

Financial Reports Period Ended June 30 2013

Tamworth
Regional
Council

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More than just a city. More than just one place.

Tamworth Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2013

*“...the perfect place to
live, invest, visit & work”*



Tamworth Regional Council

General Purpose Financial Statements for the financial year ended 30 June 2013

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Tamworth Regional Council.
- (ii) Tamworth 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 25 October 2013. Council has the power to amend and reissue these financial statements.
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Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Understanding Council's Financial Statements

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 2013.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. 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 Division of Local Government.

Tamworth Regional Council

General Purpose Financial Statements for the financial year ended 30 June 2013

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:

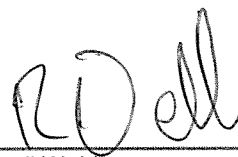
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 24 September 2013.




Col Murray
MAYOR



Russell Webb
COUNCILLOR



Paul Bennett
GENERAL MANAGER



Rick Sanderson
RESPONSIBLE ACCOUNTING OFFICER

Tamworth Regional Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾ 2013	\$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
<i>Revenue:</i>				
54,352	Rates & Annual Charges	3a	54,474	49,768
29,056	User Charges & Fees	3b	37,521	30,188
5,155	Interest & Investment Revenue	3c	5,917	6,410
1,966	Other Revenues	3d	1,824	2,223
18,461	Grants & Contributions provided for Operating Purposes	3e,f	19,197	24,631
8,166	Grants & Contributions provided for Capital Purposes	3e,f	20,708	10,131
<i>Other Income:</i>				
-	Net gains from the disposal of assets	5	2,074	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
117,156	Total Income from Continuing Operations		141,715	123,351
Expenses from Continuing Operations				
40,806	Employee Benefits & On-Costs	4a	38,847	37,530
6,537	Borrowing Costs	4b	6,798	7,310
28,726	Materials & Contracts	4c	36,082	30,689
25,731	Depreciation & Amortisation	4d	27,902	29,454
-	Impairment	4d	14	18
8,705	Other Expenses	4e	9,622	8,479
-	Net Losses from the Disposal of Assets	5	-	4,007
110,505	Total Expenses from Continuing Operations		119,265	117,487
6,651	Operating Result from Continuing Operations		22,450	5,864
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
6,651	Net Operating Result for the Year		22,450	5,864
6,651	Net Operating Result attributable to Council		22,388	5,856
-	Net Operating Result attributable to Non-controlling Interests		62	8
(1,515)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		1,742	(4,267)

(1) Original Budget as approved by Council - refer Note 16

Tamworth Regional Council

Statement of Comprehensive Income for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		22,450	5,864
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	62,923	9,053
Total Items which will not be reclassified subsequently to the Operating Result		62,923	9,053
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		62,923	9,053
Total Comprehensive Income for the Year		85,373	14,917
Total Comprehensive Income attributable to Council		85,311	14,909
Total Comprehensive Income attributable to Non-controlling Interests		62	8

Tamworth Regional Council

Statement of Financial Position

as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	8,612	9,845
Investments	6b	116,700	98,725
Receivables	7	21,551	16,603
Inventories	8	3,895	2,707
Other	8	241	57
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		150,999	127,937
Non-Current Assets			
Investments	6b	-	-
Receivables	7	371	465
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,363,574	1,304,493
Investments accounted for using the equity method	19	-	-
Investment Property	14	6,146	1,950
Intangible Assets	25	51	-
Total Non-Current Assets		1,370,142	1,306,908
TOTAL ASSETS		1,521,141	1,434,845
LIABILITIES			
Current Liabilities			
Payables	10	15,016	13,624
Borrowings	10	4,181	3,782
Provisions	10	10,057	10,647
Total Current Liabilities		29,254	28,053
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	86,492	87,043
Provisions	10	16,388	16,046
Total Non-Current Liabilities		102,880	103,089
TOTAL LIABILITIES		132,134	131,142
Net Assets		1,389,007	1,303,703
EQUITY			
Retained Earnings	20	990,895	968,576
Revaluation Reserves	20	397,745	334,822
Council Equity Interest		1,388,640	1,303,398
Non-controlling Interests		367	305
Total Equity		1,389,007	1,303,703

