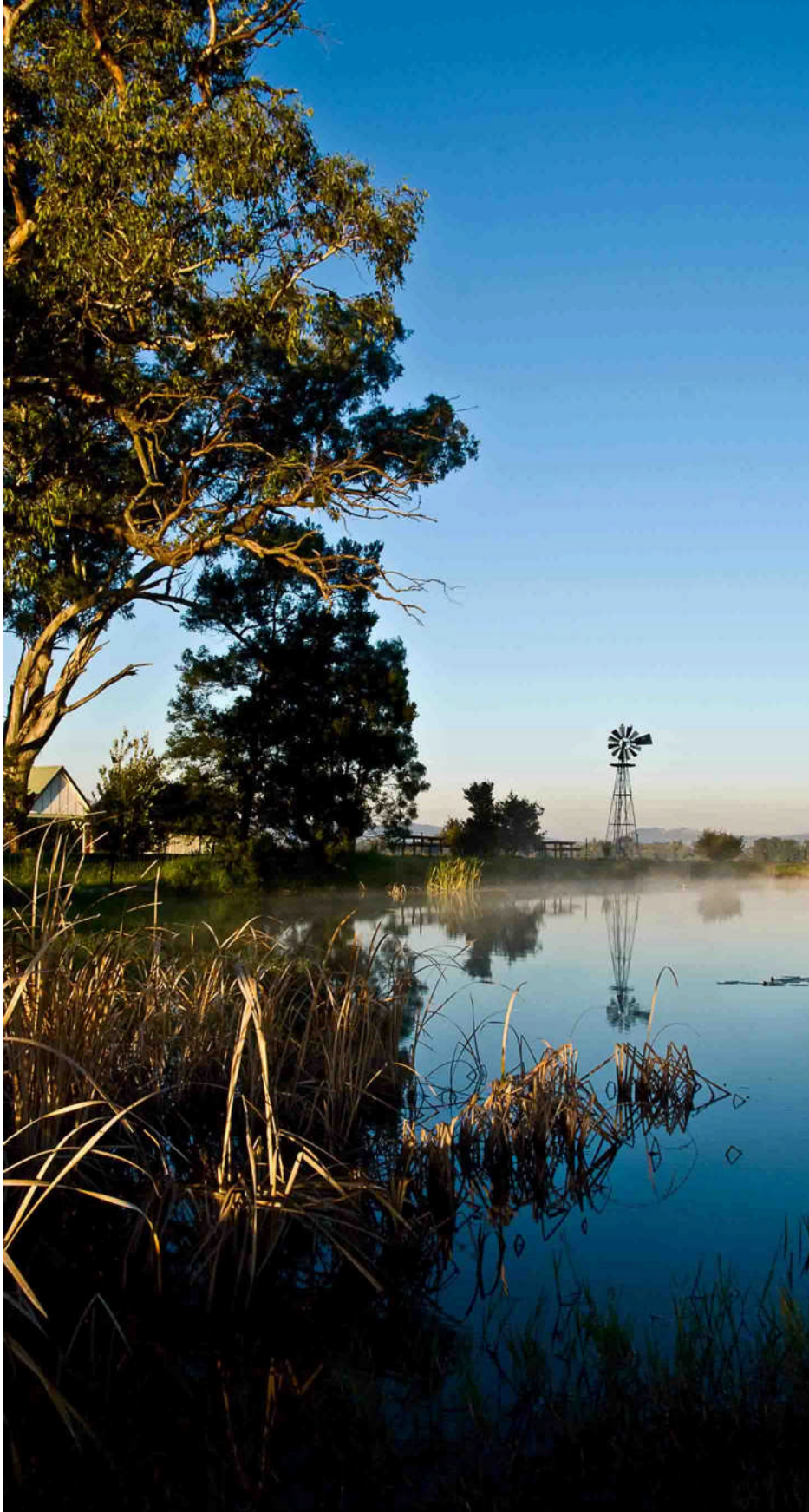


*Good  
Government*

## FINANCIAL REPORTS 2013/14



■ ■ ■ ■ ■ TOWARDS 2030





# Mid-Western Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2014

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



## Mid-Western Regional Council

### General Purpose Financial Statements

for the financial year ended 30 June 2014

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors &amp; Management</b>	3
<b>3. Primary Financial Statements:</b>	
- Income Statement	4
- Statement of Comprehensive Income	5
- Statement of Financial Position	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
- On the Financial Statements (Sect 417 [2])	96
- On the Conduct of the Audit (Sect 417 [3])	98

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#### Overview

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

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 23 October 2014. Council has the power to amend and reissue these financial statements.
-

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

## Understanding Council's Financial Statements

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### Introduction

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

### What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2014.

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

### About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

#### 1. The Income Statement

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

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "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 5 primary financial statements.

### About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

### Who uses the Financial Statements ?

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

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

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

## Mid-Western Regional Council

### General Purpose Financial Statements for the financial year ended 30 June 2014

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 September 2014.

  
Mr Des Kennedy  
MAYOR  
Mr Paul Cavalier  
COUNCILLOR  
Mr Brad Cam  
GENERAL MANAGER  
Mrs Leonie Johnson  
RESPONSIBLE ACCOUNTING OFFICER



# Mid-Western Regional Council

## Income Statement

for the financial year ended 30 June 2014

Budget <sup>1</sup> 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
26,076	Rates & Annual Charges	3a	23,757	22,987
11,442	User Charges & Fees	3b	14,773	12,445
1,241	Interest & Investment Revenue	3c	1,504	1,684
1,877	Other Revenues	3d	2,283	2,228
8,965	Grants & Contributions provided for Operating Purposes	3e,f	9,299 <sup>2</sup>	12,572
9,435	Grants & Contributions provided for Capital Purposes	3e,f	10,213	13,416
<b>Other Income:</b>				
440	Net gains from the disposal of assets	5	-	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<b>59,476</b>	<b>Total Income from Continuing Operations</b>		<b>61,829</b>	<b>65,332</b>
<b>Expenses from Continuing Operations</b>				
21,443	Employee Benefits & On-Costs	4a	19,167	18,638
1,437	Borrowing Costs	4b	1,370	1,449
10,907	Materials & Contracts	4c	13,603	11,781
13,986	Depreciation & Amortisation	4d	14,947	13,468
-	Impairment	4d	-	(122)
5,610	Other Expenses	4e	6,058	5,629
-	Net Losses from the Disposal of Assets	5	1,492	2,313
<b>53,383</b>	<b>Total Expenses from Continuing Operations</b>		<b>56,637</b>	<b>53,156</b>
<b>6,093</b>	<b>Operating Result from Continuing Operations</b>		<b>5,192</b>	<b>12,176</b>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>6,093</b>	<b>Net Operating Result for the Year</b>		<b>5,192</b>	<b>12,176</b>
6,093	Net Operating Result attributable to Council		5,192	12,176
-	Net Operating Result attributable to Non-controlling Interests		-	-
<b>(3,342)</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>(5,021)</b>	<b>(1,240)</b>

<sup>1</sup> Original Budget as approved by Council - refer Note 16

<sup>2</sup> Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

## Mid-Western Regional Council

### Statement of Comprehensive Income for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>Net Operating Result for the year</b> (as per Income statement)		<b>5,192</b>	<b>12,176</b>
<b>Other Comprehensive Income:</b>			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	2,915	(13,157)
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(55)
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>2,915</b>	<b>(13,212)</b>
<i>Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met</i>			
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	13	-
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	45
<b>Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met</b>		<b>13</b>	<b>45</b>
<b>Total Other Comprehensive Income for the year</b>		<b>2,928</b>	<b>(13,167)</b>
<b>Total Comprehensive Income for the Year</b>		<b>8,120</b>	<b>(991)</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>8,120</b>	<b>(991)</b>
<b>Total Comprehensive Income attributable to Non-controlling Interests</b>		<b>-</b>	<b>-</b>



## Mid-Western Regional Council

### Statement of Financial Position as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	9,894	21,495
Investments	6b	30,550	13,512
Receivables	7	7,035	7,856
Inventories	8	1,154	1,400
Other	8	11	-
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>48,644</b>	<b>44,263</b>
<b>Non-Current Assets</b>			
Investments	6b	-	975
Receivables	7	120	-
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	553,246	550,009
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	430	276
<b>Total Non-Current Assets</b>		<b>553,796</b>	<b>551,260</b>
<b>TOTAL ASSETS</b>		<b>602,440</b>	<b>595,523</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	6,422	6,411
Borrowings	10	1,333	1,254
Provisions	10	5,562	5,848
<b>Total Current Liabilities</b>		<b>13,317</b>	<b>13,513</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	19,168	20,506
Provisions	10	1,470	1,139
<b>Total Non-Current Liabilities</b>		<b>20,638</b>	<b>21,645</b>
<b>TOTAL LIABILITIES</b>		<b>33,955</b>	<b>35,158</b>
<b>Net Assets</b>		<b>568,485</b>	<b>560,365</b>
<b>EQUITY</b>			
Retained Earnings	20	325,931	319,305
Revaluation Reserves	20	242,554	241,060
Council Equity Interest		568,485	560,365
Non-controlling Interests		-	-
<b>Total Equity</b>		<b>568,485</b>	<b>560,365</b>

## Mid-Western Regional Council

### Statement of Changes in Equity for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2014</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		319,305	241,060	<b>560,365</b>	-	<b>560,365</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/13)</b>		<b>319,305</b>	<b>241,060</b>	<b>560,365</b>	-	<b>560,365</b>
<b>c. Net Operating Result for the Year</b>		<b>5,192</b>	-	<b>5,192</b>	-	<b>5,192</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	2,915	<b>2,915</b>	-	<b>2,915</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	13	<b>13</b>	-	<b>13</b>
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		<b>-</b>	<b>2,928</b>	<b>2,928</b>	-	<b>2,928</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>5,192</b>	<b>2,928</b>	<b>8,120</b>	-	<b>8,120</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		1,434	(1,434)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>325,931</b>	<b>242,554</b>	<b>568,485</b>	-	<b>568,485</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2013</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		305,475	255,881	<b>561,356</b>	-	<b>561,356</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/12)</b>		<b>305,475</b>	<b>255,881</b>	<b>561,356</b>	-	<b>561,356</b>
<b>c. Net Operating Result for the Year</b>		<b>12,176</b>	-	<b>12,176</b>	-	<b>12,176</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(13,157)	<b>(13,157)</b>	-	<b>(13,157)</b>
- Revaluations: Other Reserves	20b (ii)	-	45	<b>45</b>	-	<b>45</b>
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(55)	<b>(55)</b>	-	<b>(55)</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>(13,167)</b>	<b>(13,167)</b>	-	<b>(13,167)</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>12,176</b>	<b>(13,167)</b>	<b>(991)</b>	-	<b>(991)</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		1,654	(1,654)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>319,305</b>	<b>241,060</b>	<b>560,365</b>	-	<b>560,365</b>

## Mid-Western Regional Council

### Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
26,034	Rates & Annual Charges		23,385	23,675
12,047	User Charges & Fees		12,825	14,682
1,236	Investment & Interest Revenue Received		1,444	1,665
17,491	Grants & Contributions		22,169	22,201
-	Bonds, Deposits & Retention amounts received		226	749
1,914	Other		5,405	3,593
<b>Payments:</b>				
(20,041)	Employee Benefits & On-Costs		(19,212)	(18,873)
(6,215)	Materials & Contracts		(13,850)	(13,694)
(1,401)	Borrowing Costs		(1,347)	(1,362)
-	Bonds, Deposits & Retention amounts refunded		(540)	(736)
(9,519)	Other		(7,974)	(7,764)
<b>21,546</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>22,531</b>	<b>24,136</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
1,442	Sale of Investment Securities		86,987	29,800
195	Sale of Real Estate Assets		93	823
273	Sale of Infrastructure, Property, Plant & Equipment		1,115	996
<b>Payments:</b>				
-	Purchase of Investment Securities		(103,050)	(42,800)
(22,015)	Purchase of Infrastructure, Property, Plant & Equipment		(18,017)	(35,247)
-	Purchase of Real Estate Assets		(1)	-
(56)	Other Investing Activity Payments		-	-
<b>(20,161)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(32,873)</b>	<b>(46,428)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
1,000	Proceeds from Borrowings & Advances		-	10,159
<b>Payments:</b>				
(1,320)	Repayment of Borrowings & Advances		(1,259)	(2,621)
<b>(320)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(1,259)</b>	<b>7,538</b>
<b>1,065</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(11,601)</b>	<b>(14,754)</b>
33,792	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	21,495	36,249
<b>34,857</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>9,894</b>	<b>21,495</b>
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	30,550	14,487
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>40,444</b>	<b>35,982</b>

Please refer to Note 11 for additional cash flow information

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2(a)	Council Functions / Activities - Financial Information	28
2(b)	Council Functions / Activities - Component Descriptions	29
3	Income from Continuing Operations	30
4	Expenses from Continuing Operations	35
5	Gains or Losses from the Disposal of Assets	39
6(a)	Cash & Cash Equivalent Assets	40
6(b)	Investments	40
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	42
7	Receivables	44
8	Inventories & Other Assets	45
9(a)	Infrastructure, Property, Plant & Equipment	47
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	48
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	49
10(a)	Payables, Borrowings & Provisions	50
10(b)	Description of (and movements in) Provisions	51
11	Statement of Cash Flows - Additional Information	52
12	Commitments for Expenditure	54
13	Statement of Performance Measures:	
13a (i)	Local Government Industry Indicators (Consolidated)	55
13a (ii)	Local Government Industry Graphs (Consolidated)	56
13b	Local Government Industry Indicators (by Fund)	58
14	Investment Properties	59 n/a
15	Financial Risk Management	59
16	Material Budget Variations	63
17	Statement of Developer Contributions	65
18	Contingencies and Other Liabilities/Assets not recognised	67
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	69 n/a
20	Equity - Retained Earnings and Revaluation Reserves	70
21	Financial Result & Financial Position by Fund	72
22	"Held for Sale" Non Current Assets & Disposal Groups	74 n/a
23	Events occurring after the Reporting Date	74 n/a
24	Discontinued Operations	74 n/a
25	Intangible Assets	75
26	Reinstatement, Rehabilitation & Restoration Liabilities	76
27	Fair Value Measurement	77

#### Additional Council Disclosures

28	Council Information & Contact Details	92
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n/a - not applicable

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 1. Summary of Significant Accounting Policies

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

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

### (a) Basis of preparation

#### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

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

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

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

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 1. Summary of Significant Accounting Policies

### (v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

### (vi) Changes in Accounting Policies

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

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

### (vii) Critical Accounting Estimates

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

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

#### **Critical judgements in applying Council's accounting policies**

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

### (b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

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

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

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the



## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

rateable property or, where earlier, upon receipt of the rates.

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

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

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

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

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

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

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

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

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

#### User Charges, Fees and Other Income

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

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

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

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

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

#### Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend Income

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

#### Other Income

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

#### (c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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

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

##### (i) The Consolidated Fund

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

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

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

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

##### (ii) The Trust Fund

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

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

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

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

##### (iii) Joint Ventures

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

##### (iv) Associated Entities

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

Such entities are usually termed Associates.

##### (v) County Councils

Council is not a member of any County Councils.

##### (vi) Additional Information

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

##### (d) Leases

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

##### Finance Leases

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

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

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

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

The interest element of the finance charge is costed to the income statement over the lease period so as

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

##### Operating Leases

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

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

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

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

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

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

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

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

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

- **financial assets at fair value through profit or loss**,

- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

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

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

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

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

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

Derivatives are classified as held for trading unless they are designated as hedges.

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

##### (ii) Loans and receivables

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

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

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

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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

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

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

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

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

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

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

#### Financial Assets – Reclassification

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

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

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no

reversals of fair value gains or losses recorded before reclassification date are subsequently made.

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

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

##### (i) Initial Recognition

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

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

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

##### (ii) Subsequent Measurement

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

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

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

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

When securities classified as "**available-for-sale**" are sold or impaired, the accumulated fair value

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

adjustments are included in the income statement as gains and losses from investment securities.

##### Impairment

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

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

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

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

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

##### (iii) Types of Investments

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

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

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

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

##### (g) Fair value estimation

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

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

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

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

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

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

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

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

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



## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

##### (h) Receivables

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

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

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

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

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

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

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

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

##### (i) Inventories

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

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

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

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

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

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

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

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

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

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

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

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

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

##### Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**  
(Internal Valuation)
- **Operational Land** (External Valuation)



## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

- **Buildings – Specialised/Non Specialised**  
(External Valuation)
- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**  
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**  
(as approximated by depreciated historical cost)
- **Other Structures** (Internal Valuation)
- **Other Assets**  
(as approximated by depreciated historical cost)

#### Initial Recognition

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

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

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

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

#### Subsequent costs

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

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

#### Asset Revaluations (including Indexation)

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

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

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

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

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

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

#### Capitalisation Thresholds

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

##### Plant & Equipment

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

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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##### Building

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

Other Structures	> \$2,000
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##### Water & Sewer Assets

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

##### Stormwater Assets

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

##### Transport Assets

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

##### Buildings

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

##### Stormwater Drainage

- Drains	80 years
- Culverts	80 years

##### Transportation Assets

- Sealed Roads : Surface	13 to 25 years
- Sealed Roads : Structure	52 to 100 years
- Unsealed roads	6 to 30 years
- Bridge : Concrete	80 years
- Bridge : Other	80 years
- Kerb, Gutter & Paths	60 to 75 years

##### Water & Sewer Assets

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

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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#### Depreciation

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

Land is not depreciated.

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

##### Plant & Equipment

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

##### Other Equipment

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

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

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

#### Disposal and De-recognition

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

##### (k) Land

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

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

##### (l) Land under roads

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

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

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

##### (m) Intangible Assets

###### IT Development and Software

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

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

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

##### (n) Crown Reserves

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

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

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating the reserves are recognised within Council's Income Statement.

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

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

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

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

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

##### (p) Investment property

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

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement.

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

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

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

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

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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

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

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

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

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

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

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

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

##### **(s) Impairment of assets**

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

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

circumstances indicate that the carrying amount may not be recoverable.

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

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

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

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

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

##### **(t) Payables**

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

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

##### **(u) Borrowings**

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

Borrowings are subsequently measured at amortised cost.

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



## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

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

##### (v) Borrowing costs

Borrowing costs are expensed.

##### (w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

##### (x) Employee benefits

###### (i) Short Term Obligations

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

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

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

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

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

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

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

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

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

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

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



## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

##### (iii) Retirement benefit obligations

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

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

##### Defined Benefit Plans

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

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

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

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

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

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

The last valuation of the Scheme was performed by Mr Richard Boyfield, Representative of Mercer Consulting (Australia) Pty Ltd, AFS Licence No. 411770 on 30 June 2014 and covers the period ended 30 June 2014.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$ 435,860

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

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 792,324 as at 30 June 2014 (i.e. \$198,081 p.a. x 4).

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

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

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

##### Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/14.

##### **(y) Self insurance**

Council does not self insure.

