	312	309
b. Usage charges	718	609
8. Trade waste charges		
a. Annual fees	41	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	14	14
10. Interest income	302	272
11. Other income	113	86
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	(33)
b. Grants for pensioner rebates	58	57
c. Other grants	–	–
13. Contributions		
a. Developer charges	192	596
b. Developer provided assets	–	427
c. Other contributions	–	–
14. Total income	7,294	7,592
15. Gain (or loss) on disposal of assets	(270)	(433)
16. Operating result	690	1,087
16a. Operating result (less grants for acquisition of assets)	690	1,120

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	105	817
c. Renewals	1,110	101
d. Plant and equipment	–	–
18. Repayment of debt	373	–
19. Totals	1,588	918
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)	6,683	6,594
b. Residential (unoccupied, ie. vacant lot)	302	287
c. Non-residential (occupied)	625	644
d. Non-residential (unoccupied, ie. vacant lot)	53	32
24. Number of ETs for which developer charges were received	48 ET	154 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 104,424	\$ 106,345

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	2,803	–	2,803
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,953	1,566	8,519
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	177	–	177
c. User charges	189	–	189
d. Other	–	–	–
28. Inventories	20	–	20
29. Property, plant and equipment			
a. System assets	–	89,161	89,161
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	10,142	90,727	100,869
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	247	–	247
34. Borrowings	398	8,141	8,539
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	645	8,141	8,786
37. NET ASSETS COMMITTED	9,497	82,586	92,083
EQUITY			
38. Accumulated surplus			49,029
39. Asset revaluation reserve			43,054
40. Other reserves			–
41. TOTAL EQUITY			92,083
Note to system assets:			
42. Current replacement cost of system assets			116,068
43. Accumulated current cost depreciation of system assets			(26,907)
44. Written down current cost of system assets			89,161

Mid-Western Regional Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

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 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Councils Offices / Admin Centres	31	31	291	317	8,171	12,051	12%	81%	6%	1%	0%
	Councils Works Depot	16	16	57	53	11,452	14,975	49%	47%	4%	0%	0%
	Council Halls	74	74	76	63	7,599	13,526	6%	71%	21%	2%	0%
	Council Houses	122	122	37	34	6,639	8,367	13%	77%	5%	5%	0%
	Museum	–	–	–	–	800	846	100%	0%	0%	0%	0%
	Library	–	–	63	73	4,942	7,500	6%	94%	0%	0%	0%
	Childcare Centre(s)	–	–	2	3	2,176	2,749	40%	58%	2%	0%	0%
	Amenities/Toilets	134	134	210	263	23,261	29,237	62%	30%	7%	1%	0%
	Rural Fire Service	12	12	–	–	3,072	3,853	59%	40%	0%	1%	0%
	Sub-total	389	389	736	806	68,112	93,104	36.0%	55.6%	7.2%	1.2%	0.0%
Other structures	Other structures	164	158	646	653	8,692	11,427	42%	29%	25%	3%	1%
	Sub-total	164	158	646	653	8,692	11,427	42.0%	29.0%	25.0%	3.0%	1.0%
Roads	Sealed roads	8,597	8,597	839	902	108,056	164,360	25%	33%	26%	14%	2%
	Unsealed roads	5,718	5,718	1,377	1,163	23,459	69,307	20%	25%	30%	20%	5%
	Bridges	1,297	1,297	31	25	32,321	57,753	6%	65%	22%	7%	0%
	Footpaths and Cycleways	499	499	52	34	5,336	9,151	0%	0%	0%	0%	100%
	Kerb and Gutter	2,787	2,787	12	10	9,463	19,755	26%	20%	8%	44%	2%
	Bulk earthworks	–	–	–	–	282,824	282,824	0%	100%	0%	0%	0%
	Parking Areas	22	22	13	3	1,077	1,686	53.0%	22.0%	21.0%	4.0%	0.0%