Tamworth Regional Council

Statement of Changes in Equity for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		968,576	334,822	1,303,398	305	1,303,703
a. Correction of Prior Period Errors	20 (c)	(69)	-	(69)	-	(69)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		968,507	334,822	1,303,329	305	1,303,634
c. Net Operating Result for the Year		22,388	-	22,388	62	22,450
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	62,923	62,923	-	62,923
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	62,923	62,923	-	62,923
Total Comprehensive Income (c&d)		22,388	62,923	85,311	62	85,373
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		990,895	397,745	1,388,640	367	1,389,007
2012						
Opening Balance (as per Last Year's Audited Accounts)		960,702	325,498	1,286,200	297	1,286,497
a. Correction of Prior Period Errors	20 (c)	2,018	271	2,289	-	2,289
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		962,720	325,769	1,288,489	297	1,288,786
c. Net Operating Result for the Year		5,856	-	5,856	8	5,864
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	9,053	9,053	-	9,053
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	9,053	9,053	-	9,053
Total Comprehensive Income (c&d)		5,856	9,053	14,909	8	14,917
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		968,576	334,822	1,303,398	305	1,303,703

Tamworth Regional Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
54,352	Rates & Annual Charges		54,040	49,905
30,889	User Charges & Fees		33,187	31,038
5,155	Investment & Interest Revenue Received		5,803	6,321
27,492	Grants & Contributions		36,320	34,766
-	Bonds, Deposits & Retention amounts received		127	83
3,080	Other		6,237	5,555
Payments:				
(40,255)	Employee Benefits & On-Costs		(39,017)	(37,925)
(31,599)	Materials & Contracts		(39,493)	(34,260)
(5,986)	Borrowing Costs		(6,348)	(7,557)
-	Bonds, Deposits & Retention amounts refunded		-	(188)
(9,576)	Other		(11,842)	(5,205)
33,552	Net Cash provided (or used in) Operating Activities	11b	39,014	42,533
Cash Flows from Investing Activities				
Receipts:				
3,000	Sale of Investment Securities		-	986
-	Sale of Real Estate Assets		6,012	297
-	Sale of Infrastructure, Property, Plant & Equipment		1,056	1,054
10	Deferred Debtors Receipts		47	65
Payments:				
-	Purchase of Investment Securities		(17,975)	(9,471)
(37,304)	Purchase of Infrastructure, Property, Plant & Equipment		(29,235)	(31,967)
-	Purchase of Real Estate Assets		-	(719)
(34,294)	Net Cash provided (or used in) Investing Activities		(40,095)	(39,755)
Cash Flows from Financing Activities				
Receipts:				
4,180	Proceeds from Borrowings & Advances		3,680	1,500
Payments:				
(3,761)	Repayment of Borrowings & Advances		(3,832)	(3,843)
419	Net Cash Flow provided (used in) Financing Activities		(152)	(2,343)
(323)	Net Increase/(Decrease) in Cash & Cash Equivalents		(1,233)	435
2,199	plus: Cash & Cash Equivalents - beginning of year	11a	9,845	9,410
1,876	Cash & Cash Equivalents - end of the year	11a	8,612	9,845
Additional Information:				
	plus: Investments on hand - end of year	6b	116,700	98,725
	Total Cash, Cash Equivalents & Investments		125,312	108,570

Please refer to Note 11 for additional cash flow information

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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n/a - not applicable

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

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

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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. In the case of parking fees and fines revenue is recognised when payment is received (refer to Note 18).

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

Rents are recognised as revenue when the value of the payment is notified or the payment is received, whichever first occurs.

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and **(ii)** all the related operating results (for the financial year ended the 30th June 2013).

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.

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*
- *Sewerage Service*
- *Domestic Waste Management*
- *Central Northern Regional Libraries*

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- *Section 355 Committees*

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

A full listing of these committee's can be found on Council's website at the following address:

<http://wwwbeta.tamworth.nsw.gov.au/Council/Community-Engagement/Community-Management-Committees/default.aspx>

The (i) total income and expenditure from continuing operations and (ii) the net assets held by these excluded Committees & Operations is estimated to be as follows:

Total income from continuing operations	\$27,830
Total expenditure from continuing operations	\$29,102
Total net assets held (ie Equity)	\$50,000

(ii) The Trust Fund

Council does not maintain a separate and distinct trust fund in accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended). Separate and distinct cash funded liability accounts are 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 these 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.