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

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

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

##### **Exceptions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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

**AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments** (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

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

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

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

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

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

**AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-**

##### **Financial Assets** (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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

**AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards** (effective for 30 June 2015 Financial Statements for not-for-profit entities)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

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

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

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

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

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

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

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

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

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

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

#### **(ac) Rounding of amounts**

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

#### **(ad) Comparative Figures**

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

#### **(ae) Disclaimer**

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	76	84	76	11,732	436	572	(11,656)	(352)	(496)	-	-	-	-
Looking after our Community	4,086	4,504	4,938	15,280	13,033	12,538	(11,194)	(8,529)	(7,600)	2,742	3,261	62,045	61,543
Protecting our Natural Environment	16,013	17,673	18,526	841	15,345	14,787	15,172	2,328	3,739	3,066	3,552	147,833	159,762
Building a Strong Local Economy	1,197	970	1,014	16,255	1,120	1,012	(15,058)	(150)	2	-	-	16,354	10,634
Connecting the Region	9,076	12,152	11,208	8,809	17,943	15,743	267	(5,791)	(4,535)	1,694	1,197	296,347	293,367
Good Government	7,810	7,413	7,683	466	8,760	8,504	7,344	(1,347)	(821)	35	26	79,861	70,217
<b>Total Functions &amp; Activities</b>	<b>38,258</b>	<b>42,796</b>	<b>43,445</b>	<b>53,383</b>	<b>56,637</b>	<b>53,156</b>	<b>(15,125)</b>	<b>(13,841)</b>	<b>(9,711)</b>	<b>7,537</b>	<b>8,036</b>	<b>602,440</b>	<b>595,523</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income <sup>1</sup>	21,218	19,033	21,887	-	-	-	21,218	19,033	21,887	3,173	5,976	-	-
<b>Operating Result from Continuing Operations</b>	<b>59,476</b>	<b>61,829</b>	<b>65,332</b>	<b>53,383</b>	<b>56,637</b>	<b>53,156</b>	<b>6,093</b>	<b>5,192</b>	<b>12,176</b>	<b>10,710</b>	<b>14,012</b>	<b>602,440</b>	<b>595,523</b>

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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

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

##### **GOVERNANCE**

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

##### **LOOKING AFTER OUR COMMUNITY**

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

##### **PROTECTING OUR NATURAL ENVIRONMENT**

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

##### **BUILDING A STRONG LOCAL ECONOMY**

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

##### **CONNECTING THE REGION**

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

##### **GOOD GOVERNMENT**

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



## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		8,141	7,518
Farmland		4,337	4,048
Mining		1,299	2,344
Business		1,183	1,124
<b>Total Ordinary Rates</b>		<b>14,960</b>	<b>15,034</b>
<b>Special Rates</b>			
Hunter Valley Catchment Special Rate		14	14
<b>Total Special Rates</b>		<b>14</b>	<b>14</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		1,091	1,043
Water Supply Services		1,123	964
Sewerage Services		4,273	3,734
Waste Management Services (non-domestic)		2,296	2,198
<b>Total Annual Charges</b>		<b>8,783</b>	<b>7,939</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>23,757</b>	<b>22,987</b>

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Water Supply Services		4,717	4,325
Sewerage Services		620	531
<b>Total User Charges</b>		<b>5,337</b>	<b>4,856</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building Regulation		934	1,069
Private Works - Section 67		293	276
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,227</b>	<b>1,345</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Aerodrome		73	135
Aged Care		378	240
Cemeteries		232	217
Childrens Services		136	136
Leaseback Fees - Council Vehicles		45	53
Parks & Sports Grounds		92	124
RMS (formerly RTA) Charges (State Roads not controlled by Council)		5,561	3,827
Saleyards		299	313
Swimming Centres		151	88
Waste Depot		959	872
Water Connection Fees		186	153
Waste Water Services		95	83
Other		2	3
<b>Total Fees &amp; Charges - Other</b>		<b>8,209</b>	<b>6,244</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>14,773</b>	<b>12,445</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		121	115
- Interest earned on Investments (interest & coupon payment income)		1,383	1,569
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<b>1,504</b>	<b>1,684</b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		52	62
General Council Cash & Investments		848	815
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		80	90
- Section 64		106	109
Water Fund Operations		197	150
Sewerage Fund Operations		162	374
Domestic Waste Management operations		59	84
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b>1,504</b>	<b>1,684</b>
<b>(d) Other Revenues</b>			
Rental Income - Other Council Properties		921	870
Fines		87	92
Legal Fees Recovery - Rates & Charges (Extra Charges)		119	120
Commissions & Agency Fees		18	15
Diesel Rebate		133	167
Insurance Claim Recoveries		286	175
Recycling Income (non domestic)		419	489
Sales - General		45	55
Sales - Ironed Out		42	44
Section 44 Bushfire Reimbursement		-	35
NRL Match Reimbursements		-	24
Sales - Mudgee Town Hall Cinema		76	8
Sales - Libraries Conference		30	-
Other		107	134
<b>TOTAL OTHER REVENUE</b>		<b>2,283</b>	<b>2,228</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	1,869	3,544	-	-
Financial Assistance - Local Roads Component	1,105	2,233	-	-
Pensioners' Rates Subsidies - General Component	199	199	-	-
<b>Total General Purpose</b>	<b>3,173</b>	<b>5,976</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

#### Specific Purpose

##### Pensioners' Rates Subsidies:

- Water	66	62	-	-
- Sewerage	60	59	-	-
- Domestic Waste Management	77	75	-	-
Water Supplies	-	-	600	41
Sewerage Services	-	-	1,715	2,664
Aged Care	1,110	1,004	-	35
Bushfire & Emergency Services	558	601	19	173
Childrens Services	912	1,060	-	-
Employment & Training Programs	22	25	-	-
Environmental Programs	35	44	-	-
Healthy Communities	15	146	-	-
Heritage & Cultural	(13)	-	-	-
Library	105	87	-	-
Noxious Weeds	256	290	-	-
Recreation & Culture	-	252	172	36
Street Lighting	34	-	-	-
Transport (Roads to Recovery)	-	-	1,059	1,074
Transport (Other Roads & Bridges Funding)	-	-	648	183
Youth Services	(2)	3	-	-
Strategic Planning	22	113	-	-
Other	15	6	52	3
<b>Total Specific Purpose</b>	<b>3,272</b>	<b>3,827</b>	<b>4,265</b>	<b>4,209</b>
<b>Total Grants</b>	<b>6,445</b>	<b>9,803</b>	<b>4,265</b>	<b>4,209</b>

##### Grant Revenue is attributable to:

- Commonwealth Funding	4,542	7,617	1,659	1,099
- State Funding	1,866	2,180	2,572	3,094
- Other Funding	37	6	34	16
	<b>6,445</b>	<b>9,803</b>	<b>4,265</b>	<b>4,209</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 93F - Contributions using Planning Agreements	-	-	856	1,181
S 94 - Contributions towards amenities/services	-	-	561	766
S 94A - Fixed Development Consent Levies	-	-	38	20
S 64 - Water Supply Contributions	-	-	685	788
S 64 - Sewerage Service Contributions	-	-	477	427
<b>Total Developer Contributions</b> 17	<b>-</b>	<b>-</b>	<b>2,617</b>	<b>3,182</b>
<b>Other Contributions:</b>				
Community Services	-	-	5	-
Dedications (other than by S94)	-	-	196	2,022
LIRS Subsidy	165	54	-	-
Occupational Health & Safety	72	59	-	-
Other Councils - Joint Works/Services	217	30	-	-
Recreation & Culture	10	-	-	162
Roads & Bridges	87	89	516	2,835
RMS Contributions (Regional Roads, Block Grant)	2,274	2,503	2,594	1,006
Other	29	34	20	-
<b>Total Other Contributions</b>	<b>2,854</b>	<b>2,769</b>	<b>3,331</b>	<b>6,025</b>
<b>Total Contributions</b>	<b>2,854</b>	<b>2,769</b>	<b>5,948</b>	<b>9,207</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>9,299</b>	<b>12,572</b>	<b>10,213</b>	<b>13,416</b>

\$ '000	Actual 2014	Actual 2013
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#### (g) Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	10,355	9,997
add: Grants & contributions recognised in the current period but not yet spent:	3,160	6,144
less: Grants & contributions recognised in a previous reporting period now spent:	(4,021)	(5,786)

**Net Increase (Decrease) in Restricted Assets during the Period** **(861)** **358**

**Unexpended and held as Restricted Assets** **9,494** **10,355**

**Comprising:**

- Specific Purpose Unexpended Grants	773	3,747
- Developer Contributions	8,555	6,404
- Other Contributions	166	204
	<b>9,494</b>	<b>10,355</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		15,228	15,027
Travelling		19	32
Employee Leave Entitlements (ELE)		3,250	2,908
Superannuation - Defined Contribution Plans		1,421	1,317
Superannuation - Defined Benefit Plans		436	451
Workers' Compensation Insurance		505	726
Fringe Benefit Tax (FBT)		118	76
Payroll Tax		91	98
Training Costs (other than Salaries & Wages)		262	307
Protective Clothing		77	80
Recruitment Costs		29	18
Other		42	30
<b>Total Employee Costs</b>		<b>21,478</b>	<b>21,070</b>
less: Capitalised Costs		(2,311)	(2,432)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>19,167</b>	<b>18,638</b>
Number of "Equivalent Full Time" Employees at year end		288	290
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		295	295
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		1,344	1,422
Interest on Advances		1	2
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>1,345</b>	<b>1,424</b>
<b>(ii) Other Borrowing Costs</b>			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	25	25
<b>Total Other Borrowing Costs</b>		<b>25</b>	<b>25</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>1,370</b>	<b>1,449</b>



## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		4,547	3,982
Contractor & Consultancy Costs		4,593	3,610
- Contractor & Consultancy Costs (Road Sealing Contract)		1,443	1,192
- Contractor & Consultancy Costs (Tourism Contract)		360	328
- Contractor & Consultancy Costs (Plant Hire Wet)		1,232	936
Auditors Remuneration <sup>(1)</sup>		54	65
Legal Expenses:			
- Legal Expenses: Planning & Development		222	88
- Legal Expenses: Debt Recovery		124	125
- Legal Expenses: Other		681	959
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>		332	456
- Operating Lease Rentals: Contingent Rentals <sup>(2)</sup>		15	40
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>13,603</b>	<b>11,781</b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		45	47
- Other audit & assurance services - Internal Audit		-	12
<b>Remuneration for audit and other assurance services</b>		<b>45</b>	<b>59</b>
<b>(iii) Other Services</b>			
- Remuneration advice		4	6
- Other Services		5	-
<b>Remuneration for other services</b>		<b>9</b>	<b>6</b>
<b>Total Auditor Remuneration</b>		<b>54</b>	<b>65</b>
<b>2. Operating Lease Payments are attributable to:</b>			
Computers		226	311
Motor Vehicles		113	185
Other		8	-
		<b>347</b>	<b>496</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	1,524	1,242
Office Equipment		-	-	9	16
Furniture & Fittings		-	-	58	45
Land Improvements (depreciable)		-	-	12	27
Buildings - Non Specialised		-	30	1,931	920
Other Structures		-	35	295	637
Infrastructure:					
- Roads		-	-	6,559	7,354
- Bridges		-	-	668	-
- Footpaths		-	-	132	-
- Stormwater Drainage		-	-	133	147
- Water Supply Network		-	-	1,511	1,441
- Sewerage Network		-	(10)	1,343	1,338
- Swimming Pools		-	-	152	-
- Other Open Space/Recreational Assets		-	-	296	-
Other Assets					
- Library Books		-	-	77	88
Asset Reinstatement Costs	9 & 26	-	-	80	79
Intangible Assets	25	-	-	167	134
<b>Total Depreciation &amp; Impairment Costs</b>		-	<b>55</b>	<b>14,947</b>	<b>13,468</b>
less: Capitalised Costs		-	(122)	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	(55)	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		-	<b>(122)</b>	<b>14,947</b>	<b>13,468</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		74	80
Bad & Doubtful Debts		41	34
Bank Charges		88	87
Computer Software Charges		553	453
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		41	48
- NSW Fire Brigade Levy		51	50
- NSW Rural Fire Service Levy		508	464
- Other Contributions/Levies		277	285
Councillor Expenses - Mayoral Fee		23	22
Councillor Expenses - Councillors' Fees		94	90
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		27	47
Donations, Contributions & Assistance to other organisations (Section 356)		275	281
- Housing Plus Affordable Housing Contribution		120	-
- Western NSW Local Health, Healthy Communities Activities		33	-
- Mudgee Tennis Club Court Upgrades		30	-
Electricity & Heating		1,229	1,122
Family Day Care Centre		767	879
Insurance		933	866
Postage		76	50
Printing & Stationery		143	138
Property Rental		42	34
Street Lighting		288	259
Subscriptions & Publications		102	92
Telephone & Communications		238	229
Other		5	19
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>6,058</u></b>	<b><u>5,629</u></b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal - Property		-	140
less: Carrying Amount of Property Assets Sold / Written Off		-	(50)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>90</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		280	856
less: Carrying Amount of P&E Assets Sold / Written Off		(252)	(1,214)
<b>Net Gain/(Loss) on Disposal</b>		<b>28</b>	<b>(358)</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		835	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(2,435)	(2,094)
<b>Net Gain/(Loss) on Disposal</b>		<b>(1,600)</b>	<b>(2,094)</b>
<b>Real Estate Assets Held For Sale</b>			
Proceeds from Disposal - Real Estate Assets		273	823
less: Carrying Amount of Real Estate Assets Sold / Written Off		(193)	(774)
<b>Net Gain/(Loss) on Disposal</b>		<b>80</b>	<b>49</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		86,987	29,800
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(86,987)	(29,800)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(1,492)</b>	<b>(2,313)</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 6a. - Cash Assets and Note 6b. - Investments

		2014	2014	2013	2013
\$ '000	Notes	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		2,374	-	580	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		1,320	-	315	-
- Short Term Deposits		6,200	-	20,600	-
Total Cash & Cash Equivalents		9,894	-	21,495	-
Investments (Note 6b)					
- Long Term Deposits		30,550	-	13,000	-
- Equity Linked Notes		-	-	512	975
Total Investments		30,550	-	13,512	975
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		40,444	-	35,007	975

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

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

#### Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	<b>9,894</b>	<b>-</b>	<b>21,495</b>	<b>-</b>
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#### Investments

a. "At Fair Value through the Profit & Loss"				
- "Held for Trading"	6(b-i)	-	-	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-
b. "Held to Maturity"	6(b-ii)	-	-	-
c. "Loans & Receivables"	6(b-iii)	30,550	-	13,000
d. "Available for Sale"	6(b-iv)	-	-	512
<b>Investments</b>		<b>30,550</b>	<b>-</b>	<b>13,512</b>
				<b>975</b>

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Nil				
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Nil				
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Balance at the Beginning of the Year	13,000	-	-	-
Additions	103,050	-	42,800	-
Disposals (sales & redemptions)	(85,500)	-	(29,800)	-
<b>Balance at End of Year</b>	<b>30,550</b>	<b>-</b>	<b>13,000</b>	<b>-</b>
<b>Comprising:</b>				
- Other Long Term Financial Assets	30,550	-	-	-
<b>Total</b>	<b>30,550</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Note 6(b-iv)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Balance at the Beginning of the Year	512	975	-	1,442
Revaluation - transfer gain (loss) to ARR in Equity	-	-	-	45
Disposals (sales & redemptions)	(512)	(975)	-	-
Transfers between Current/Non Current	-	-	512	(512)
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>512</b>	<b>975</b>
<b>Comprising:</b>				
- Equity Linked Notes	-	-	512	975
<b>Total</b>	<b>-</b>	<b>-</b>	<b>512</b>	<b>975</b>



## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
<b>\$ '000</b>				
<b>Total Cash, Cash Equivalents and Investments</b>	<b>40,444</b>	<b>-</b>	<b>35,007</b>	<b>975</b>
<b>attributable to:</b>				
External Restrictions (refer below)	23,952	-	20,302	975
Internal Restrictions (refer below)	8,631	-	8,272	-
Unrestricted	7,861	-	6,433	-
	<b>40,444</b>	<b>-</b>	<b>35,007</b>	<b>975</b>

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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#### Details of Restrictions

##### External Restrictions - Included in Liabilities

Trust Deposits	1,248	446	(760)	934
<b>External Restrictions - Included in Liabilities</b>	<b>1,248</b>	<b>446</b>	<b>(760)</b>	<b>934</b>

##### External Restrictions - Other

Developer Contributions - General (D)	2,775	1,829	(652)	3,952
Developer Contributions - Water Fund (D)	2,686	520	-	3,206
Developer Contributions - Sewer Fund (D)	943	454	-	1,397
Specific Purpose Unexpended Grants (F)	3,940	-	(3,044)	896
Specific Purpose Unexpended Grants-Water Fund (F)	11	32	-	43
Water Supplies (G)	2,217	2,265	-	4,482
Sewerage Services (G)	4,297	887	-	5,184
Domestic Waste Management (G)	2,722	709	-	3,431
Bequest - Simpkins Park	96	-	-	96
Bequest - Kandos Museum	32	-	-	32
Community Services	77	67	-	144
Community Tenancy Scheme	169	-	(105)	64
Family Day Care	64	27	-	91
<b>External Restrictions - Other</b>	<b>20,029</b>	<b>6,790</b>	<b>(3,801)</b>	<b>23,018</b>
<b>Total External Restrictions</b>	<b>21,277</b>	<b>7,236</b>	<b>(4,561)</b>	<b>23,952</b>

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

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

**G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	1,476	1,972	(307)	3,141
Employees Leave Entitlement	2,205	170	-	2,375
Airport Development	(234)	-	-	(234)
Asset Replacement	855	2,101	(2,121)	835
Capital Program	582	780	(709)	653
Community Services (Rylstone)	19	-	(13)	6
Council Elections	75	60	-	135
Emergency Disaster	200	-	-	200
Land Development	1,712	264	(1,222)	754
Saleyards	63	15	(20)	58
State Roads Warranty	347	48	-	395
Community Plan	972	313	(972)	313
<b>Total Internal Restrictions</b>	<b>8,272</b>	<b>5,723</b>	<b>(5,364)</b>	<b>8,631</b>
<b>TOTAL RESTRICTIONS</b>	<b>29,549</b>	<b>12,959</b>	<b>(9,925)</b>	<b>32,583</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		912	-	1,195	-
Interest & Extra Charges		205	-	155	-
User Charges & Fees		3,897	-	2,550	-
Contributions to Works		-	-	2,289	-
Accrued Revenues					
- Interest on Investments		204	-	173	-
- Other Income Accruals		-	-	118	-
Government Grants & Subsidies		1,183	-	1,233	-
Deferred Debtors		60	120	-	-
Net GST Receivable		-	-	74	-
Other Debtors		689	-	186	-
<b>Total</b>		<b>7,150</b>	<b>120</b>	<b>7,973</b>	<b>-</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(74)	-	(83)	-
Interest & Extra Charges		(15)	-	(7)	-
User Charges & Fees		(26)	-	(27)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(115)</b>	<b>-</b>	<b>(117)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>7,035</u></b>	<b><u>120</u></b>	<b><u>7,856</u></b>	<b><u>-</u></b>
<b>Externally Restricted Receivables</b>					
<b>Water Supply</b>					
- Specific Purpose Grants		11	-	13	-
- Rates & Availability Charges		37	-	42	-
- Other		959	-	1,519	-
<b>Sewerage Services</b>					
- Specific Purpose Grants		404	-	856	-
- Rates & Availability Charges		144	-	118	-
- Other		151	-	310	-
<b>Domestic Waste Management</b>		216	-	184	-
- S93F Voluntary Planning Agreement		-	-	458	-
<b>Total External Restrictions</b>		<b>1,922</b>	<b>-</b>	<b>3,500</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>5,113</b>	<b>120</b>	<b>4,356</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>7,035</b>	<b>120</b>	<b>7,856</b>	<b>-</b>

#### Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		152	-	344	-
Stores & Materials		794	-	865	-
Gravel Stockpile		208	-	191	-
Total Inventories		1,154	-	1,400	-
Other Assets					
Prepayments		11	-	-	-
Total Other Assets		11	-	-	-
TOTAL INVENTORIES / OTHER ASSETS		1,165	-	1,400	-
Externally Restricted Assets					
Water					
Stores & Materials		249	-	290	-
Prepayments		3	-	-	-
Total Water		252	-	290	-
Sewerage					
Stores & Materials		17	-	26	-
Total Sewerage		17	-	26	-
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		269	-	316	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		896	-	1,084	-
TOTAL INVENTORIES & OTHER ASSETS		1,165	-	1,400	-

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	2014		2013	
	Current	Non Current	Current	Non Current
<b>(i) Other Disclosures</b>				
<b>(a) Details for Real Estate Development</b>				
Residential	-	-	-	-
Industrial/Commercial	152	-	344	-
<b>Total Real Estate for Resale</b>	<b>152</b>	<b>-</b>	<b>344</b>	<b>-</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition Costs	-	-	-	-
Development Costs	108	-	300	-
Other Properties - Book Value	44	-	44	-
<b>Total Costs</b>	<b>152</b>	<b>-</b>	<b>344</b>	<b>-</b>
<b>Total Real Estate for Resale</b>	<b>152</b>	<b>-</b>	<b>344</b>	<b>-</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	344	-	1,118	-
- Purchases and other costs	1	-	-	-
- WDV of Sales (exp)	(193)	-	(774)	-
<b>Total Real Estate for Resale</b>	<b>152</b>	<b>-</b>	<b>344</b>	<b>-</b>

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

- Real Estate for Resale	193	774
- Stores & Materials	2,130	2,079

#### **(c) Inventory Write Downs**

\$71,731 was recognised as an expense relating to the write down of Inventory balances held during the year.