Mid-Western Regional Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads (continued)												
	Culverts and Causeways	1,208	1,208	118	126	6,275	11,934	18%	17%	35%	21%	9%
	RMS Regional Roads	9,430	9,430	659	653	72,449	100,041	25%	28%	18%	25%	4%
	Regional Bridges	467	467	32	32	24,491	46,220	9%	78%	10%	3%	0%
	Sub-total	30,025	30,025	3,133	2,948	565,751	763,031	12.6%	60.6%	13.8%	10.3%	2.8%
Water supply network												
	Dams and Weirs	–	–	–	–	8,464	12,421	6%	88%	6%	0%	0%
	Reservoirs	9	9	69	62	10,268	15,529	38%	46%	16%	0%	0%
	Pumping Stations	–	–	49	38	3,613	5,378	32%	57%	11%	0%	0%
	Treatment	54	54	546	637	14,098	22,985	42%	49%	9%	0%	0%
	Bores	–	–	84	56	763	1,118	63%	20%	17%	0%	0%
	Reticulation Mains	2,692	2,692	626	643	21,145	36,651	26%	47%	8%	10%	9%
	Mains Delivery	–	–	–	–	12,412	17,396	27%	59%	14%	0%	0%
	Sub-total	2,755	2,755	1,374	1,436	70,763	111,478	29.6%	53.9%	10.3%	3.3%	3.0%
Sewerage network												
	Pump Stations	21	21	113	132	5,905	8,693	42%	41%	16%	1%	0%
	Treatment	2	2	495	645	21,023	28,931	82%	11%	7%	0%	0%
	Reticulation Mains	2,636	2,636	350	344	55,036	70,439	32%	19%	36%	12%	1%
	Rising Mains	76	76	–	–	3,509	4,248	72%	6%	16%	6%	0%
	Sub-total	2,735	2,735	958	1,121	85,473	112,311	47.2%	18.2%	26.2%	7.8%	0.6%

Mid-Western Regional Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	118	118	341	396	18,308	28,767	26%	2%	72%	0%	1%
	Sub-total	118	118	341	396	18,308	28,767	26.0%	1.5%	71.6%	0.0%	0.9%
Open space/recreational assets	Swimming pools	99	99	529	509	4,390	9,564	27%	27%	43%	3%	0%
	Open Space and Recreational Assets	464	464	1,804	1,719	9,749	13,579	32%	30%	27%	11%	0%
	Sub-total	563	563	2,333	2,228	14,139	23,143	29.9%	28.8%	33.6%	7.7%	0.0%
TOTAL – ALL ASSETS		36,749	36,743	9,521	9,588	831,238	1,143,261	20.5%	52.9%	16.1%	8.2%	2.3%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	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 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	20,280	156.22%	137.32%	84.88%	>= 100%
Depreciation, amortisation and impairment	12,982				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	36,749	6.70%	6.60%	6.89%	< 2.00%
Net carrying amount of infrastructure assets	548,759				
3. Asset maintenance ratio					
Actual asset maintenance	9,588	100.70%	108.51%	105.91%	> 100%
Required asset maintenance	9,521				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	36,743	3.21%	2.92%	0.00%	
Gross replacement cost	1,143,261				

Notes

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

⁽¹⁾ Excludes Work In Progress (WIP)

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

Mid-Western Regional Council

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

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 156.22%</p> <p>Total depreciation expenses reduced from \$14.2 million to \$13 million due to changes in useful life and componentisation as a result of the full revaluation of water and sewer assets at 30/06/2017, particularly sewer mains. Council maintained capital expenditure at same level with last year in order to reduce the infrastructure backlog.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 6.70%</p> <p>As a result of full revaluation of building and water assets, the estimated cost to bring these assets to a satisfactory standard decreased significantly. On the other hand, road assets increased significantly due to the recent condition assesment.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 100.70%</p> <p>Actual maintenance expenses on infrastructure were reduced by eight hundred thousand dollar.</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>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.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 3.21%</p> <p>As a result of full revaluation of building and water assets, the estimated cost to bring these assets to a satisfactory standard decreased significantly. On the other hand, road assets increased significantly due to the recent condition assesment.</p>

Mid-Western Regional Council

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

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	185.69%	171.54%	49.18%	47.30%	88.75%	7.65%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	4.63%	7.80%	3.89%	4.47%	3.20%	3.20%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	97.80%	109.38%	104.51%	101.91%	117.01%	111.04%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	3.40%	2.98%	2.47%	2.88%	2.44%	2.46%	
Gross replacement cost							

Notes

⁽¹⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

⁽²⁾ Excludes Work In Progress (WIP)

⁽³⁾ 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.