(iii) Joint Ventures

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

(iv) Associated Entities

At reporting date Tamworth Regional Council does not participate in the financial and operating decisions of any other entity.

(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.

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

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.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(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.

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

Tamworth Regional Council made no reclassifications during financial year ended 30 June 2013.

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.

Tamworth Regional Council had no financial assets classified as "**fair value through profit or loss**" or "**available-for-sale**" during the financial year ending 30 June 2013; as a result there was no requirement to recognise any unrealised gains and losses from investment securities in the income statement.

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.

At reporting date it was determined that none of Tamworth Regional Council's financial assets were impaired.

Council does not carry any financial assets (e.g. loans and receivables) at amortised cost.

(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.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(g) Fair value estimation

Council holds only financial assets classified as either “Cash” or “Held to Maturity”. Given that none of these investments have a maturity date that exceeds January 2, 2014 the fair value of these financial assets has been recorded as the value of the invested amount.

The fair value of financial liabilities pertaining to loans for disclosure purposes is disclosed as the current outstanding balance of the loan. Council does not discount the future contractual cash flows to determine a fair value estimation for these liabilities.

(h) Receivables

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 is raised for any impairment.

A provision for impairment (ie. A doubtful debt 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.

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

Council does not hold any raw materials and stores, work in progress and finished goods in respect of business undertakings.

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. Note Council does not for the financial year being reported upon have any borrowing costs attributable to land held for resale.

(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 Division of Local Government.

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Where infrastructure 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 Council could have constructed the asset.

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. The Council re-valued its water and sewerage networks, operational land and buildings as at June 30, 2013.

Capitalisation Thresholds

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Plant & Equipment

Office Furniture	> \$10,000
Office Equipment	> \$10,000
Other Plant & Equipment	> \$10,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$10,000
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*or if works carried out are > 10% of current WDV

Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

*or if greater than 10% of segment's current WDV

Other Structures	> \$10,000
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*or <\$10,000 if significant impact on the useful life of the asset

Water & Sewer Assets

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

* or <\$10,000 if work performed has a significant impact on the useful life of the asset.

Stormwater Assets

Drains & Culverts	> \$10,000
Other	> \$10,000

* or <\$10,000 if work performed has a significant impact on the useful life of the asset

Transport Assets

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

Bridge construction & reconstruction	> \$10,000
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* or <\$10,000 if work performed has a significant impact on the useful life of the asset

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	1 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	2 to 5 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 50 years

Other Equipment

- Playground equipment	5 to 20 years
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Buildings

- Buildings	20 to 100 years
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Stormwater Drainage

11 to 120 years

Transportation Assets

- Sealed Roads : Surface	40 to 70 years
- Sealed Roads : Structure	40 to 70 years
- Unsealed roads	10 to 100 years
- Bridges	80 to 100 years

Water & Sewer Assets

5 to 100 years

Other Infrastructure Assets

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

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

Disposal and De-recognition

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

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

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

(l) Land under roads

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

Council has elected not 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

Council recognises easements as intangible assets.

(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 exclude the assets, their values and depreciation charges from 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.

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

Full revaluations are carried out every year.

The last full revaluation for Council's Investment Properties was dated 30/06/13.

(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.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

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. The discount rate used for the 2012/2013 financial year was 2.82%

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

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.

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 community demand.

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.

(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 their carrying amount.

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.

No assets or disposal groups classified as Non-Current Assets are currently classified as being "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.

During the financial year ending 30 June 2013 there were no discontinued operations.

(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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 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. / except to the extent that they are incurred during the construction of qualifying assets. There were no qualifying assets for the period being reported upon.

(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.

As at 30 June 2013 Council had no such provisions.

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

These liabilities are measured at the present value of the expected future payments to be made.

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 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 share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$2,564,434 as at 30 June 2013.

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 30/6/13.

(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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

Council has not adopted any of these standards early.

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

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.

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

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 1 January 2013)

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.

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 2014.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

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

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

The amendments will have to be implemented retrospectively.