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

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period								as at 30/6/2014				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	Reinstatement Costs for Impaired Assets	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Other Movements (Rounding)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment												Dep'n	Impairment	
Capital Work in Progress	18,720	-	-	-	18,720	2,409	-	-	-	(16,651)	(192)	(1)	-	4,285	-	-	-	4,285
Plant & Equipment	-	23,996	9,695	-	14,301	605	-	(252)	(1,524)	10	-	8	-	-	24,135	10,987	-	13,148
Office Equipment	-	2,719	2,710	-	9	48	-	-	(9)	-	-	2	-	-	2,770	2,720	-	50
Furniture & Fittings	-	724	365	-	359	-	-	-	(58)	-	-	(4)	-	-	720	423	-	297
Land:																		
- Operational Land	-	29,759	-	-	29,759	258	-	-	-	38	-	-	-	-	30,055	-	-	30,055
- Community Land	-	10,669	-	-	10,669	102	-	-	-	-	-	2	-	-	10,773	-	-	10,773
- Land under Roads (post 30/6/08)	-	1,203	-	-	1,203	4	-	-	-	54	-	-	8	-	1,269	-	-	1,269
Land Improvements - non depreciable	-	1,442	-	-	1,442	-	-	-	-	-	-	2	-	-	1,444	-	-	1,444
Land Improvements - depreciable	-	505	244	-	261	7	-	-	(12)	-	(10)	-	-	-	493	247	-	246
Buildings - Non Specialised	-	84,272	31,108	30	53,134	701	30	(1,224)	(1,931)	77	(27,137)	-	-	-	40,884	17,234	-	23,650
Buildings - Specialised	-	-	-	-	-	-	-	-	-	-	27,137	-	-	-	42,730	15,593	-	27,137
Other Structures	-	26,050	8,867	195	16,988	1,190	35	-	(295)	-	(12,108)	4	-	-	9,166	3,192	160	5,814
Infrastructure:																		
- Roads	-	335,378	121,139	1,175	213,064	7,666	-	(1,013)	(6,559)	482	(34,840)	(4)	-	-	278,709	98,738	1,175	178,796
- Bridges	-	-	-	-	-	473	-	-	(668)	-	30,371	-	-	-	53,944	23,768	-	30,176
- Footpaths	-	-	-	-	-	202	-	-	(132)	-	5,308	-	-	-	9,507	4,129	-	5,378
- Bulk Earthworks (non-depreciable)	-	74,670	-	-	74,670	612	-	-	-	-	-	(1)	-	-	75,281	-	-	75,281
- Stormwater Drainage	-	13,664	8,091	-	5,573	660	-	(12)	(133)	191	-	(4)	-	-	14,514	8,239	-	6,275
- Water Supply Network	-	99,119	39,542	-	59,577	1,018	-	(30)	(1,511)	124	-	(1)	1,599	-	102,888	42,112	-	60,776
- Sewerage Network	-	87,697	38,493	-	49,204	1,659	-	(156)	(1,343)	15,675	-	-	1,308	-	105,318	38,971	-	66,347
- Swimming Pools	-	-	-	-	-	10	-	-	(152)	-	3,472	-	-	-	4,907	1,577	-	3,330
- Other Open Space/Recreational Assets	-	-	-	-	-	94	-	-	(296)	-	7,807	-	-	-	12,281	4,676	-	7,605
Other Assets:																		
- Library Books	-	2,268	1,663	-	605	77	-	-	(77)	-	-	1	-	-	2,346	1,740	-	606
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																		
- Tip Assets	-	852	477	-	375	120	-	-	(74)	-	-	(1)	-	-	971	551	-	420
- Quarry Assets	-	204	108	-	96	-	-	-	(6)	-	-	(2)	-	-	202	114	-	88
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	18,720	795,191	262,502	1,400	550,009	17,915	65	(2,687)	(14,780)	-	(192)	1	2,915	4,285	825,307	275,011	1,335	553,246

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$19,854) and New Assets (\$9,686).  
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.



## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Water Supply</b>								
WIP	66	-	-	66	123	-	-	123
Land								
- Operational Land	-	1,097	-	1,097	-	1,097	-	1,097
- Community Land	-	845	-	845	-	845	-	845
Buildings	-	38	9	29	-	38	8	30
Infrastructure	-	102,888	42,112	60,776	-	99,120	39,542	59,578
<b>Total Water Supply</b>	<b>66</b>	<b>104,868</b>	<b>42,121</b>	<b>62,813</b>	<b>123</b>	<b>101,100</b>	<b>39,550</b>	<b>61,673</b>
<b>Sewerage Services</b>								
WIP	1,582	-	-	1,582	17,149	-	-	17,149
Land								
- Operational Land	-	946	-	946	-	946	-	946
- Community Land	-	521	-	521	-	521	-	521
Buildings	-	763	224	539	-	763	207	556
Infrastructure	-	105,318	38,971	66,347	-	87,698	38,493	49,205
Other Assets	-	823	-	823	-	-	-	-
<b>Total Sewerage Services</b>	<b>1,582</b>	<b>108,371</b>	<b>39,195</b>	<b>70,758</b>	<b>17,149</b>	<b>89,928</b>	<b>38,700</b>	<b>68,377</b>
<b>Domestic Waste Management</b>								
WIP	-	-	-	-	250	-	-	250
Plant & Equipment	-	1,246	734	512	-	1,237	655	582
Land								
- Operational Land	-	1,480	-	1,480	-	1,480	-	1,480
- Community Land	-	274	-	274	-	274	-	274
- Improvements - depreciable	-	-	-	-	-	285	217	68
Buildings	-	1,284	523	761	-	1,284	484	800
Other Structures	-	3,177	1,405	1,772	-	3,082	1,263	1,819
Infrastructure	-	350	230	120	-	428	39	389
Other Assets	-	11	-	11	-	11	-	11
<b>Total DWM</b>	<b>-</b>	<b>7,822</b>	<b>2,892</b>	<b>4,930</b>	<b>250</b>	<b>8,081</b>	<b>2,658</b>	<b>5,673</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>1,648</b>	<b>221,061</b>	<b>84,208</b>	<b>138,501</b>	<b>17,522</b>	<b>199,109</b>	<b>80,908</b>	<b>135,723</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(i) Reversal of Impairment Losses previously recognised in the Income Statement:			
- Other Structures damages in December 2010 floods		-	68
- Land improvements damaged in December 2010 floods		-	54
<b>Total Impairment Reversals</b>		<b>-</b>	<b>122</b>
<b><u>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</u></b>	4(d)	<b><u>-</u></b>	<b><u>122</u></b>
(ii) Impairment Losses recognised direct to Equity (ARR):			
- Damage to Rylstone Showground building		-	(30)
- Vandalism at Bellevue Playground		-	(35)
<b>Total Impairment Losses</b>		<b>-</b>	<b>(65)</b>
(iii) Reversals of Impairment Losses previously recognised direct to Equity (ARR):			
- Sewer infrastructure damaged in lightning strike		-	10
<b>Total Impairment Reversals</b>		<b>-</b>	<b>10</b>
<b><u>IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)</u></b>	20 (ii)	<b><u>-</u></b>	<b><u>(55)</u></b>

Refer to Note 9(a) for Impairment Restoration Works totalling \$65K undertaken this year relating to current year or prior year Impairments.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		3,286	-	2,881	-
Goods & Services - capital expenditure		947	-	1,050	-
Payments Received In Advance		530	-	521	-
Accrued Expenses:					
- Borrowings		225	-	238	-
- Salaries & Wages		452	-	444	-
Security Bonds, Deposits & Retentions		934	-	1,248	-
ATO - Net GST Payable		7	-	-	-
Other		41	-	29	-
<b>Total Payables</b>		<b>6,422</b>	<b>-</b>	<b>6,411</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured (over Council's General Rating Income)		1,328	19,157	1,249	20,490
Government Advances		5	11	5	16
<b>Total Borrowings</b>		<b>1,333</b>	<b>19,168</b>	<b>1,254</b>	<b>20,506</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		1,298	-	1,338	-
Sick Leave		1,134	-	1,228	-
Long Service Leave		2,800	375	2,815	201
<b>Sub Total - Aggregate Employee Benefits</b>		<b>5,232</b>	<b>375</b>	<b>5,381</b>	<b>201</b>
Asset Remediation/Restoration (Future Works)	26	50	1,095	96	938
Other (Stabilisation Works Redbank Dam)		-	-	171	-
Other		280	-	200	-
<b>Total Provisions</b>		<b>5,562</b>	<b>1,470</b>	<b>5,848</b>	<b>1,139</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>13,317</b>	<b>20,638</b>	<b>13,513</b>	<b>21,645</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2014		2013	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Water		768	3,489	821	3,858
Sewer		634	9,587	853	9,892
Domestic Waste Management		222	1,235	154	1,240
Trust Deposits		934	-	1,248	-
<b>Liabilities relating to externally restricted assets</b>		<b>2,558</b>	<b>14,311</b>	<b>3,076</b>	<b>14,990</b>
<b>Internally Restricted Assets</b>					
Employee Leave Entitlements		2,375	-	2,205	-
Community Plan		280	-	654	-
<b>Liabilities relating to internally restricted assets</b>		<b>2,655</b>	<b>-</b>	<b>2,859</b>	<b>-</b>
<b>Total Liabilities relating to restricted assets</b>		<b>5,213</b>	<b>14,311</b>	<b>5,935</b>	<b>14,990</b>
<b>Total Liabilities relating to Unrestricted Assets</b>		<b>8,104</b>	<b>6,327</b>	<b>7,578</b>	<b>6,655</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>		<b>13,317</b>	<b>20,638</b>	<b>13,513</b>	<b>21,645</b>

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

	Actual 2014	Actual 2013
\$ '000		

#### (ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Provisions - Employees Benefits	4,201	3,926
	<b>4,201</b>	<b>3,926</b>

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

Class of Provision	2013	2014				Closing Balance as at 30/6/14
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,338	1,296	(1,331)	(5)	-	1,298
Sick Leave	1,228	95	(171)	(18)	-	1,134
Long Service Leave	3,016	723	(517)	(47)	-	3,175
Asset Remediation	1,034	114	(14)	11	-	1,145
Other	371	80	(171)	-	-	280
<b>TOTAL</b>	<b>6,987</b>	<b>2,308</b>	<b>(2,204)</b>	<b>(59)</b>	<b>-</b>	<b>7,032</b>

- Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	9,894	21,495
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>9,894</b>	<b>21,495</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>5,192</b>	<b>12,176</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		14,947	13,468
Net Losses/(Gains) on Disposal of Assets		1,492	2,313
Non Cash Capital Grants and Contributions		(196)	(2,022)
Impairment Losses Recognition - I,PP&E		-	(122)
Investment Income relating to "Available for Sale" Investments sold		13	-
Unwinding of Discount Rates on Reinstatement Provisions		36	(44)
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		883	(2,980)
Increase/(Decrease) in Provision for Doubtful Debts		(2)	33
Decrease/(Increase) in Inventories		54	(70)
Decrease/(Increase) in Other Assets		(11)	-
Increase/(Decrease) in Payables		405	979
Increase/(Decrease) in accrued Interest Payable		(13)	131
Increase/(Decrease) in other accrued Expenses Payable		8	28
Increase/(Decrease) in Other Liabilities		(286)	6
Increase/(Decrease) in Employee Leave Entitlements		25	4
Increase/(Decrease) in Other Provisions		(16)	236
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>22,531</b>	<b>24,136</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Other Dedications		196	2,022
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>196</b>	<b>2,022</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		700	700
Credit Cards / Purchase Cards		200	200
Operating Lease Facility		600	600
<b>Total Financing Arrangements</b>		<b>1,500</b>	<b>1,500</b>
<b>Amounts utilised as at Balance Date:</b>			
- Credit Cards / Purchase Cards		8	29
- Operating Lease Facility		221	343
<b>Total Financing Arrangements Utilised</b>		<b>229</b>	<b>372</b>

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

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

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



## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		24	134
Plant & Equipment		3,227	7
Other Structures		51	140
Drainage		-	121
Other Assets		8	-
Recreational Facilities		-	70
Roads & Transport		540	488
Sewerage Network		705	2,000
Water Supply Network		80	26
Land		-	180
Other		-	70
<b>Total Commitments</b>		<b>4,635</b>	<b>3,236</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		4,635	3,236
<b>Total Payable</b>		<b>4,635</b>	<b>3,236</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		42	72
Future Grants & Contributions		478	1,891
Sect 64 & 94 Funds/Reserves		47	246
Unexpended Grants		214	90
Externally Restricted Reserves		578	198
Internally Restricted Reserves		3,276	739
<b>Total Sources of Funding</b>		<b>4,635</b>	<b>3,236</b>

### (b) Finance Lease Commitments

Nil

### (c) Operating Lease Commitments (Non Cancellable)

#### a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year	232	282
Later than one year and not later than 5 years	113	280
<b>Total Non Cancellable Operating Lease Commitments</b>	<b>345</b>	<b>562</b>

#### b. Non Cancellable Operating Leases include the following assets:

Motor Vehicles, Computers and Other Office Equipment.

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

#### Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013      2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue <sup>(1)</sup>				
(excl. Capital Grants & Contributions) - Operating Expenses	(3,529)	-6.84%	2.07%	0.09%
Total continuing operating revenue <sup>(1)</sup>	51,616			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue <sup>(1)</sup>				
(less ALL Grants & Contributions)	42,317	68.44%	60.22%	54.03%
Total continuing operating revenue <sup>(1)</sup>	61,829			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions <sup>(2)</sup>	22,501	3.43 : 1	3.09	3.19
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	6,558			
4. Debt Service Cover Ratio				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	12,788	4.86	3.90	13.06
Principal Repayments (from the Statement of Cash Flows)	2,629			
+ Borrowing Interest Costs (from the Income Statement)				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	1,028	4.07%	5.25%	3.53%
Rates, Annual and Extra Charges Collectible	25,257			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	40,444	10.98	9.19	12.10
Payments from cash flow of operating and financing activities	3,682			

#### Notes

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

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

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

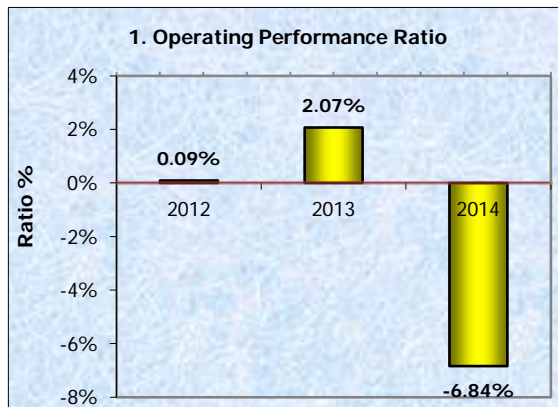
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



#### Purpose of Operating Performance Ratio

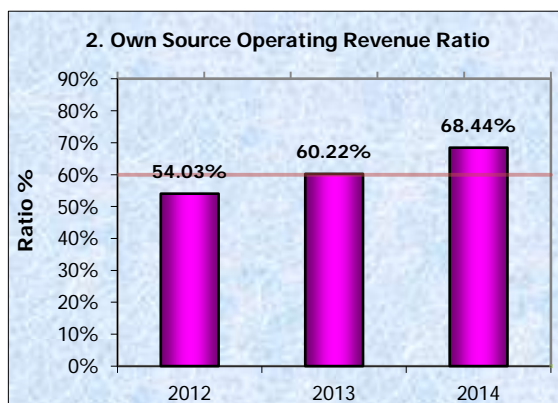
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

#### Commentary on 2013/14 Result

**2013/14 Ratio -6.84%**

Increased operating revenue in 12/13 from mining recategorisation income (that was subsequently reversed in 13/14) and prepayment of Financial Assistance Grant funding has caused a boosted 12/13 ratio. The corresponding reduction of this revenue in 13/14 has suppressed this ratio causing Council's operating performance ratio to drop below the benchmark of > 0%.

Source for Benchmark: Code of Accounting Practice and Financial Reporting



#### Purpose of Own Source Operating Revenue Ratio

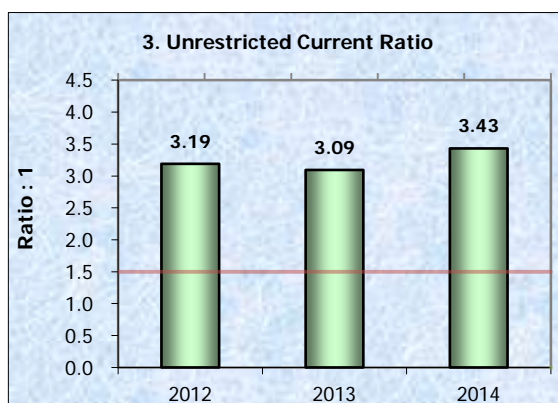
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

#### Commentary on 2013/14 Result

**2013/14 Ratio 68.44%**

Council's own source operating revenue remains relatively consistent from year to year, however operating grants available have declined in recent years resulting in this ratio exceeding the benchmark of >60%.