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

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Governance	-	70	19	-	5,406	4,751	-	(5,336)	(4,732)	60	4	-	-
A Spirit of Community	3,365	4,097	7,400	16,618	17,606	22,523	(13,253)	(13,509)	(15,123)	2,236	3,081	94,530	105,738
A Prosperous Region	6,023	18,123	3,532	4,347	5,386	7,842	1,676	12,737	(4,310)	7,805	198	68,724	41,045
An Accessible Region	14,835	22,347	19,266	29,676	37,001	36,691	(14,841)	(14,654)	(17,425)	3,496	4,335	701,669	715,904
A Region for the Future	51,753	56,741	53,347	59,864	53,866	45,423	(8,111)	2,875	7,924	5,652	2,777	627,843	530,469
Corporate Services	-	-	411	-	-	244	-	-	167	-	81	28,375	41,689
Total Functions & Activities	75,976	101,378	83,975	110,505	119,265	117,474	(34,529)	(17,887)	(33,499)	19,249	10,476	1,521,141	1,434,845
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	41,180	40,337	39,376	-	-	13	41,180	40,337	39,363	10,204	13,107	-	-
Operating Result from Continuing Operations	117,156	141,715	123,351	110,505	119,265	117,487	6,651	22,450	5,864	29,453	23,583	1,521,141	1,434,845

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

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

GOVERNANCE

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

A SPIRIT OF COMMUNITY

- Provision of a range of activities and facilities that will be accessible for all people.
- Provision of a wide selection of recreational and cultural activities that cater for the diverse needs of our citizens and visitors.
- Support community activities.
- Enable, promote and recognise the work of volunteers within the community.

A PROSPEROUS REGION

- The provision of a strong regional economy.
- Market the region as a significant tourist attraction and destination.
- Recognise and promote the region as an equine and livestock industry hub.

AN ACCESSIBLE REGION

- Provision of a quality network of roads, bridges and drainage facilities.
- Support and enhance the role of the airport.

A REGION FOR THE FUTURE

- Provision of well constructed, maintained and functional water and wastewater infrastructure that is managed to industry best practice.
- Manage, protect, restore, enhance, and conserve the natural environment in a sustainable manner.
- Excellence in regional planning and development.

CORPORATE SERVICES

- Excellence in Customer Services.
- Provision of information technology management.
- Organisation Development and human resource management.
- Excellence in Financial Management.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		17,998	15,530
Farmland		5,019	4,405
Mining		16	14
Business		4,857	3,444
Total Ordinary Rates		27,890	23,393
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		5,597	5,359
Stormwater Management Services		532	561
Water Supply Services		5,203	5,214
Sewerage Services		14,460	14,444
Waste Management Services (non-domestic)		792	797
Total Annual Charges		26,584	26,375
TOTAL RATES & ANNUAL CHARGES		54,474	49,768

Council has used 2010 year valuations provided by the NSW Valuer General in calculating its rates.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		9,823	8,800
Sewerage Services		1,895	2,053
Total User Charges		11,718	10,853
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		1,196	1,104
Private Works - Section 67		1,489	577
Regulatory/ Statutory Fees		339	249
Total Fees & Charges - Statutory/Regulatory		3,024	1,930
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		3,756	3,019
Country Music Festival		1,136	1,085
Hire Charge Council Facilities		1,689	1,720
Parking Fees		450	386
RMS (formerly RTA) Charges (State Roads not controlled by Council)		8,836	4,363
Saleyards		-	10
Sewerage Services		500	710
Sports Dome		208	239
Sporting Events		219	364
Sporting Facilities		108	138
Swimming Centres		371	294
Waste/Recycling Depot		3,708	3,031
Venue Ticket Sales		109	137
Other		1,061	1,005
Total Fees & Charges - Other		22,779	17,405
TOTAL USER CHARGES & FEES		37,521	30,188

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		459	439
- Interest earned on Investments (interest & coupon payment income)		5,458	5,971
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>5,917</u>	<u>6,410</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		383	439
General Council Cash & Investments		2,287	2,628
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		204	227
- Section 64		694	696
Water Fund Operations		1,188	1,144
Sewerage Fund Operations		1,161	1,276
<u>Total Interest & Investment Revenue Recognised</u>		<u>5,917</u>	<u>6,410</u>
(d) Other Revenues			
Rental Income - Investment Properties	14	88	65
Rental Income - Other Council Properties		721	737
Fines		485	75
Fines - Parking		-	354
Commissions & Agency Fees		189	230
Insurance Rebate		75	105
Sales - General		59	266
Sponsorship Income		27	21
Tourism Tamworth Dissolution		-	270
Other		180	100
<u>TOTAL OTHER REVENUE</u>		<u>1,824</u>	<u>2,223</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance	9,705	12,622	-	-
Pensioners' Rates Subsidies - General Component	499	485	-	-
Total General Purpose	10,204	13,107	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	201	201	-	-
- Sewerage	185	186	-	-
- Domestic Waste Management	170	182	-	-
- Other	242	220	-	-
Water Supplies	250	50	4,384	600
Adventure Playground	-	-	-	118
Barraba Pipeline Feasibility Study	-	-	-	2
Bushfire & Emergency Services	490	540	121	-
Community Care	688	1,288	-	-
Disaster Mitigation & Rehabilitation	451	3,035	-	-
Heritage & Cultural	388	398	-	170
Building Better Regional Cities	-	-	7,500	-
NBN Digital Hub	-	-	252	-
Airport Terminal	-	-	320	-
Tourism	255	-	-	-
Noxious Weed Control	168	163	-	-
Riverine Projects	60	-	-	-
Recreation & Culture	-	271	-	-
RLCIP	-	153	-	120
Security Equipment	-	115	35	650
Street Lighting	169	165	-	-
Training	75	81	-	-
Transport (Roads to Recovery)	2,113	1,116	-	-
Transport (Other Roads & Bridges Funding)	56	55	392	347
Other	127	198	157	52
Total Specific Purpose	6,088	8,417	13,161	2,059
Total Grants	16,292	21,524	13,161	2,059
Grant Revenue is attributable to:				
- Commonwealth Funding	12,579	15,416	10,522	1,369
- State Funding	3,652	6,087	2,319	690
- Other Funding	61	21	320	-
	16,292	21,524	13,161	2,059

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	575	979
S 64 - Water Supply Contributions	-	-	1,087	2,434
S 64 - Sewerage Service Contributions	-	-	504	996
Total Developer Contributions	17	-	2,166	4,409
Other Contributions:				
Dedications (other than by S94)	-	-	5,303	3,578
Donations	7	41	7	8
Other Councils - Joint Works/Services	619	494	-	-
RMS Contributions (Regional Roads, Block Grant)	2,135	2,033	-	-
Sewerage (excl. Section 64 contributions)	68	331	2	9
Water Supplies (excl. Section 64 contributions)	-	-	8	-
Other	76	208	61	68
Total Other Contributions	2,905	3,107	5,381	3,663
Total Contributions	2,905	3,107	7,547	8,072
TOTAL GRANTS & CONTRIBUTIONS	19,197	24,631	20,708	10,131

\$ '000	Actual 2013	Actual 2012
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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	24,990	20,838
add: Grants & contributions recognised in the current period but not yet spent:	12,284	10,309
less: Grants & contributions recognised in a previous reporting period now spent:	(5,836)	(6,157)
Net Increase (Decrease) in Restricted Assets during the Period	6,448	4,152
Unexpended and held as Restricted Assets	31,438	24,990
Comprising:		
- Specific Purpose Unexpended Grants	11,550	6,609
- Developer Contributions	19,888	18,381
	31,438	24,990

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		29,640	29,144
Travelling		606	496
Employee Leave Entitlements (ELE)		5,541	5,501
Superannuation		3,601	3,395
Workers' Compensation Insurance		669	715
Fringe Benefit Tax (FBT)		147	130
Payroll Tax		259	226
Training Costs (other than Salaries & Wages)		446	540
Other		126	160
Total Employee Costs		41,035	40,307
less: Capitalised Costs		(2,188)	(2,777)
TOTAL EMPLOYEE COSTS EXPENSED		38,847	37,530
Number of "Equivalent Full Time" Employees at year end		535	524
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		6,356	6,748
Total Interest Bearing Liability Costs Expensed		6,356	6,748
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	442	562
Total Other Borrowing Costs		442	562
TOTAL BORROWING COSTS EXPENSED		6,798	7,310