Source for Benchmark: Code of Accounting Practice and Financial Reporting



#### Purpose of Unrestricted Current Ratio

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

#### Commentary on 2013/14 Result

**2013/14 Ratio 3.43 : 1**

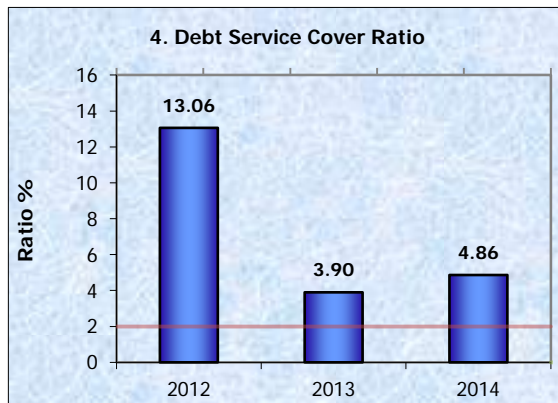
Council's unrestricted ratio remains relatively consistent across financial years, and exceeds the benchmark of >1.5.

Source for Benchmark: Code of Accounting Practice and Financial Reporting

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 200.00%

Source for Benchmark: NSW Treasury Corporation

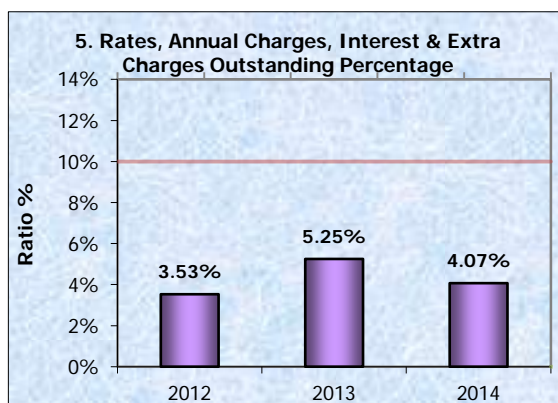
#### Purpose of Debt Service Cover Ratio

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

#### Commentary on 2013/14 Result

**2013/14 Ratio 4.86**

Council's Debt Service Cover Ratio remains above the Tcorp benchmark of > 2 x.



— Maximum 10.00%

Source for Benchmark: Office of Local Govt - Comparative Information (10/11)

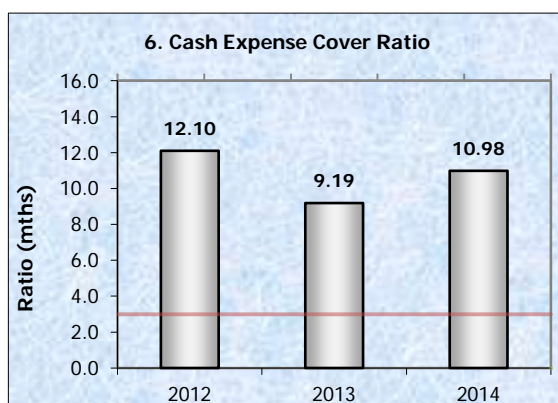
#### Purpose of Rates & Annual Charges Outstanding Ratio

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

#### Commentary on 2013/14 Result

**2013/14 Ratio 4.07%**

Council's rates and annual charges ratio has dropped as disputes with large landowners over rating categorisation have been settled and outstanding rate amounts have been reversed or paid in full. The ratio is consistent with prior years.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

#### 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 Result

**2013/14 Ratio 10.98**

Council continues to maintain healthy cash levels and has outperformed benchmarks. Further reduction of unrestricted cash has been built into the 2014/15 Operational Plan which should see this ratio come down.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General <sup>5</sup> 2014
<b>Local Government Industry Indicators - by Fund</b>			
<b>1. Operating Performance Ratio</b>			
Total continuing operating revenue <sup>(1)</sup>			
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>			
Total continuing operating revenue <sup>(1)</sup>	<b>13.05%</b>	<b>5.81%</b>	<b>-11.86%</b>
(excl. Capital Grants & Contributions)	prior period: 8.69%	5.03%	0.75%
<b>2. Own Source Operating Revenue Ratio</b>			
Total continuing operating revenue <sup>(1)</sup>			
<u>(less ALL Grants &amp; Contributions)</u>			
Total continuing operating revenue <sup>(1)</sup>	<b>83.11%</b>	<b>69.53%</b>	<b>65.74%</b>
	prior period: 81.11%	52.30%	58.59%
<b>3. Unrestricted Current Ratio</b>			
Current Assets less all External Restrictions <sup>(2)</sup>			
<u>Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup></u>			
	<b>7.48 : 1</b>	<b>8.67 : 1</b>	<b>3.43 : 1</b>
	prior period: 4.97	6.57	3.09
<b>4. Debt Service Cover Ratio</b>			
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)			
<u>Principal Repayments (from the Statement of Cash Flows)</u>			
+ Borrowing Interest Costs (from the Income Statement)	<b>4.36</b>	<b>2.43</b>	<b>7.32</b>
	prior period: 3.70	2.09	11.23
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
Rates, Annual and Extra Charges Outstanding			
<u>Rates, Annual and Extra Charges Collectible</u>			
	<b>3.74%</b>	<b>3.21%</b>	<b>4.28%</b>
	prior period: 4.25%	3.15%	5.71%
<b>6. Cash Expense Cover Ratio</b>			
Current Year's Cash and Cash Equivalents including All Term Deposits			
<u>Payments from cash flow of operating and financing activities</u> x12			
	<b>19.96</b>	<b>20.21</b>	<b>8.80</b>
	prior period: 13.63	17.00	7.89

#### Notes

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

(5) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 14. Investment Properties

\$ '000

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

#### Note 15. Financial Risk Management

##### Risk Management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Cash and Cash Equivalents	9,894	21,495	9,894	21,495
Investments				
- "Loans & Receivables"	30,550	13,000	30,550	13,000
- "Available for Sale"	-	1,487	-	1,487
Receivables	7,155	7,856	7,150	7,856
<b>Total Financial Assets</b>	<b>47,599</b>	<b>43,838</b>	<b>47,594</b>	<b>43,838</b>
<b>Financial Liabilities</b>				
Payables	5,892	5,890	5,892	5,890
Loans / Advances	20,501	21,760	21,609	20,156
<b>Total Financial Liabilities</b>	<b>26,393</b>	<b>27,650</b>	<b>27,501</b>	<b>26,046</b>

Fair Value is determined as follows:

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

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities



## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

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

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

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

The 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.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2014</b>				
Possible impact of a 10% movement in Market Values	-	-	-	-
Possible impact of a 1% movement in Interest Rates	404	404	(404)	(404)
<b>2013</b>				
Possible impact of a 10% movement in Market Values	-	149	-	(149)
Possible impact of a 1% movement in Interest Rates	345	345	(345)	(345)



## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000

##### (b) Receivables

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

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

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

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

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

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

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

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
<b>(i) Ageing of Receivables - %</b>				
Current (not yet overdue)	46%	89%	0%	91%
Overdue	54%	11%	100%	9%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

##### (ii) Ageing of Receivables - value

Current (not yet overdue)	423	5,656	-	6,156
Past due by up to 30 days	-	231	-	20
Past due between 31 and 60 days	132	251	682	336
Past due between 61 and 90 days	88	43	327	123
Past due by more than 90 days	269	177	186	143
	<b>912</b>	<b>6,358</b>	<b>1,195</b>	<b>6,778</b>

##### (iii) Movement in Provision for Impairment of Receivables

	2014	2013
Balance at the beginning of the year	117	84
+ new provisions recognised during the year	50	46
- amounts already provided for & written off this year	(25)	(11)
- amounts provided for but recovered during the year	(27)	(2)
<b>Balance at the end of the year</b>	<b>115</b>	<b>117</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000

##### (c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	934	4,958	-	-	-	-	-	5,892	5,892
Loans & Advances	-	2,614	2,614	2,614	2,608	2,608	18,341	31,399	20,501
Total Financial Liabilities	934	7,572	2,614	2,614	2,608	2,608	18,341	37,291	26,393
2013									
Trade/Other Payables	1,248	4,642	-	-	-	-	-	5,890	5,890
Loans & Advances	-	2,623	2,623	2,623	2,623	2,616	18,893	32,001	21,760
Total Financial Liabilities	1,248	7,265	2,623	2,623	2,623	2,616	18,893	37,891	27,650

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	5,892	0.0%	5,890	0.0%
Loans & Advances - Fixed Interest Rate	20,501	6.6%	21,760	6.4%
	<u>26,393</u>		<u>27,650</u>	

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 19 June 2013.

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

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

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

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

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

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
<b>REVENUES</b>				
<b>Rates &amp; Annual Charges</b>	<b>26,076</b>	<b>23,757</b>	<b>(2,319)</b>	<b>(9%) U</b>
This unfavourable variance is a result of reduced Ordinary Rates revenue arising from the unsuccessful recategorisation of a number of properties to the mining category.				
<b>User Charges &amp; Fees</b>	<b>11,442</b>	<b>14,773</b>	<b>3,331</b>	<b>29% F</b>
Council received an additional \$2,445,000 income compared to Original Budget for State Roads contract works undertaken on behalf of Roads Maritime Services. Revenue from water usage charges was \$591,000 higher than provided for in the Original Budget as a result of hot, dry conditions over the summer period.				
<b>Interest &amp; Investment Revenue</b>	<b>1,241</b>	<b>1,504</b>	<b>263</b>	<b>21% F</b>
During 2014, delays in major water augmentation works has resulted in an additional \$117,000 of interest earned on restricted Water Fund cash. Council also maintained a substantially higher overall portfolio balance than projected in the Original Budget, which has resulted in \$169,000 of additional interest revenue.				
<b>Other Revenues</b>	<b>1,877</b>	<b>2,283</b>	<b>406</b>	<b>22% F</b>
Council received additional revenue from insurance claims recovery \$1,287,000; Cinema ticket sales \$76,000; and Property rental revenue \$65,000.				
<b>Operating Grants &amp; Contributions</b>	<b>8,965</b>	<b>9,299</b>	<b>334</b>	<b>4% F</b>
<b>Capital Grants &amp; Contributions</b>	<b>9,435</b>	<b>10,213</b>	<b>778</b>	<b>8% F</b>
During 2014, Council received an additional \$615,000 of grant income in relation to the Mudgee Sewerage Augmentation project above estimated grant revenue in the Original Budget. Council also received an additional \$758,000 towards the Ulan Road Strategy; and \$196,000 in transfer of developer contributed infrastructure. This was partially offset by a reduction in planning agreement contributions of \$1,022,000, caused by a deferral of anticipated development.				
<b>Net Gains from Disposal of Assets</b>	<b>440</b>	<b>-</b>	<b>(440)</b>	<b>(100%) U</b>
Councils unfavourable result in Disposal of Assets is primarily attributable to the scrapping of infrastructure replaced during the course of 2014.				

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee Benefits &amp; On-Costs</b>	<b>21,443</b>	<b>19,167</b>	<b>2,276</b>	<b>11% F</b>
Employee salary costs were lower than Original Budget due to ongoing vacancies across Council, \$742,000, and an increase in employee costs capitalised has reduced operating employee costs by a further \$730,000. Employee vacancies have also resulted in lower than anticipated employee leave costs, \$530,000. Improvements in Workers Compensation claim levels have resulted in savings for workers compensation insurance of \$295,000.				
<b>Borrowing Costs</b>	<b>1,437</b>	<b>1,370</b>	<b>67</b>	<b>5% F</b>
<b>Materials &amp; Contracts</b>	<b>10,907</b>	<b>13,603</b>	<b>(2,696)</b>	<b>(25%) U</b>
During 2014, materials and contractor costs were higher than Original Budget, \$2,057,000, mostly due to an increased amount of Roads Maritime Services funded State Road works, and partially due to employee vacancies. Legal expenses were also above Original Budget by \$752,000, primarily as a result of ongoing settlement of appeals in the NSW Land and Environment Court in relation to recategorisation of land rating purposes.				
<b>Depreciation &amp; Amortisation</b>	<b>13,986</b>	<b>14,947</b>	<b>(961)</b>	<b>(7%) U</b>
<b>Other Expenses</b>	<b>5,610</b>	<b>6,058</b>	<b>(448)</b>	<b>(8%) U</b>
<b>Net Losses from Disposal of Assets</b>	<b>-</b>	<b>1,492</b>	<b>(1,492)</b>	<b>0% U</b>
Councils unfavourable result in Disposal of Assets is primarily attributable to the scrapping of infrastructure replaced during the course of 2014.				

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

<b>Cash Flows from Operating Activities</b>	<b>21,546</b>	<b>22,531</b>	<b>985</b>	<b>4.6% F</b>
<b>Cash Flows from Investing Activities</b>	<b>(20,161)</b>	<b>(32,873)</b>	<b>(12,712)</b>	<b>63.1% U</b>
Cash outflows from the purchase of investments (> 3 months to maturity) were higher than budgeted by \$17,505, this was partially offset by lower than anticipated purchases (\$3,998) and increased sales (\$842) of property, plant and infrastructure due to delayed timing of works \$4,000.				
<b>Cash Flows from Financing Activities</b>	<b>(320)</b>	<b>(1,259)</b>	<b>(939)</b>	<b>293.4% U</b>
Cash flows from borrowing proceeds did not go ahead, as originally budgeted, for the Mudgee Water Augmentation works, which have been delayed in order to occur with the development of West Mudgee \$1,000 and will no longer be funded by loan borrowings.				

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 17. Statement of Developer Contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	10	-	-	-	-	10	-	(1,316)	(1,306)	-
Open Space	560	309	-	18	-	-	887	2,121	(2,507)	501	-
Community Facilities	321	90	-	9	(10)	-	410	259	(1,355)	(686)	-
Transport Management	885	109	-	24	-	-	1,018	574	(1,901)	(309)	-
Car Parking	228	-	-	6	-	-	234	-	(473)	(239)	-
Administration	188	43	-	5	(48)	-	188	-	(438)	(250)	-
Civic Improvements	(5)	-	-	-	-	-	(5)	-	(4,100)	(4,105)	-
<b>S94 Contributions - under a Plan</b>	<b>2,177</b>	<b>561</b>	<b>-</b>	<b>62</b>	<b>(58)</b>	<b>-</b>	<b>2,742</b>	<b>2,954</b>	<b>(12,090)</b>	<b>(6,394)</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>322</b>	<b>38</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>368</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>2,499</b>	<b>599</b>	<b>-</b>	<b>70</b>	<b>(58)</b>	<b>-</b>	<b>3,110</b>				<b>-</b>
S93F Planning Agreements	276	856	-	10	(300)	-	842				
S64 Contributions	3,629	1,162	-	106	(294)	-	4,603				
<b>Total Contributions</b>	<b>6,404</b>	<b>2,617</b>	<b>-</b>	<b>186</b>	<b>(652)</b>	<b>-</b>	<b>8,555</b>	<b>2,954</b>	<b>(12,090)</b>	<b>(6,394)</b>	<b>-</b>

# Mid-Western Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	10	-	-	-	-	10	-	(1,316)	(1,306)	-
Open Space	560	309	-	18	-	-	887	2,121	(2,507)	501	-
Community Facilities	321	90	-	9	(10)	-	410	259	(1,355)	(686)	-
Transport Management	885	109	-	24	-	-	1,018	574	(1,901)	(309)	-
Car Parking	228	-	-	6	-	-	234	-	(473)	(239)	-
Administration	188	43	-	5	(48)	-	188	-	(438)	(250)	-
Civic Improvements	(5)	-	-	-	-	-	(5)	-	(4,100)	(4,105)	-
<b>Total</b>	<b>2,177</b>	<b>561</b>	<b>-</b>	<b>62</b>	<b>(58)</b>	<b>-</b>	<b>2,742</b>	<b>2,954</b>	<b>(12,090)</b>	<b>(6,394)</b>	<b>-</b>

#### S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN: MID-WESTERN REGIONAL 2005 - 2021

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Transport Management	322	38	-	8	-	-	368	-	-		-
<b>Total</b>	<b>322</b>	<b>38</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>368</b>				<b>-</b>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

### LIABILITIES NOT RECOGNISED:

#### 1. Guarantees

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

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

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

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

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

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

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other Guarantees

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



## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000

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

##### 2. Other Liabilities

##### (i) Third Party Claims

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

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

##### (ii) S94 Plans

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

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

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

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

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

##### (iii) Recategorisation of land for rating purposes

During 2013, Council recategorised a number of parcels of land for rating purposes from the Farmland, Residential, and Business categories to the Mining category. Proceedings were commenced in the NSW Land & Environment Court by three separate land owners in relation to a total of 13 individual parcels of rateable land. The relevant proceedings are referred to as:

Peabody Pastoral Holdings Pty Limited v Mid-Western Regional Council - Land and Environment Court Proceedings No. 31295 of 2012 (3 properties)

The Peabody proceedings were settled by obtaining consent orders of the Court, with the rating category of each property reverting back to Farmland or Residential.

Peabody subsequently sought an order for costs, with the Land and Environment Court awarding costs against Council for Peabody's costs of the proceedings, and Peabody's costs of the application for costs. Mid-Western Regional Council v Peabody Pastoral Holdings Pty Ltd [2013] NSWCA322

Mid-Western Regional Council continues to negotiate in relation to settlement of the party costs owed by Council. A reliable estimate for the expected settlement amount has been recognised as a provision in these financial statements, however negotiations between the parties continue and there remains uncertainty around the final settlement amount.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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\$ '000

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##### ASSETS NOT RECOGNISED:

###### (i) Infringement Notices/Fines

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

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

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

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

###### (ii) Bank Guarantees

Council holds a number of bank guarantees to the value of \$747,411. Some of these guarantees are

##### ASSETS NOT RECOGNISED (continued):

###### (ii) Bank Guarantees (continued)

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) Legal Claim for Costs

Mid-Western Regional Council has raised a claim against MAC Group for \$80,000 of costs incurred during the MAC Group Temporary Workers Accommodation Appeal.

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		319,305	305,475
a. Net Operating Result for the Year		5,192	12,176
b. Transfers between Equity		1,434	1,654
<b>Balance at End of the Reporting Period</b>		<b>325,931</b>	<b>319,305</b>
<b>(b) Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		242,554	241,073
- "Available for Sale" Financial Investments Revaluation Reserve		-	(13)
<b>Total</b>		<b>242,554</b>	<b>241,060</b>
<b>(ii) Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		241,073	255,939
- Revaluations for the year	9(a)	2,915	(13,157)
- (Impairment of revalued assets) / Impairment reversals	9(a),(c)	-	(55)
- Transfer to Retained Earnings for Asset disposals		(1,434)	(1,654)
<b>- Balance at End of Year</b>		<b>242,554</b>	<b>241,073</b>
<b>"Available for Sale" Financial Investments Revaluation Reserve</b>			
- Opening Balance		(13)	(58)
- Unrealised Gain (Loss) in value for the year		-	45
- Transfer of "Available for Sale" values to the P&L for disposals		13	-
<b>- Balance at End of Year</b>		<b>-</b>	<b>(13)</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>242,554</b>	<b>241,060</b>

### (iii) Nature & Purpose of Reserves

#### Infrastructure, Property, Plant & Equipment Revaluation Reserve

- The Infrastructure, Property, Plant & 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 financial year ended 30 June 2014

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

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\$ '000

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##### (c) Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

##### (d) Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014	Actual 2014
<b>Continuing Operations</b>	<b>Waste</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from Continuing Operations</b>				
Rates & Annual Charges	3,384	1,118	4,267	14,988
User Charges & Fees	918	5,260	651	7,944
Interest & Investment Revenue	59	275	190	980
Other Revenues	447	2	31	1,803
Grants & Contributions provided for Operating Purposes	286	67	60	8,886
Grants & Contributions provided for Capital Purposes	-	1,285	2,192	6,736
<b>Other Income</b>				
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-	-
<b>Total Income from Continuing Operations</b>	<b>5,094</b>	<b>8,007</b>	<b>7,391</b>	<b>41,337</b>
<b>Expenses from Continuing Operations</b>				
Employee Benefits & on-costs	1,912	1,338	1,086	14,831
Borrowing Costs	53	262	654	401
Materials & Contracts	1,678	1,234	613	10,078
Depreciation & Amortisation	312	1,517	1,356	11,762
Impairment	-	-	-	-
Other Expenses	566	1,457	1,188	2,847
Net Losses from the Disposal of Assets	-	30	156	1,306
<b>Total Expenses from Continuing Operations</b>	<b>4,521</b>	<b>5,838</b>	<b>5,053</b>	<b>41,225</b>
<b>Operating Result from Continuing Operations</b>	<b>573</b>	<b>2,169</b>	<b>2,338</b>	<b>112</b>
<b>Discontinued Operations</b>				
Net Profit/(Loss) from Discontinued Operations	-	-	-	-
<b>Net Operating Result for the Year</b>	<b>573</b>	<b>2,169</b>	<b>2,338</b>	<b>112</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>573</b>	<b>2,169</b>	<b>2,338</b>	<b>112</b>
<b>Net Operating Result attributable to Non-controlling Interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>573</b>	<b>884</b>	<b>146</b>	<b>(6,624)</b>

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

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

## Mid-Western Regional Council

## Notes to the Financial Statements

as at 30 June 2014

## Note 21. Financial Result &amp; Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014	Actual 2014
<b>ASSETS</b>	<b>Waste</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>				
Cash & Cash Equivalents	839	1,890	1,609	5,556
Investments	2,592	5,839	4,972	17,147
Receivables	216	1,009	699	5,111
Inventories	-	249	17	888
Other	-	-	-	11
Non-current assets classified as 'held for sale'	-	-	-	-
<b>Total Current Assets</b>	<b>3,647</b>	<b>8,987</b>	<b>7,297</b>	<b>28,713</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	120
Inventories	-	-	-	-
Infrastructure, Property, Plant & Equipment	5,854	62,813	70,758	413,821
Investments Accounted for using the equity method	-	-	-	-
Investment Property	-	-	-	-
Intangible Assets	12	3	-	415
<b>Total Non-Current Assets</b>	<b>5,866</b>	<b>62,816</b>	<b>70,758</b>	<b>414,356</b>
<b>TOTAL ASSETS</b>	<b>9,513</b>	<b>71,803</b>	<b>78,055</b>	<b>443,069</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	89	399	323	5,611
Borrowings	83	369	311	570
Provisions	50	-	-	5,512
<b>Total Current Liabilities</b>	<b>222</b>	<b>768</b>	<b>634</b>	<b>11,693</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Borrowings	389	3,489	9,587	5,703
Provisions	846	-	-	624
<b>Total Non-Current Liabilities</b>	<b>1,235</b>	<b>3,489</b>	<b>9,587</b>	<b>6,327</b>
<b>TOTAL LIABILITIES</b>	<b>1,457</b>	<b>4,257</b>	<b>10,221</b>	<b>18,020</b>
<b>Net Assets</b>	<b>8,056</b>	<b>67,546</b>	<b>67,834</b>	<b>425,049</b>
<b>EQUITY</b>				
Retained Earnings	6,259	50,603	44,104	224,965
Revaluation Reserves	1,797	16,943	23,730	200,084
<b>Total Equity</b>	<b>8,056</b>	<b>67,546</b>	<b>67,834</b>	<b>425,049</b>

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

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\$ '000

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

#### Note 23. Events occurring after the Reporting Date

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Events that occur between the end of the reporting period (ending 30 June 2014) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 23/10/14.

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

##### **(i) Events that provide evidence of conditions that existed at the Reporting Period**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

##### **(ii) Events that provide evidence of conditions that arose after the Reporting Period**

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

#### Note 24. Discontinued Operations

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



## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 25. Intangible Assets

\$ '000	Actual 2014	Actual 2013
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
<b>Opening Values:</b>		
Gross Book Value (1/7)	709	694
Accumulated Amortisation (1/7)	(433)	(299)
Accumulated Impairment (1/7)	-	-
<b>Net Book Value - Opening Balance</b>	<b>276</b>	<b>395</b>
<b>Movements for the year</b>		
- Purchases	321	34
- Amortisation charges	(167)	(134)
- Gross Book Value written off	-	(19)
<b>Closing Values:</b>		
Gross Book Value (30/6)	1,030	709
Accumulated Amortisation (30/6)	(600)	(433)
Accumulated Impairment (30/6)	-	-
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE <sup>1</sup></u></b>	<b><u>430</u></b>	<b><u>276</u></b>

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

- Software	430	276
	<b>430</b>	<b>276</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2014	2013
Waste Transfer Stations & Tips - Region Wide	2014 - 2050	1,145	1,034
Balance at End of the Reporting Period	10(a)	<u>1,145</u>	<u>1,034</u>

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

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

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

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

Balance at beginning of year	1,034	1,013
Amounts capitalised to new or existing assets:		
- Waste Transfer Stations	32	430
Effect of a change in discount rates used in PV calculations	11	(69)
Effect of a change in other calculation estimates used	57	(345)
Amortisation of discount (expensed to borrowing costs)	25	25
Expenditure incurred attributable to Provisions	(14)	(20)
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<u><b>1,145</b></u>	<u><b>1,034</b></u>

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & 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 & recognised at fair values:**

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Loans & Receivables"	30/06/14	-	30,550	-	30,550
Other Financial Assets	30/06/14	-	9,894	-	9,894
Total Financial Assets		-	40,444	-	40,444
Financial Liabilities					
Payables	30/06/14	-	5,892	-	5,892
Loans / Advances	dd/mm/yy	-	20,501	-	20,501
Total Financial Liabilities		-	26,393	-	26,393
Infrastructure, Property, Plant & Equipment					
Work In Progress	30/06/14	-	-	4,285	4,285
Plant & Equipment	30/06/13	-	-	13,148	13,148
Office Equipment	30/06/11	-	-	50	50
Furniture & Fittings	30/06/11	-	-	297	297
Operational Land	30/06/13	-	-	30,055	30,055
Community Land	30/06/11	-	-	10,773	10,773
Land Under Roads	30/06/14	-	-	1,269	1,269
Land Improvements - non depreciable	dd/mm/yy	-	-	1,444	1,444
Land Improvements - depreciable	dd/mm/yy	-	-	246	246
Buildings - Market Value/Income Approach	30/06/13	-	4,292	-	4,292
Buildings - Replacement Cost	30/06/13	-	-	46,495	46,495

(continued on the next page...)

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

\$ '000

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

Fair Value Measurements (continued)		Fair Value Measurement Hierarchy			
2014		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
Recurring Fair Value Measurements (cont'd)	of latest	prices in	observable	unobservable	
	Valuation	active mkts	inputs	inputs	
Infrastructure, Property, Plant & Equipment (cont'd)					
Other Structures	30/06/11	-	-	5,814	5,814
Roads	30/06/10	-	-	178,796	178,796
Bridges	30/06/10	-	-	30,176	30,176
Footpaths	30/06/10	-	-	5,378	5,378
Bulk Earthworks	30/06/10	-	-	75,281	75,281
Stormwater Drainage	30/06/10	-	-	6,275	6,275
Water Supply Network	30/06/12	-	-	60,776	60,776
Sewerage Network	30/06/12	-	-	66,347	66,347
Swimming Pools	30/06/11	-	-	3,330	3,330
Other Open Space/Recreational Assets	30/06/11	-	-	7,605	7,605
Library Books	30/06/11	-	-	606	606
Tip Assets	30/06/14	-	-	420	420
Quarry Assets	30/06/14	-	-	88	88
Total Infrastructure, Property, Plant & Equipment		-	4,292	548,954	553,246

#### (2) Transfers between Level 1 & 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 financial year ended 30 June 2014

### Note 27. Fair Value Measurement (continued)

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#### (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

**Loans & Receivables** - term deposits valued at cost

Valuation Technique: At Cost

Inputs Used (Level 2): Original Investment Value

**Cash and Short Term Deposits** – Cash and short term deposits valued at fair value

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Original investment value

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#### Financial Liabilities

**Payables** – Outstanding creditor payments, security bonds & deposits

Valuation Technique: 'Cost approach'

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

**Loans/Advances** – Outstanding bank loans

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Loan borrowing amount

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## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 27. Fair Value Measurement (continued)

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#### Infrastructure, Property, Plant & Equipment (continued)

##### **Plant & Equipment, Office Equipment and Furniture & Fittings – Level 3**

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

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

Unobservable inputs - Estimates of useful life and residual value.

##### **Operational, Community Land and Land Under Roads – Level 2**

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

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

##### **Land Improvements - Level 3**

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

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

Unobservable inputs - Estimates of useful life and residual value.

##### **Buildings Market Value/Income Approach– Level 2**

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

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

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

Observable inputs- Cash flows reflecting current market evidence.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 27. Fair Value Measurement (continued)

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#### Infrastructure, Property, Plant & Equipment (continued)

##### **Buildings Replacement Costs – Level 3**

Valuation Techniques – Depreciated Replacement Cost.

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

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

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

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

##### **Other Structures, Swimming Pools, Other Open Space/Recreational Assets – Level 3**

Valuation Techniques – Depreciated Replacement Cost.

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

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

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

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



## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

##### Infrastructure, Property, Plant & Equipment (continued)

##### **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 2010. 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.
- Road were categorised into appropriate groupings such as:
  - \* Sealed/Unsealed
  - \* Urban/Local/Regional
  - \* Urban major/Urban minor/collector
- The network was broken into segments linking to defining geographical features
- Assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives) i.e. seal, pavement, earthworks.

Observable inputs- Construction costs used to assess the replacement cost of the asset. For example Seal cost per m2, Pavement construction per m2, gravel cost

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

##### **Water Supply Network and Sewerage Network – Level 3**

Valuation Techniques – Depreciated Replacement Cost.

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

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##### Infrastructure, Property, Plant & Equipment (continued)

##### Water Supply Network and Sewerage Network – Level 3 (continued)

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

Observable inputs are reference rate costs used to assess the replacement cost of the asset. For example \$/m for reticulation mains

Unobservable inputs include estimates of useful life, condition and residual value.

##### Library Books

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

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

Unobservable inputs - Estimates of useful life and residual value.

##### Tip & 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.

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## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Work in Progress	Plant & Equipment	Office Equipment	Furniture & Fittings	Total
<b>Opening Balance - 1/7/12</b>	11,012	13,590	25	265	24,892
Other movement	7,708	711	(16)	94	8,497
<b>Closing Balance - 30/6/13</b>	<b>18,720</b>	<b>14,301</b>	<b>9</b>	<b>359</b>	<b>33,389</b>
Transfers from/(to) another asset class	(16,651)	10	-	-	(16,641)
Purchases (GBV)	2,409	605	48	-	3,062
Disposals (WDV)	-	(252)	-	-	(252)
Depreciation & Impairment	-	(1,524)	(9)	(58)	(1,591)
Rounding	(1)	8	2	(4)	5
Other movement	(192)	-	-	-	(192)
<b>Closing Balance - 30/6/14</b>	<b>4,285</b>	<b>13,148</b>	<b>50</b>	<b>297</b>	<b>17,780</b>

	Operational Land	Community Land	Land under roads	Land Improvements Non-Deprec	Total
<b>Opening Balance - 1/7/12</b>	32,776	10,601	1,192	1,167	45,736
Other movement	(3,017)	68	11	275	(2,663)
<b>Closing Balance - 30/6/13</b>	<b>29,759</b>	<b>10,669</b>	<b>1,203</b>	<b>1,442</b>	<b>43,073</b>
Transfers from/(to) another asset class	38	-	54	-	92
Purchases (GBV)	258	102	4	-	364
Rounding	-	2	-	2	4
Revaluation Increment to ARR	-	-	8	-	8
<b>Closing Balance - 30/6/14</b>	<b>30,055</b>	<b>10,773</b>	<b>1,269</b>	<b>1,444</b>	<b>43,541</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Land Improvements Depreciable	Buildings Replace- ment Cost	Other Structures	Roads	Total
<b>Opening Balance - 1/7/12</b>	286	-	14,487	212,569	227,342
Adoption of AASB 13	-	48,796	-	-	48,796
Other movement	(25)	-	2,501	495	2,971
<b>Closing Balance - 30/6/13</b>	<b>261</b>	<b>48,796</b>	<b>16,988</b>	<b>213,064</b>	<b>279,109</b>
Transfers from/(to) another asset class	(10)	77	(12,108)	(34,358)	(46,399)
Purchases (GBV)	7	701	1,190	7,666	9,564
Disposals (WDV)	-	(1,224)	-	(1,013)	(2,237)
Depreciation & Impairment	(12)	(1,885)	(295)	(6,559)	(8,751)
Rounding	-	-	4	(4)	-
Reinstatement costs for impaired assets	-	30	35	-	65
<b>Closing Balance - 30/6/14</b>	<b>246</b>	<b>46,495</b>	<b>5,814</b>	<b>178,796</b>	<b>231,351</b>

	Bulk Earthworks	Stormwater Drainage	Water Supply Network	Sewerage Network	Total
<b>Opening Balance - 1/7/12</b>	73,742	5,594	56,947	47,712	183,995
Other movement	928	(21)	2,630	1,492	5,029
<b>Closing Balance - 30/6/13</b>	<b>74,670</b>	<b>5,573</b>	<b>59,577</b>	<b>49,204</b>	<b>189,024</b>
Transfers from/(to) another asset class	-	191	124	15,675	15,990
Purchases (GBV)	612	660	1,018	1,659	3,949
Disposals (WDV)	-	(12)	(30)	(156)	(198)
Depreciation & Impairment	-	(133)	(1,511)	(1,343)	(2,987)
Rounding	(1)	(4)	(1)	-	(6)
Revaluation Increment to ARR	-	-	1,599	1,308	2,907
<b>Closing Balance - 30/6/14</b>	<b>75,281</b>	<b>6,275</b>	<b>60,776</b>	<b>66,347</b>	<b>208,679</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Bridges	Library Books	Tip Reinstate- -ment Asset	Quarry Reinstate- -ment Asset	Total
<b>Opening Balance - 1/7/12</b>	-	587	410	143	1,140
Other movement	-	18	(35)	(47)	(64)
<b>Closing Balance - 30/6/13</b>	<b>-</b>	<b>605</b>	<b>375</b>	<b>96</b>	<b>1,076</b>
Transfers from/(to) another asset class	30,371	-	-	-	30,371
Purchases (GBV)	473	77	120	-	670
Depreciation & Impairment	(668)	(77)	(74)	(6)	(825)
Rounding	-	1	(1)	(2)	(2)
<b>Closing Balance - 30/6/14</b>	<b>30,176</b>	<b>606</b>	<b>420</b>	<b>88</b>	<b>31,290</b>

	Footpaths	Swimming Pools	Other Open Space/ Recreational	Total
Transfers from/(to) another asset class	5,308	3,472	7,807	16,587
Purchases (GBV)	202	10	94	306
Depreciation & Impairment	(132)	(152)	(296)	(580)
<b>Closing Balance - 30/6/14</b>	<b>5,378</b>	<b>3,330</b>	<b>7,605</b>	<b>16,313</b>

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. 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 (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Work in Progress	4,285	Cost Approach			
Plant & Equipment	13,148	Cost Approach	<ul style="list-style-type: none"> <li>Useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>5 - 20 years</li> <li>0% - 35%</li> </ul>	Changes to the replacement value or the life of assets held will impact on fair value.
Office Equipment	50	Cost Approach	<ul style="list-style-type: none"> <li>Useful life</li> </ul>	<ul style="list-style-type: none"> <li>5 -10 years</li> </ul>	Changes to the replacement value or life of assets held will impact fair value.
Furniture & Fittings	297	Cost Approach	<ul style="list-style-type: none"> <li>Useful life</li> </ul>	<ul style="list-style-type: none"> <li>5 - 10 years</li> </ul>	Changes to the replacement value or life of assets held will impact fair value.
Operational Land	30,055	Market Approach	<ul style="list-style-type: none"> <li>Price per square metre</li> </ul>	<ul style="list-style-type: none"> <li>\$0.35 - \$571 per square metre</li> </ul>	Changes in the market value of land would result in changes to fair value measurement
Community Land	10,773	Market Approach	<ul style="list-style-type: none"> <li>VG Price per square metre</li> </ul>	<ul style="list-style-type: none"> <li>Variable</li> </ul>	Changes in the market value of land would result in changes to fair value measurement
Land Under Roads	1,269	Englobo Approach	<ul style="list-style-type: none"> <li>Price per square metre</li> </ul>	<ul style="list-style-type: none"> <li>VG less adjustment factor 90%</li> </ul>	Changes in the market value of land would result in changes to fair value measurement

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Land Improvements – non depreciable	1,444	Cost Approach	<ul style="list-style-type: none"> <li>Cost per square metre</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly between assets</li> </ul>	Cost per square meter will impact fair value
Land Improvements – depreciable	246	Cost Approach	<ul style="list-style-type: none"> <li>Useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>Average 20 year life</li> <li>Variable</li> </ul>	Cost per square meter will impact fair value
Buildings – Replacement Cost	46,495	Cost Approach	<ul style="list-style-type: none"> <li>Condition</li> <li>Useful life</li> <li>Residual value</li> </ul>	<ul style="list-style-type: none"> <li>Good (1) to Poor (5)</li> <li>Varies significantly between components. Ranges from 15 – 100 years</li> <li>0% - 28%</li> </ul>	<p>A change in condition rating by 1 point will have a significant impact.</p> <p>A change in residual value by 10% will have little impact on fair value.</p>
Other Structures	5,814	Cost Approach	<ul style="list-style-type: none"> <li>Condition</li> <li>Useful life</li> </ul>	<ul style="list-style-type: none"> <li>Good (1) to Poor (5)</li> <li>25 – 33 years</li> </ul>	Any amendment to the assets will impact fair value.

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Roads	178,796	Cost Approach	<ul style="list-style-type: none"> <li>• Condition</li> <li>• Useful life</li> <li>• Residual value</li> <li>• Price</li> </ul>	<ul style="list-style-type: none"> <li>• Good (1) to Poor (5)</li> <li>• Seal: 13 years</li> <li>• Pavement: 39 years</li> <li>• Pavement 20%</li> <li>• Bitumen Seal m2 (\$6.50-\$7)</li> <li>• Asphaltic seal m2 \$30</li> <li>• Sealed pavement m2 (\$15.60-\$23.14)</li> <li>• Gravel pavement m2 (\$3.20 - \$4)</li> <li>• Kerb &amp; Gutter \$150/m</li> </ul>	Any change in the replacement schedule, component pricing and asset condition will impact fair value.



## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

<b>Class</b>	<b>Fair Value</b> (30/6/14) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Bridges	30,176	Cost Approach	<ul style="list-style-type: none"> <li>• Condition</li> <li>• Useful life</li> <li>• Price</li> </ul>	<ul style="list-style-type: none"> <li>• Good (1) to Poor (5)</li> <li>• 80 years</li> <li>• Super structure range (\$14,050 - \$126,450)</li> </ul>	Any change in the replacement schedule, component pricing and asset condition will impact fair value.
Footpaths	5,378	Cost Approach	<ul style="list-style-type: none"> <li>• Condition</li> <li>• Useful life</li> <li>• Price</li> </ul>	<ul style="list-style-type: none"> <li>• Good (1) to Poor (5)</li> <li>• 30-75 years</li> <li>• \$20-\$140 m2</li> </ul>	Any change in the replacement schedule, component pricing and asset condition will impact fair value.
Bulk Earthworks	75,281	Cost Approach	<ul style="list-style-type: none"> <li>• Cost per square metre</li> </ul>	<ul style="list-style-type: none"> <li>• \$4.55 - \$5</li> </ul>	Any change in the price will impact fair value.
Stormwater Drainage	6,275	Cost Approach	<ul style="list-style-type: none"> <li>• Useful life</li> <li>• Condition</li> </ul>	<ul style="list-style-type: none"> <li>• 60 to 100 years</li> <li>• Good (1) to Poor (5)</li> </ul>	Changes to useful life, price of materials and condition data will impact fair value assessment.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

<b>Class</b>	<b>Fair Value</b> (30/6/14) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Water Supply Network	60,776	Cost Approach	<ul style="list-style-type: none"> <li>Useful life</li> <li>Condition</li> </ul>	<ul style="list-style-type: none"> <li>25 – 100 years</li> <li>Good (1) to Poor (5)</li> </ul>	Changes to useful life, price of materials and condition data will impact fair value assessment.
Sewerage Network	66,347	Cost Approach	<ul style="list-style-type: none"> <li>Useful life</li> <li>Condition</li> <li>Residual value.</li> </ul>	<ul style="list-style-type: none"> <li>25 - 70 years</li> <li>Good (1) to Poor (5)</li> <li>40% residual for pipe relining</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.
Swimming Pools	3,330	Cost Approach	<ul style="list-style-type: none"> <li>Condition</li> <li>Useful life</li> </ul>	<ul style="list-style-type: none"> <li>Good (1) to Poor (5)</li> <li>7 – 130 years</li> </ul>	Any amendment to the assets will impact fair value.
Other Open Space/Recreational Assets	7,605	Cost Approach	<ul style="list-style-type: none"> <li>Condition</li> <li>Useful life</li> </ul>	<ul style="list-style-type: none"> <li>Good (1) to Poor (5)</li> <li>5 - 180 years</li> </ul>	Any amendment to the assets will impact fair value.
Library Books	606	Cost Approach	<ul style="list-style-type: none"> <li>Useful life</li> </ul>	<ul style="list-style-type: none"> <li>5 – 10 years</li> </ul>	Changes to useful life will impact fair value.
Tip and Quarry Reinstatement Assets	508	Cost Approach	Discounted Future Cash Flow	Anticipated inflation (2.46%-3.63%) Remaining useful life Remediation cost estimates	Any changes in the future cost estimates and discount rate will have an impact on fair value.

## Mid-Western Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 27. Fair Value Measurement (continued)

#### d. The Valuation Process for Level 3 Fair Value Measurements

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

<b>Class</b>	<b>Valuation processes</b>	<b>Description of the process</b>	<b>How (&amp; by who) the valuation processes are decided</b>	<b>How (&amp; by who) analyses the level 3 fair value movement post valuation</b>	<b>Who undertakes the valuations</b>
Roads, Bridges, Footpaths	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition. Sampling of road condition and costing of examples of actual construction.	Council	Council	Council
Bulk Earthworks	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition. Sampling of condition and costing of examples of actual construction.	Council	Council	Council
Stormwater Drainage	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition. Sampling of condition and costing of examples of actual construction.	Council	Council	Council
Water Supply Network	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition. Sampling of condition and costing of examples of actual construction.	Council	Council	Council

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

<b>Class</b>	<b>Valuation processes</b>	<b>Description of the process</b>	<b>How (&amp; by who) the valuation processes are decided</b>	<b>How (&amp; by who) analyses the level 3 fair value movement post valuation</b>	<b>Who undertakes the valuations</b>
Sewerage Network	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition. Sampling of condition and costing of examples of actual construction.	Council	Council	Council
Swimming Pools	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition.	Council	Council	Council
Other Open Space/Recreational Assets	Depreciated Replacement Cost	Analysis of data and physical inspection of assets to review condition.	Council	Council	Council
Library Books	Depreciated historic cost	Review of asset register and useful life of assets	Council	Council	Council
Tip and Quarry Reinstatement Assets	Cost estimate of future liability	Estimate remaining life and future reinstatement costs discounted back to present value	Council	Council	Council

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

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

## Mid-Western Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 28. Council Information & Contact Details

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**Principal Place of Business:**

86 Market Street  
Mudgee NSW 2850

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

PO Box 156  
Mudgee NSW 2850

**Opening Hours:**

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

**Telephone:** 02 6378 2850

**Facsimile:** 02 6378 2815

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

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

**Officers****GENERAL MANAGER**

Mr Brad Cam

**RESPONSIBLE ACCOUNTING OFFICER**

Mrs Leonie Johnson

**PUBLIC OFFICER**

Mr Simon Jones

**AUDITORS**

Intentus Chartered Accountants  
14 Sale Street  
Orange NSW 2800

**Elected Members****MAYOR**

Mr Des Kennedy

**COUNCILLORS**

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

**Other Information**

**ABN:** 96 149 391 332

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

**Report on the Financial Statements**

We have audited the accompanying general purpose financial statements of Mid-Western Regional Council for the financial year ended 30 June 2014. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements.

**Councils' Responsibility for the Financial Statements**

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

**Auditors Responsibility**

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

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

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

**Independence**

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

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

This auditor's report relates to the general purpose financial statements of Mid-Western Regional Council (Council) for the year ended 30 June 2014 included on Council's web site. Council is responsible for the integrity of their web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

## **Audit Opinion**

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2;
- (b) the Council's financial statements:
  - (i) have been prepared in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and cashflows; and
  - (iv) are in accordance with applicable Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.

The logo for intentus, featuring the word "intentus" in a lowercase, cursive script font.

**intentus**

14 Sale Street  
Orange, NSW  
Dated: 23 October, 2014

A handwritten signature in black ink, appearing to read "John O'Malley".

**John O'Malley**  
**Director**



23 October 2014

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

Dear Mr Mayor

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT - Section 417(3)  
MID-WESTERN REGIONAL COUNCIL YEAR ENDED 30 JUNE 2014**

We advise having completed our audit of the financial statements of Mid-Western Regional Council for the financial year ended 30 June 2014. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417 of the Local Government Act 1993 we submit our report on the conduct of the audit of Mid-Western Regional Council for the year ended 30 June 2014. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

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

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

**Auditor's Responsibility**

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

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

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

## Review of Financial Results

### (a) Operating Result

As disclosed in Council's Income Statement the year's operations resulted in a net operating result of \$5,192,000 (2013 - \$12,176,000). Selected items of note in the operating statement include:

#### Revenue

- The operating result from ordinary activities *before* capital amounts was a deficit of \$5,021,000 (2013 deficit – \$1,240,000).
- User charges and fees increased \$2,328,000 (18.7%) to \$14,773,000 (2013 - \$12,445,000). The increase was mainly attributable to increased works performed for Roads and Maritime Services on State owned roads, in particular the sealing works on Sydney Road and road widening.
- Operating grants and contributions were \$3,273,000 down on the prior year. This was mainly due to the first two instalments of the 2013/14 Federal (FAG) grants being paid and recognised as income during the 2012/13 financial year. As such, this represents a timing difference rather than a loss of revenue.
- Capital grants and contributions were down by \$3,203,000 (23.8%) to \$10,213,000 (2013 - \$13,416,000). The 2013 year saw developer contributed assets of \$2,022,000 and roads and bridges contributions of \$2,835,000. The equivalent values this year were \$196,000 and \$516,000.

#### Expenditure

- Depreciation expense increased \$1,479,000 to \$14,947,000 (2013 - \$13,468,000). The increase follows the revaluation of buildings in 2013 leading to an increase in the annual charge by \$1,011,000. The balance of the increase was due to replacement of plant and equipment.
- Other expenses grew by \$429,000 (7.6%) to \$6,058,000 (2013 - \$5,629,000). The increase is largely due to a change in classification of expenses such as printing and stationery and computer software charges that had previously been included in the Materials & Contracts line item.

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



Chartered Accountants



Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

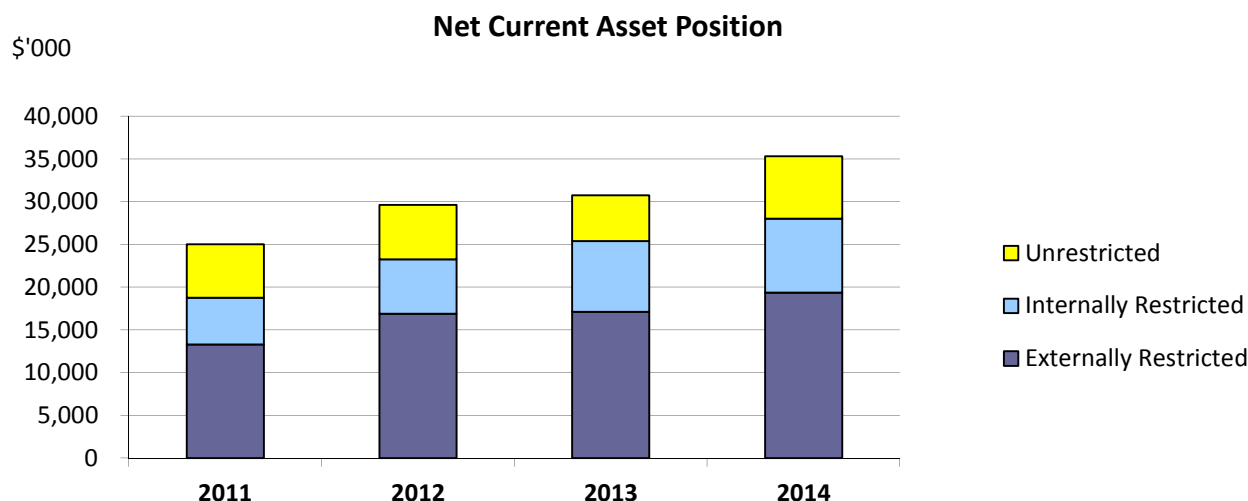
**(b) Financial Position**

The Statement of Financial Position discloses that for the year ended 30 June 2014 Council's net assets stood at \$568,485,000 (2013 - \$560,365,000), which represents an increase of \$8,120,000. That movement is comprised of the net operating surplus after capital amounts of \$5,192,000 combined with the net asset revaluation increment of \$2,915,000 relating to the revaluation of Council's buildings and operational land. There was also a transfer to the Available for Sale Reserve of \$13,000 following the disposal of the last of Council's available for sale financial investments.

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

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Current Assets</b>	<b>35,327</b>	<b>30,750</b>
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(26,143)	(24,118)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(8,631)	(8,272)
Add: Applicable current liabilities refer Note 10		
- Water	768	821
- Sewerage	634	853
- Domestic Waste Management	222	154
- Other (Trust Deposits)	934	1,248
Add: Employee Leave Entitlements to be paid > 12 months	4,201	3,926
<b>Unrestricted net current asset surplus/(deficit)</b>	<b>7,312</b>	<b>5,362</b>
<b>Unrestricted net current assets comprise: -</b>		
Assets		
Cash	7,861	6,433
Receivables	5,113	4,356
Inventories	896	1,084
Less: General Purpose Liabilities	(10,759)	(10,437)
Plus: Employee Leave Entitlements to be paid > 12 months	4,201	3,926
<b>Unrestricted net current asset surplus/(deficit)</b>	<b>7,312</b>	<b>5,362</b>

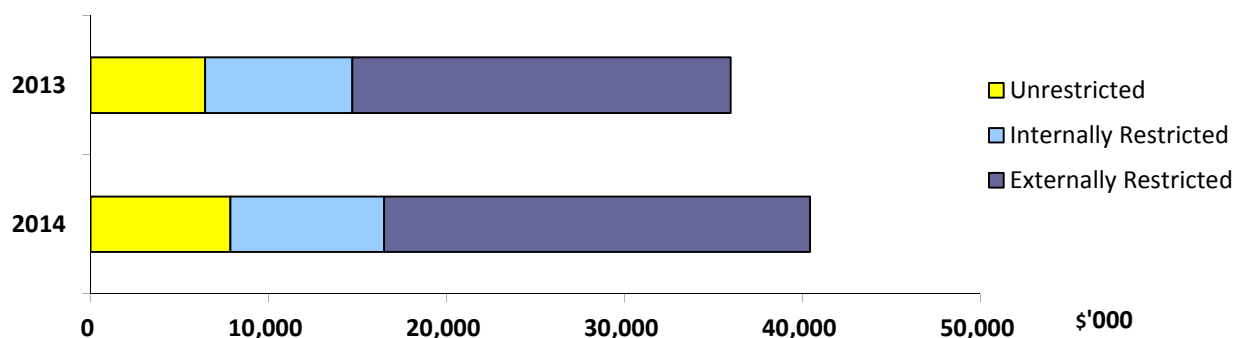
Council's continues to enjoy a surplus of net current assets to cover the restrictions placed on those assets.



## Liquidity

Note 6 to the accounts discloses total cash and investments of \$40,444,000 (2013 - \$35,982,000), of this amount \$23,952,000 (2013 - \$21,277,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$8,631,000 (2013 - \$8,272,000) is subject to internal restrictions agreed upon by Council for designated purposes. These internal restrictions may be altered at the discretion of Council, consistent with its operational / delivery plan.

The unrestricted balance of \$7,861,000 (2013 - \$6,433,000) represents liquid assets available to cover non-budgeted discretionary expenditure and meet short-term cash flow requirements. The extent of unrestricted cash and investments speaks to Council's strong financial position.



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

### (c) Performance Indicators

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

#### Operating Performance Ratio

This is a new ratio that expresses council's ability to keep operating expenses, including depreciation, within its continuing operating revenue. The outcome of negative 6.84% (2013 – positive 2.07%) represents the shortfall between continuing operating revenue and continuing operating expenses. The sharp decline in this ratio has several contributors, but in particular the prepayment of the 2014 Federal Assistance Grant in 2013 has served to boost the ratio in that year and suppress it in 2014.

#### Unrestricted Current Ratio

The Unrestricted Current Ratio is a measure of Council's liquidity that demonstrates its ability to satisfy obligations out of short-term and immediate asset balances. Council's ratio of 3.43:1 indicates that it is comfortably able to settle its debts as and when they fall due.

#### Debt Service Cover Ratio

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

At 4.86 times (2013 – 3.90) Mid-Western Regional Council's ratio indicates that it can comfortably meet its current levels of debt.

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

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

Mid-Western Regional Council's rates and annual charges outstanding percentage of 4.07% (2013 - 5.25%) continues to indicate very effective debtor management.

### (d) Cash Flow Statement

The Statement of Cash Flows provides information regarding the movement in cash and cash-equivalents, which are highly liquid and have an original term to maturity of less than three months. The current year reports a net decrease in cash assets held of \$11,601,000 (2013 – decrease \$14,754,000) as follows:

	2014 \$'000	2013 \$'000	Movement \$'000
<b>Cash flow provided by / (used in)</b>			
Operating activities	22,531	24,136	(1,605)
Investing activities	(32,873)	(46,428)	13,555
Financing activities	(1,259)	7,538	(8,797)
Net increase / (decrease) in cash held	(11,601)	(14,754)	3,153

#### Cash flows from operating activities

The cashflows from operating activities have decreased due to the timing of receipts from RMS for user charges. At 30 June 2014 there was \$1.6M in RMS receivables, the bulk of which was paid in early August. Other negative impacts were higher outflows for employees and materials utilised for maintenance.

#### Cash flows from investing activities

Cash outflows related to acquisitions of infrastructure, property, plant and equipment were down by \$17,230,000 were partly offset by the net purchase of investments (> 3 months to maturity) which were up by \$3,063,000.

#### Cash flows from financing activities

The net cash flow used in financing activities was \$1,259,000 (2013 inflow - \$7,538,000), which related solely to the repayment of borrowings during the year.

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

Council's surplus from ordinary activities after capital amounts of \$5,192,000 was \$901,000 less than Council's original estimates.

It is beyond the purpose of this report to provide a detailed analysis of individual budget variations. Note 16 to Council's financial statements addresses the contributing factors to these variations in detail.

**(f) Other Matters**

**National Competition Policy**

In accordance with the requirements of National Competition Policy guidelines, Mid-Western Regional Council has prepared special purpose financial statements on its business units for the year ended 30 June 2014. Council has determined that it has four business units within its operations: Water Supply, Sewerage Services, Private Works and Sale Yards.

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

An unqualified audit report on the special purpose statements for the year ended 30 June 2014 has been issued.

**Management Letters**

Our most recent management letter was issued on 20 June 2014. Matters raised via management letters have been satisfactorily addressed.

**(g) Progress of Asset Revaluation Program**

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

**(h) Legislative compliance**

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

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

This auditor's report relates to the financial statements of Mid-Western Regional Council (Council) for the year ended 30 June 2014 included on Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

## Conclusion

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

*intentus*

**intentus**

14 Sale Street  
Orange, NSW  
Dated: 23 October, 2014

*John O'Malley*  
**John O'Malley**  
**Director**

# Mid-Western Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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





## Mid-Western Regional Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	<b>2</b>
<b>2. Special Purpose Financial Statements:</b>	
Income Statement - Water Supply Business Activity	3
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
<b>3. Notes to the Special Purpose Financial Statements</b>	<b>9</b>
<b>4. Auditor's Report</b>	<b>18</b>

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#### Background

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

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

## Mid-Western Regional Council

### Special Purpose Financial Statements for the financial year ended 30 June 2014

### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

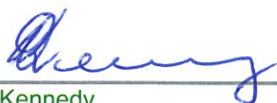
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.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

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

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

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

**Signed in accordance with a resolution of Council made on 17 September 2014.**



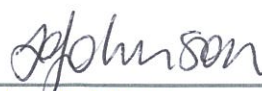
Mr Des Kennedy  
MAYOR



Mr Paul Cavalier  
COUNCILLOR



Mr Brad Cam  
GENERAL MANAGER



Mrs Leonie Johnson  
RESPONSIBLE ACCOUNTING OFFICER

## Mid-Western Regional Council

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

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	1,118	961
User charges	5,260	4,732
Fees	-	-
Interest	275	231
Grants and contributions provided for non capital purposes	67	62
Profit from the sale of assets	-	-
Other income	2	6
<b>Total income from continuing operations</b>	<b>6,722</b>	<b>5,992</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,338	1,066
Borrowing costs	262	284
Materials and contracts	1,234	1,119
Depreciation and impairment	1,517	1,450
Water purchase charges	-	-
Loss on sale of assets	30	90
Calculated taxation equivalents	37	18
Debt guarantee fee (if applicable)	-	-
Other expenses	1,457	1,533
<b>Total expenses from continuing operations</b>	<b>5,875</b>	<b>5,560</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>847</b>	<b>432</b>
Grants and contributions provided for capital purposes	1,285	1,319
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>2,132</b>	<b>1,751</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>2,132</b>	<b>1,751</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(254)	(130)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,878</b>	<b>1,621</b>
plus Opening Retained Profits	48,417	46,548
plus/less: Prior Period Adjustments	4	-
plus/less: Other Adjustments - Disposals transfer from ARR	13	100
<b>plus Adjustments for amounts unpaid:</b>		
- Taxation equivalent payments	37	18
- Debt guarantee fees	-	-
- Corporate taxation equivalent	254	130
<b>less:</b>		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
<b>Closing Retained Profits</b>	<b>50,603</b>	<b>48,417</b>
<b>Return on Capital %</b>	<b>1.8%</b>	<b>1.2%</b>
<b>Subsidy from Council</b>	<b>1,127</b>	<b>1,609</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,878	1,621
less: Capital grants and contributions (excluding developer contributions)	(1,285)	(531)
<b>Surplus for dividend calculation purposes</b>	<b>593</b>	<b>1,090</b>
<b>Potential Dividend calculated from surplus</b>	<b>296</b>	<b>545</b>

## Mid-Western Regional Council

### Income Statement of Council's Sewerage Business Activity for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	4,267	3,729
User charges	651	551
Liquid Trade Waste charges	-	-
Fees	-	-
Interest	190	402
Grants and contributions provided for non capital purposes	60	59
Profit from the sale of assets	-	-
Other income	31	147
<b>Total income from continuing operations</b>	<b>5,199</b>	<b>4,888</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,086	871
Borrowing costs	654	678
Materials and contracts	613	560
Depreciation and impairment	1,356	1,344
Loss on sale of assets	156	64
Calculated taxation equivalents	-	6
Debt guarantee fee (if applicable)	-	-
Other expenses	1,188	1,183
<b>Total expenses from continuing operations</b>	<b>5,053</b>	<b>4,706</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>146</b>	<b>182</b>
Grants and contributions provided for capital purposes	2,192	4,345
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>2,338</b>	<b>4,527</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>2,338</b>	<b>4,527</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(44)	(55)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,294</b>	<b>4,472</b>
plus Opening Retained Profits	41,249	36,679
plus/less: Prior Period Adjustments	6	-
plus/less: Other Adjustments - Disposals Transfer from ARR	511	37
<b>plus Adjustments for amounts unpaid:</b>		
- Taxation equivalent payments	-	6
- Debt guarantee fees	-	-
- Corporate taxation equivalent	44	55
<b>less:</b>		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
<b>Closing Retained Profits</b>	<b>44,104</b>	<b>41,249</b>
<b>Return on Capital %</b>	<b>1.1%</b>	<b>1.3%</b>
<b>Subsidy from Council</b>	<b>1,719</b>	<b>1,718</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,294	4,472
less: Capital grants and contributions (excluding developer contributions)	(2,192)	(3,918)
<b>Surplus for dividend calculation purposes</b>	<b>102</b>	<b>554</b>
<b>Potential Dividend calculated from surplus</b>	<b>51</b>	<b>277</b>

## Mid-Western Regional Council

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

for the financial year ended 30 June 2014

	Private Works		Saleyards	
	Category 2		Category 2	
\$ '000	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	293	275	302	313
Fees	-	-	-	-
Interest	2	8	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	22	20
<b>Total income from continuing operations</b>	<b>295</b>	<b>283</b>	<b>324</b>	<b>333</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	49	41	99	104
Borrowing costs	-	-	3	2
Materials and contracts	131	144	45	52
Depreciation and impairment	-	-	163	72
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	-	-	101	106
<b>Total expenses from continuing operations</b>	<b>180</b>	<b>185</b>	<b>411</b>	<b>336</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>115</b>	<b>98</b>	<b>(87)</b>	<b>(3)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>115</b>	<b>98</b>	<b>(87)</b>	<b>(3)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>115</b>	<b>98</b>	<b>(87)</b>	<b>(3)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(35)	(29)	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>81</b>	<b>69</b>	<b>(87)</b>	<b>(3)</b>
plus Opening Retained Profits	100	252	323	326
plus/less: Prior Period Adjustments	-	-	(3)	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	35	29	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	(250)	-	-
<b>Closing Retained Profits</b>	<b>215</b>	<b>100</b>	<b>233</b>	<b>323</b>
Return on Capital %	n/a	n/a	-1.5%	0.0%
Subsidy from Council	-	-	285	-

## Mid-Western Regional Council

### Statement of Financial Position - Council's Water Supply Business Activity as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,890	4,914
Investments	5,839	-
Receivables	1,009	1,574
Inventories	249	290
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>8,987</b>	<b>6,778</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	62,813	61,673
Investments accounted for using equity method	-	-
Investment property	-	-
Other	3	3
<b>Total non-Current Assets</b>	<b>62,816</b>	<b>61,676</b>
<b>TOTAL ASSETS</b>	<b>71,803</b>	<b>68,454</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	399	303
Interest bearing liabilities	369	347
Provisions	-	171
<b>Total Current Liabilities</b>	<b>768</b>	<b>821</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	3,489	3,858
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>3,489</b>	<b>3,858</b>
<b>TOTAL LIABILITIES</b>	<b>4,257</b>	<b>4,679</b>
<b>NET ASSETS</b>	<b>67,546</b>	<b>63,775</b>
<b>EQUITY</b>		
Retained earnings	50,603	48,417
Revaluation reserves	16,943	15,358
Council equity interest	67,546	63,775
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>67,546</b>	<b>63,775</b>

## Mid-Western Regional Council

### Statement of Financial Position - Council's Sewerage Business Activity as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,609	5,240
Investments	4,972	-
Receivables	699	1,284
Inventories	17	26
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>7,297</b>	<b>6,550</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	70,758	68,377
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>70,758</b>	<b>68,377</b>
<b>TOTAL ASSETS</b>	<b>78,055</b>	<b>74,927</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	323	550
Interest bearing liabilities	311	303
Provisions	-	-
<b>Total Current Liabilities</b>	<b>634</b>	<b>853</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	9,587	9,892
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>9,587</b>	<b>9,892</b>
<b>TOTAL LIABILITIES</b>	<b>10,221</b>	<b>10,745</b>
<b>NET ASSETS</b>	<b>67,834</b>	<b>64,182</b>
<b>EQUITY</b>		
Retained earnings	44,104	41,249
Revaluation reserves	23,730	22,933
Council equity interest	67,834	64,182
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>67,834</b>	<b>64,182</b>

## Mid-Western Regional Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

	Private Works		Saleyards	
	Category 2		Category 2	
\$ '000	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	168	100	(887)	(914)
Investments	-	-	-	-
Receivables	47	-	33	4
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>215</b>	<b>100</b>	<b>(854)</b>	<b>(910)</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	5,643	5,788
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>5,643</b>	<b>5,788</b>
<b>TOTAL ASSETS</b>	<b>215</b>	<b>100</b>	<b>4,789</b>	<b>4,878</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	-	-	14	5
Interest bearing liabilities	-	-	8	8
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>13</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	37	45
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>45</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>59</b>	<b>58</b>
<b>NET ASSETS</b>	<b>215</b>	<b>100</b>	<b>4,730</b>	<b>4,820</b>
<b>EQUITY</b>				
Retained earnings	215	100	233	323
Revaluation reserves	-	-	4,497	4,497
Council equity interest	<b>215</b>	<b>100</b>	<b>4,730</b>	<b>4,820</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>215</b>	<b>100</b>	<b>4,730</b>	<b>4,820</b>



## Mid-Western Regional Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

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

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

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

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

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

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

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

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

#### Declared Business Activities

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

##### Category 1

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

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

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

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

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

##### Category 2

(where gross operating turnover is less than \$2 million)

##### a. Mid-Western Regional Council Private Works

Comprising the whole of the activities and net assets utilised in providing Private Works to the public and other agencies.

##### b. Mid-Western Regional Council Saleyards

Comprising the whole of the activities and net assets utilised in providing a facility for the conduct of livestock sales.

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

##### (i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

##### Notional Rate Applied %

###### Corporate Income Tax Rate – 30%

Land Tax – The first **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation

equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

##### Local Government Rates & Charges

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

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

##### Loan & 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 the council’s borrowing rate for its business activities.

##### (ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

##### (iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

The actual rate of return achieved by each Business Activity is disclosed at the foot of each respective Income Statement.

##### (iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2014 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 2. Water Supply Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

##### 1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	37,000
(ii)	No of assessments multiplied by \$3/assessment	24,744
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	24,744
(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]	296,450
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	222,696
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	1,643,300

2014 Surplus	592,900	2013 Surplus	1,090,400	2012 Surplus	(40,000)
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	222,696
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

##### 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	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

#### National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	7,182
<b>NWI F4</b>	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	77.51%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	62,813
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	4,037
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,081
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	2.59%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	600

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 3. Sewerage Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

##### 1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	21,435
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(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]	51,100
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	214,350
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	1,079,097

2014 Surplus	102,200	2013 Surplus	554,400	2012 Surplus	422,497
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	51,100
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

##### 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]	NO
	(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 & Policy [Item 2(f) in Table 1]	NO
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO



## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

##### 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	5,570
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	70,758
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	2,957
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	2,583
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 (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	1.78%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	1,715

##### National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	12,566
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.00%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	3,664
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	2.16%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%



## Mid-Western Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

#### National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

<b>NWI F22</b>	Net Debt to Equity (Water & Sewerage)	%	<b>-0.41%</b>
	Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]		
<b>NWI F23</b>	Interest Cover (Water & Sewerage)		<b>6</b>
	Earnings before Interest & Tax (EBIT) divided by Net Interest		
	Earnings before Interest & Tax (EBIT):		<b>2,885</b>
	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:		<b>507</b>
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage)	\$'000	<b>2,192</b>
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage)	\$'000	<b>126</b>
	Grants for Pensioner Rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

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

**Report on the Financial Statements**

We have audited the special purpose financial statements of Mid-Western Regional Council for the year ended 30 June 2014, comprising the Statement by Council, Income Statement by Business Activities, Statement of Financial Position by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

**Councils' Responsibility for the Financial Statements**

The Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

**Independence**

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

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

This auditor's report relates to the special purpose financial statements of Mid-Western Regional Council (Council) for the year ended 30 June 2014 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

## Audit Opinion

In our opinion, the special purpose financial statements of Mid-Western Regional Council are presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

## Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statement, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.

*intentus*

**intentus**

14 Sale Street  
Orange, NSW  
Dated: 23 October, 2014

*John O'Malley*  
**John O'Malley**  
**Director**



Chartered Accountants



Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

# Mid-Western Regional Council

SPECIAL SCHEDULES

for the year ended 30 June 2014

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



# Mid-Western Regional Council

## Special Schedules

for the financial year ended 30 June 2014

## Contents

Page

### Special Schedules<sup>1</sup>

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	5
- Special Schedule No. 4	Water Supply - Statement of Financial Position	9
- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	10
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	14
- Notes to Special Schedules No. 3 & 5		15
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2014)	16
- Special Schedule No. 8	Financial Projections	22
- Special Schedule No. 9	Permissible Income Calculation	23

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

### 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 No. 1 - Net Cost of Services for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>436</b>	<b>14</b>	<b>-</b>	<b>(422)</b>
<b>Administration</b>	<b>8,564</b>	<b>1,293</b>	<b>1,351</b>	<b>(5,920)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	1,056	466	19	<b>(571)</b>
Beach Control	-	-	-	<b>-</b>
Enforcement of Local Govt. Regulations	-	-	-	<b>-</b>
Animal Control	174	30	-	<b>(144)</b>
Other	83	71	-	<b>(12)</b>
<b>Total Public Order &amp; Safety</b>	<b>1,313</b>	<b>567</b>	<b>19</b>	<b>(727)</b>
<b>Health</b>	<b>262</b>	<b>158</b>	<b>-</b>	<b>(104)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	806	278	-	<b>(528)</b>
Other Environmental Protection	142	34	-	<b>(108)</b>
Solid Waste Management	4,024	5,175	-	<b>1,151</b>
Street Cleaning	216	-	-	<b>(216)</b>
Drainage	721	-	109	<b>(612)</b>
Stormwater Management	-	-	-	<b>-</b>
<b>Total Environment</b>	<b>5,909</b>	<b>5,487</b>	<b>109</b>	<b>(313)</b>
<b>Community Services and Education</b>				
Administration & Education	233	122	-	<b>(111)</b>
Social Protection (Welfare)	-	-	-	<b>-</b>
Aged Persons and Disabled	1,021	1,100	4	<b>83</b>
Children's Services	1,049	1,088	-	<b>39</b>
<b>Total Community Services &amp; Education</b>	<b>2,303</b>	<b>2,310</b>	<b>4</b>	<b>11</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	390	233	-	<b>(157)</b>
Public Conveniences	51	(2)	-	<b>(53)</b>
Street Lighting	299	34	-	<b>(265)</b>
Town Planning	1,784	637	-	<b>(1,147)</b>
Other Community Amenities	151	54	14	<b>(83)</b>
<b>Total Housing and Community Amenities</b>	<b>2,675</b>	<b>956</b>	<b>14</b>	<b>(1,705)</b>
<b>Water Supplies</b>	<b>5,125</b>	<b>6,650</b>	<b>1,363</b>	<b>2,888</b>
<b>Sewerage Services</b>	<b>4,325</b>	<b>5,179</b>	<b>2,219</b>	<b>3,073</b>

# Mid-Western Regional Council

## Special Schedule No. 1 - Net Cost of Services (continued) for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	1,028	173	-	(855)
Museums	20	-	-	(20)
Art Galleries	-	-	-	-
Community Centres and Halls	342	92	11	(239)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	2,389	67	98	(2,224)
Swimming Pools	1,153	64	-	(1,089)
Parks & Gardens (Lakes)	993	83	166	(744)
Other Sport and Recreation	-	-	-	-
<b>Total Recreation and Culture</b>	<b>5,925</b>	<b>479</b>	<b>275</b>	<b>(5,171)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	539	252	-	(287)
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	<b>539</b>	<b>252</b>	<b>-</b>	<b>(287)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	1,914	70	548	(1,296)
Urban Roads - Regional	23	-	-	(23)
Sealed Rural Roads (SRR) - Local	3,472	66	1,051	(2,355)
Sealed Rural Roads (SRR) - Regional	3,089	1,950	2,938	1,799
Unsealed Rural Roads (URR) - Local	2,663	12	-	(2,651)
Unsealed Rural Roads (URR) - Regional	111	224	-	113
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	400	-	-	(400)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	344	99	-	(245)
Parking Areas	460	29	-	(431)
Footpaths	222	-	254	32
Aerodromes	277	74	-	(203)
Other Transport & Communication	5,102	5,555	-	453
<b>Total Transport and Communication</b>	<b>18,077</b>	<b>8,079</b>	<b>4,791</b>	<b>(5,207)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	58	125	-	67
Other Economic Affairs	1,241	1,149	68	(24)
<b>Total Economic Affairs</b>	<b>1,299</b>	<b>1,274</b>	<b>68</b>	<b>43</b>
<b>Totals – Functions</b>	<b>56,752</b>	<b>32,698</b>	<b>10,213</b>	<b>(13,841)</b>
<b>General Purpose Revenues <sup>(2)</sup></b>		<b>19,033</b>		<b>19,033</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	-		-
<b>NET OPERATING RESULT <sup>(1)</sup></b>	<b>56,752</b>	<b>51,731</b>	<b>10,213</b>	<b>5,192</b>

(1) As reported in the Income Statement

(2) Includes: Rates &amp; Annual Charges (incl. Ex Gratia, excl. Water &amp; Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) &amp; Interest on overdue Rates &amp; Annual Charges

## Mid-Western Regional Council

### Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	5	15	20	-	5	-	-	2	5	10	15
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	1,249	20,491	21,740	-	1,254	-	-	1,343	1,328	19,158	20,486
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Loans</b>	<b>1,254</b>	<b>20,506</b>	<b>21,760</b>	<b>-</b>	<b>1,259</b>	<b>-</b>	<b>-</b>	<b>1,345</b>	<b>1,333</b>	<b>19,168</b>	<b>20,501</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Debt</b>	<b>1,254</b>	<b>20,506</b>	<b>21,760</b>	<b>-</b>	<b>1,259</b>	<b>-</b>	<b>-</b>	<b>1,345</b>	<b>1,333</b>	<b>19,168</b>	<b>20,501</b>

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).



## Mid-Western Regional Council

### Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>A Expenses and Income</b> <b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	309	307
b. Engineering and Supervision	938	852
<b>2. Operation and Maintenance expenses</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
<b>- Mains</b>		
c. Operation expenses	-	-
d. Maintenance expenses	783	716
<b>- Reservoirs</b>		
e. Operation expenses	105	110
f. Maintenance expenses	164	139
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	80	51
h. Energy costs	138	120
i. Maintenance expenses	57	73
<b>- Treatment</b>		
j. Operation expenses (excluding chemical costs)	747	676
k. Chemical costs	280	256
l. Maintenance expenses	321	325
<b>- Other</b>		
m. Operation expenses	-	-
n. Maintenance expenses	-	-
o. Purchase of water	115	94
<b>3. Depreciation expenses</b>		
a. System assets	1,517	1,449
b. Plant and equipment	-	-
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	262	284
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
<b>5. Total expenses</b>	<b>5,816</b>	<b>5,452</b>

## Mid-Western Regional Council

### Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	1,122	739
b. Usage charges	3,866	3,375
<b>7. Non-residential charges</b>		
a. Access (including rates)	-	222
b. Usage charges	1,212	1,205
<b>8. Extra charges</b>	42	28
<b>9. Interest income</b>	233	203
<b>10. Other income</b>	188	158
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	-	-
<b>11. Grants</b>		
a. Grants for acquisition of assets	600	41
b. Grants for pensioner rebates	66	62
c. Other grants	1	-
<b>12. Contributions</b>		
a. Developer charges	685	788
b. Developer provided assets	-	490
c. Other contributions	-	-
<b>13. Total income</b>	<b>8,015</b>	<b>7,311</b>
<b>14. Gain (or loss) on disposal of assets</b>	(30)	(90)
<b>15. Operating Result</b>	<b>2,169</b>	<b>1,769</b>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	1,569	1,728

## Mid-Western Regional Council

### Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	-	8
b. New Assets for Growth	105	529
c. Renewals	976	647
d. Plant and equipment	-	-
<b>17. Repayment of debt</b>		
a. Loans	347	325
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<b>1,428</b>	<b>1,509</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	-	-
<b>21. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	<b>-</b>	<b>-</b>
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	6,687	6,549
b. Residential (unoccupied, ie. vacant lot)	629	616
c. Non-residential (occupied)	799	783
d. Non-residential (unoccupied, ie. vacant lot)	133	130
<b>25. Number of ETs for which developer charges were received</b>	- ET	100 ET
<b>26. Total amount of pensioner rebates (actual dollars)</b>	\$ 119,887	\$ 111,847

## Mid-Western Regional Council

### Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
<b>a.</b> Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/> NO	
If Yes, go to 28a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/> YES	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
<b>b.</b> Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
<b>d.</b> Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
<b>a.</b> Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
<b>b.</b> Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)			<input type="text" value="684,936"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b + 27c + 27d + 28b)</b>			<input type="text" value="684,936"/>

\* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

## Mid-Western Regional Council

## Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	3,206	-	3,206
b. Special purpose grants	43	-	43
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	4,482	-	4,482
<b>31. Receivables</b>			
a. Specific purpose grants	11	-	11
b. Rates and Availability Charges	37	-	37
c. User Charges	950	-	950
d. Other	9	-	9
<b>32. Inventories</b>	249	-	249
<b>33. Property, plant and equipment</b>			
a. System assets		62,813	62,813
b. Plant and equipment	-	-	-
<b>34. Other assets</b>	3	-	3
<b>35. Total assets</b>	<b>8,990</b>	<b>62,813</b>	<b>71,803</b>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	399	-	399
<b>38. Borrowings</b>			
a. Loans	369	3,489	3,858
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>40. Total liabilities</b>	<b>768</b>	<b>3,489</b>	<b>4,257</b>
<b>41. NET ASSETS COMMITTED</b>	<b>8,222</b>	<b>59,324</b>	<b>67,546</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			50,603
<b>43. Asset revaluation reserve</b>			16,943
<b>44. TOTAL EQUITY</b>			<b>67,546</b>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			104,934
<b>46. Accumulated current cost</b> depreciation of system assets			(42,121)
<b>47. Written down current cost</b> of system assets			62,813

## Mid-Western Regional Council

### Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>A Expenses and Income</b> <b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	346	136
b. Engineering and Supervision	798	846
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	-	-
b. Maintenance expenses	543	468
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	131	108
d. Energy costs	92	59
e. Maintenance expenses	59	50
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	553	589
g. Chemical costs	47	18
h. Energy costs	180	84
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	208	256
<b>- Other</b>		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
<b>3. Depreciation expenses</b>		
a. System assets	1,356	1,344
b. Plant and equipment	-	-
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	654	678
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
<b>5. Total expenses</b>	<b>4,967</b>	<b>4,636</b>

## Mid-Western Regional Council

### Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	4,273	3,504
<b>7. Non-residential charges</b>		
a. Access (including rates)	-	225
b. Usage charges	620	531
<b>8. Trade Waste Charges</b>		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	14	13
<b>10. Interest income</b>	176	389
<b>11. Other income</b>	126	167
<b>11a. Aboriginal Communities Water &amp; Sewerage Program</b>	-	-
<b>12. Grants</b>		
a. Grants for acquisition of assets	1,715	2,664
b. Grants for pensioner rebates	60	59
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	477	427
b. Developer provided assets	-	1,254
c. Other contributions	-	-
<b>14. Total income</b>	<b>7,461</b>	<b>9,233</b>
<b>15. Gain (or loss) on disposal of assets</b>	(156)	(64)
<b>16. Operating Result</b>	<b>2,338</b>	<b>4,533</b>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	623	1,869

## Mid-Western Regional Council

### Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	2,179	5,715
c. Renewals	404	5,538
d. Plant and equipment	-	-
<b>18. Repayment of debt</b>		
a. Loans	297	406
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<b>2,880</b>	<b>11,659</b>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	-	-
<b>22. Borrowing utilised</b>		
a. Loans	-	6,614
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<b>-</b>	<b>6,614</b>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	5,866	5,727
b. Residential (unoccupied, ie. vacant lot)	580	566
c. Non-residential (occupied)	615	615
d. Non-residential (unoccupied, ie. vacant lot)	84	84
<b>26. Number of ETs for which developer charges were received</b>	- ET	119 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 108,850	\$ 107,504



## Mid-Western Regional Council

### Special Schedule No. 5 - Sewerage Cross Subsidies for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
<b>a.</b> Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox" value="NO"/>	
If Yes, go to 29a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox" value="YES"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
<b>b.</b> Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
<b>a.</b> Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox" value="YES"/>	<input type="checkbox"/>	
<b>b.</b> Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text" value="476,612"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text" value="476,612"/>

\* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

## Mid-Western Regional Council

### Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	1,397	-	1,397
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	5,184	-	5,184
<b>32. Receivables</b>			
a. Specific purpose grants	404	-	404
b. Rates and Availability Charges	144	-	144
c. User Charges	151	-	151
d. Other	-	-	-
<b>33. Inventories</b>	17	-	17
<b>34. Property, plant and equipment</b>			
a. System assets	-	70,758	70,758
b. Plant and equipment	-	-	-
<b>35. Other assets</b>	-	-	-
<b>36. Total Assets</b>	<b>7,297</b>	<b>70,758</b>	<b>78,055</b>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	323	-	323
<b>39. Borrowings</b>			
a. Loans	311	9,587	9,898
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>41. Total Liabilities</b>	<b>634</b>	<b>9,587</b>	<b>10,221</b>
<b>42. NET ASSETS COMMITTED</b>	<b>6,663</b>	<b>61,171</b>	<b>67,834</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			44,104
<b>44. Asset revaluation reserve</b>			23,730
<b>45. TOTAL EQUITY</b>			<b>67,834</b>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			109,953
<b>47. Accumulated current cost</b> depreciation of system assets			(39,195)
<b>48. Written down current cost</b> of system assets			<b>70,758</b>

## Mid-Western Regional Council

### Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2014

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

**Impairment Losses** (item 4d & 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** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

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

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

#### Notes:

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

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

# Mid-Western Regional Council

## Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>				
						1	2	3	4	5
Buildings	Council Offices / Administration Centres	130	130	109	6,595	25%	50%	25%		0%
	Council Works Depot	202	20	14	8,321		33%	67%		0%
	Council Public Halls	605	130	81	4,957	5%	10%	80%	5%	0%
	Council Houses	85	60	58	8,320		85%	15%		0%
	Museum	200	1	-	529			100%		0%
	Library	-	2	2	3,961	33%	67%			0%
	Childcare Centres	20	16	16	950		50%	50%		0%
	Amenities/Toilets	880	200	191	14,867	15%	70%	10%	5%	0%
	Rural Fire Service	35	10	10	2,287	31%	31%	29%	9%	0%
	<b>sub total</b>	<b>2,157</b>	<b>569</b>	<b>481</b>	<b>50,787</b>	<b>12.1%</b>	<b>54.8%</b>	<b>30.7%</b>	<b>2.4%</b>	<b>0.0%</b>
Other Structures	Other Structures	50	75	50	5,814	10%	60%	20%	10%	0%
	<b>sub total</b>	<b>50</b>	<b>75</b>	<b>50</b>	<b>5,814</b>	<b>10.0%</b>	<b>60.0%</b>	<b>20.0%</b>	<b>10.0%</b>	<b>0.0%</b>

# Mid-Western Regional Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>				
						1	2	3	4	5
Roads	Sealed Roads Surface	15,087	1,350	1,373	92,265	26%	33%	27%	14%	1%
	Unsealed Roads	4,160	1,969	1,241	13,813	18%	26%	30%	20%	6%
	Bridges	1,406	58	57	17,565	6%	9%	76%	7%	2%
	Footpaths	638	75	68	5,378	25%	8%	43%	23%	1%
	Kerb and Gutter	1,140	20		18,265	21%	23%	54%	3%	0%
	Road Furniture	-	-	-	1,086		10%	80%	10%	0%
	Parking Areas	48	25	25	1,768	40%	20%	30%	10%	0%
	Culverts & Causeways	1,218	-	-	4,128	23%	15%	46%	16%	1%
	RMS Regional Roads	11,320	890	829	47,472	18%	27%	35%	19%	1%
	RMS Regional Bridges	784	44	44	12,610	3%	18%	76%	2%	2%
	<b>sub total</b>	<b>35,801</b>	<b>4,431</b>	<b>3,636</b>	<b>214,350</b>	<b>20.0%</b>	<b>26.2%</b>	<b>39.4%</b>	<b>13.2%</b>	<b>1.3%</b>
Water Supply Network	Dams/Weirs	30	15	-	6,031			100%		0%
	Reservoirs	1,650	68	164	8,816		68%	26%	5%	1%
	Pumping Station	70	103	57	3,217	49%	32%	19%		0%
	Treatment Plants	1,653	558	321	14,221			100%		0%
	Bores	30	-	-	325			100%		0%
	Reticulation Mains	12,371	798	783	28,140	48%	16%	33%	1%	2%
	Mains Delivery	5,362	-	-	26	72%	7%	20%	1%	0%
	<b>sub total</b>	<b>21,166</b>	<b>1,542</b>	<b>1,325</b>	<b>60,776</b>	<b>24.8%</b>	<b>19.0%</b>	<b>53.9%</b>	<b>1.2%</b>	<b>1.1%</b>
Sewerage Network	Pumping Station	365	241	59	5,905	45%	22%	30%	3%	0%
	Treatment Works	470	420	208	16,720	72%	16%	2%	10%	0%
	Reticulation Mains	16,962	516	543	34,624	45%	43%	3%	9%	0%
	Rising Mains	164	-	-	9,098	87%		9%	3%	1%
	<b>sub total</b>	<b>17,961</b>	<b>1,177</b>	<b>810</b>	<b>66,347</b>	<b>57.6%</b>	<b>28.4%</b>	<b>6.0%</b>	<b>7.9%</b>	<b>0.1%</b>

## Mid-Western Regional Council

### Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>				
						1	2	3	4	5
<b>Stormwater Drainage</b>	Drainage Infrastructure	1,568	470	430	6,275		60%	30%	5%	5%
	<b>sub total</b>	<b>1,568</b>	<b>470</b>	<b>430</b>	<b>6,275</b>	<b>0.0%</b>	<b>60.0%</b>	<b>30.0%</b>	<b>5.0%</b>	<b>5.0%</b>
<b>Open Space/ Recreational Assets</b>	Swimming Pools	500	450	378	3,330	10%	20%	40%	30%	0%
	Other Recreational/Open Space	350	324	306	7,605	10%	85%	4%	1%	0%
	<b>sub total</b>	<b>850</b>	<b>774</b>	<b>684</b>	<b>10,935</b>	<b>10.0%</b>	<b>65.2%</b>	<b>15.0%</b>	<b>9.8%</b>	<b>0.0%</b>
	<b>TOTAL - ALL ASSETS</b>	<b>79,553</b>	<b>9,038</b>	<b>7,416</b>	<b>415,284</b>	<b>25.1%</b>	<b>31.0%</b>	<b>34.1%</b>	<b>9.0%</b>	<b>0.9%</b>

#### Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".  
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.  
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.  
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

## Mid-Western Regional Council

### Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 20132012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) <sup>(1)</sup>	9,311	73.17%	143.90%	96.12%
Depreciation, Amortisation & Impairment	12,725			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	79,553	0.19	0.17	0.24
Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	415,530			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	7,416	0.82	0.95	0.90
Required Asset Maintenance	9,038			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	15,293	1.02	2.37	1.79
Annual Depreciation	14,947			

#### Notes

<sup>(1)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

<sup>(2)</sup> Written down value



## Mid-Western Regional Council

### Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

<p><b>1. Building and Infrastructure Renewals Ratio</b></p> <p>Ratio %</p> <p>2012 2013 2014</p> <p>— Minimum 100.00%</p>	<p><b>Purpose of Asset Renewals Ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on 2013/14 Result</b></p> <p><b>2013/14 Ratio 73.17%</b></p> <p>This financial year shows a lower ratio due to new and increased capacity infrastructure construction, required to accommodate growth in the region. These major projects include Mudgee Sewer Augmentation, drainage infrastructure, bridge widening and road improvements.</p>
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)		
<p><b>2. Infrastructure Backlog Ratio</b></p> <p>Ratio (x)</p> <p>2012 2013 2014</p> <p>— Maximum .02</p>	<p><b>Purpose of Infrastructure Backlog Ratio</b></p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p><b>Commentary on 2013/14 Result</b></p> <p><b>2013/14 Ratio 0.19 x</b></p> <p>Public Roads has seen a significant increase in the estimated cost to bring up to a satisfactory standard. This is mainly due to a condition inspection program identifying a higher than expected number of bridges and sealed roads in poor condition, and the high cost of returning these assets to a satisfactory standard. Other infrastructure asset classes have seen a small decrease.</p>
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)		
<p><b>3. Asset Maintenance Ratio</b></p> <p>Ratio (x)</p> <p>2012 2013 2014</p> <p>— Minimum 1.00</p>	<p><b>Purpose of Asset Maintenance Ratio</b></p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.</p>	<p><b>Commentary on 2013/14 Result</b></p> <p><b>2013/14 Ratio 0.82 x</b></p> <p>Whilst actual asset maintenance has increased this ratio has decreased as the required asset maintenance cost has increased. The largest gap is within unsealed roads based on the maintenance grading required to meet a satisfactory standard.</p>
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)		
<p><b>4. Capital Expenditure Ratio</b></p> <p>Ratio (x)</p> <p>2012 2013 2014</p> <p>— Minimum 1.10</p>	<p><b>Purpose of Capital Expenditure Ratio</b></p> <p>To assess the extent to which a Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets.</p>	<p><b>Commentary on 2013/14 Result</b></p> <p><b>2013/14 Ratio 1.02 x</b></p> <p>Completion of large-scale projects and an increase in depreciation following the revaluation of buildings in 2013 has seen this ratio decrease from last financial year. This ratio is now slightly below the Tcorp benchmark of 1.10.</p>
Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)		



## Mid-Western Regional Council

### Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General <sup>(1)</sup> 2014
<b>Infrastructure Asset Performance Indicators By Fund</b>			
<b>1. Building and Infrastructure Renewals Ratio</b>			
<u>Asset Renewals (Building and Infrastructure) <sup>(1)</sup></u>	<b>61.02%</b>	<b>92.99%</b>	<b>72.32%</b>
Depreciation, Amortisation & Impairment			
prior period:	65.09%	427.48%	112.78%
<b>2. Infrastructure Backlog Ratio</b>			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>			
Total value <sup>(3)</sup> of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	<b>0.35</b>	<b>0.27</b>	<b>0.14</b>
prior period:	0.36	0.42	0.09
<b>3. Asset Maintenance Ratio</b>			
<u>Actual Asset Maintenance</u>			
Required Asset Maintenance	<b>0.86</b>	<b>0.69</b>	<b>0.84</b>
prior period:	0.90	0.91	0.98
<b>4. Capital Expenditure Ratio</b>			
<u>Annual Capital Expenditure</u>			
Annual Depreciation	<b>0.71</b>	<b>1.90</b>	<b>0.96</b>
prior period:	0.82	8.37	2.13

#### Notes

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

<sup>(2)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

<sup>(3)</sup> Written down value

## Mid-Western Regional Council

### Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual <sup>(1)</sup> 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16	Forecast <sup>(3)</sup> 16/17	Forecast <sup>(3)</sup> 17/18	Forecast <sup>(3)</sup> 18/19	Forecast <sup>(3)</sup> 19/20	Forecast <sup>(3)</sup> 20/21	Forecast <sup>(3)</sup> 21/22	Forecast <sup>(3)</sup> 22/23	Forecast <sup>(3)</sup> 23/24
<b>(i) OPERATING BUDGET</b>											
Income from continuing operations	61,829	70,060	69,648	69,154	69,306	69,046	71,313	75,174	76,679	79,456	81,681
Expenses from continuing operations	56,637	53,879	55,517	56,176	57,783	58,776	60,824	63,069	63,962	65,747	67,588
<b>Operating Result from Continuing Operations</b>	<b>5,192</b>	<b>16,181</b>	<b>14,131</b>	<b>12,978</b>	<b>11,523</b>	<b>10,270</b>	<b>10,489</b>	<b>12,105</b>	<b>12,717</b>	<b>13,709</b>	<b>14,093</b>
<b>(ii) CAPITAL BUDGET</b>											
New Capital Works <sup>(2)</sup>	2,127	8,594	6,048	588	487	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	15,646	26,876	18,472	21,843	36,547	32,851	17,419	19,399	17,099	22,208	22,830
<b>Total Capital Budget</b>	<b>17,773</b>	<b>35,470</b>	<b>24,520</b>	<b>22,431</b>	<b>37,034</b>	<b>32,851</b>	<b>17,419</b>	<b>19,399</b>	<b>17,099</b>	<b>22,208</b>	<b>22,830</b>
<b>Funded by:</b>											
– Loans	-	-	4,800	-	8,000	12,000	-	-	-	-	-
– Asset sales	1,106	353	187	466	796	673	520	741	513	546	561
– Reserves	5,047	11,105	5,011	8,695	14,433	13,915	10,457	10,759	9,727	14,587	14,995
– Grants/Contributions	7,320	16,846	10,851	8,727	8,606	1,509	1,510	2,761	1,512	1,513	1,555
– Recurrent revenue	4,300	7,166	3,671	4,543	5,199	4,754	4,932	5,138	5,347	5,562	5,718
– Other	-	-	-	-	-	-	-	-	-	-	-
	<b>17,773</b>	<b>35,470</b>	<b>24,520</b>	<b>22,431</b>	<b>37,034</b>	<b>32,851</b>	<b>17,419</b>	<b>19,399</b>	<b>17,099</b>	<b>22,208</b>	<b>22,830</b>

#### Notes:

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

## Mid-Western Regional Council

### Special Schedule No. 9 - Permissible Income Calculation for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	14,947	17,805
Plus or minus Adjustments <sup>(2)</sup>	b	2,273	(1,763)
<b>Notional General Income</b>	c	<b>17,220</b>	<b>16,042</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d		
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f		
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	585	369
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
<b>sub-total</b>	k = (c+g+h+i+j)	<b>17,805</b>	<b>16,411</b>
plus (or minus) last year's Carry Forward Total	l	-	0
less Valuation Objections claimed in the previous year	m	-	-
<b>sub-total</b>	n = (l + m)	<b>-</b>	<b>0</b>
<b>Total Permissible income</b>	o = k + n	<b>17,805</b>	<b>16,411</b>
less Notional General Income Yield	p	17,805	16,604
<b>Catch-up or (excess) result</b>	q = o - p	<b>0</b>	<b>(193)</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	-	193
less Unused catch-up <sup>(5)</sup>	s	-	-
<b>Carry forward to next year</b>	t = q + r - s	<b>0</b>	<b>0</b>

#### Notes

- <sup>1</sup> 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.
- <sup>2</sup> 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.
- <sup>3</sup> The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- <sup>4</sup> 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.
- <sup>5</sup> 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.

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

**Scope**

We have audited the special purpose financial report comprising the reconciliation of total permissible general income of Mid-Western Regional Council for 2014-'15.

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

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

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

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

**Audit Opinion**

In our opinion, the reconciliation of Council's total permissible general income which shows a carry forward catch-up total for 2014-'15 of **one hundred and ninety dollars (\$190)** is properly drawn up in accordance with the requirements of the Chief Executive, Local Government and in accordance with the books and records of the Council.

**Basis of Accounting and Restriction on Distribution**

Without modifying our opinion, we draw attention to the fact that the reconciliation of total permissible general income is a special purpose financial report which has been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of the directive of the Chief Executive, Local Government, Department of Premier and Cabinet. As a result, the financial report may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government or for any purpose other than for which the financial report was prepared.

*intentus*

**intentus**

14 Sale Street  
Orange

Dated: 23 October, 2014

  
**John O'Malley**  
Director