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		28,856	23,065
Contractor & Consultancy Costs		6,083	6,303
Auditors Remuneration ⁽¹⁾		108	83
Legal Expenses:			
- Legal Expenses: Planning & Development		-	37
- Legal Expenses: Other		64	71
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		971	1,130
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>36,082</u>	<u>30,689</u>
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		63	63
- Internal Auditors		45	20
Remuneration for audit and other assurance services		<u>108</u>	<u>83</u>
Total Auditor Remuneration		<u>108</u>	<u>83</u>
2. Operating Lease Payments are attributable to:			
Buildings		451	467
Computers and photocopies		520	663
		<u>971</u>	<u>1,130</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		14	18	3,231	3,540
Office Equipment		-	-	60	68
Furniture & Fittings		-	-	389	399
Land Improvements (depreciable)		-	-	457	378
Buildings - Non Specialised		-	-	983	1,451
Buildings - Specialised		-	-	230	233
Other Structures		-	-	1,474	1,402
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	9,339	10,054
- Stormwater Drainage		-	-	1,219	1,188
- Water Supply Network		-	-	3,897	3,861
- Sewerage Network		-	-	5,820	6,538
Other Assets					
- Heritage Collections		-	-	1	1
- Library Books		-	-	275	256
- Other		-	-	104	104
Asset Reinstatement Costs	9 & 26	-	-	423	342
Total Depreciation & Impairment Costs		14	18	27,902	29,815
less: Capitalised Costs		-	-	-	(361)
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		14	18	27,902	29,454

\$ '000	Notes	Actual 2013	Actual 2012
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(e) Other Expenses

Advertising		515	432
Bad & Doubtful Debts		9	273
Contributions/Levies to Other Levels of Government		1,480	1,440
Councillor Expenses - Mayoral Fee		37	36
Councillor Expenses - Councillors' Fees		151	150
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		109	134
Donations, Contributions & Assistance to other organisations (Section 356)		290	310
Electricity & Heating		3,886	2,799
Insurance		1,642	1,526
Revaluation Decrements (Fair Valuation of Investment Properties)	14	-	25
Street Lighting		878	689
Sustainability Rebates		71	90
Telephone & Communications		540	556
Other		14	19
TOTAL OTHER EXPENSES		9,622	8,479

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Property (excl. Investment Property)			
Proceeds from Disposal - Property		10	33
less: Carrying Amount of Property Assets Sold / Written Off		(4)	-
Net Gain/(Loss) on Disposal		6	33
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,046	1,021
less: Carrying Amount of P&E Assets Sold / Written Off		(1,034)	(2,747)
Net Gain/(Loss) on Disposal		12	(1,726)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(2,945)	(2,377)
Net Gain/(Loss) on Disposal		(2,945)	(2,377)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		6,012	297
less: Carrying Amount of Real Estate Assets Sold / Written Off		(1,011)	(220)
Net Gain/(Loss) on Disposal		5,001	77
Financial Assets*			
Proceeds from Disposal - Financial Assets		-	986
less: Carrying Amount of Financial Assets Sold		-	(1,000)
Net Gain/(Loss) on Disposal		-	(14)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		2,074	(4,007)
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments designated "Held to Maturity"		-	(14)
Net Gain/(Loss) on Disposal of Financial Instruments		-	(14)

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	2013	2013	2012	2012
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		8,612	-	9,845	-
Total Cash & Cash Equivalents		8,612	-	9,845	-
Investments (Note 6b)					
- Long Term Deposits		116,700	-	94,700	-
- Bank Bills		-	-	4,025	-
Total Investments		116,700	-	98,725	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		125,312	-	108,570	-

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"		8,612	-	9,845	-
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Investments

b. "Held to Maturity"	6(b-ii)	116,700	-	98,725	-
Investments		116,700	-	98,725	-

Note 6(b-ii)

Reconciliation of Investments classified as "Held to Maturity"

Balance at the Beginning of the Year	98,725	-	85,200	5,054
Amortisation of Premiums & Discounts	25	(25)	29	(29)
Additions	17,950	25	9,471	-
Disposals (sales & redemptions)	-	-	-	(1,000)
Transfers between Current/Non Current	-	-	4,025	(4,025)
Balance at End of Year	116,700	-	98,725	-

Comprising:

- Long Term Deposits	116,700	-	94,700	-
- Bank Bills	-	-	4,025	-
Total	116,700	-	98,725	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	125,312	-	108,570	-
attributable to:				
External Restrictions (refer below)	101,062	-	83,085	-
Internal Restrictions (refer below)	23,129	-	22,179	-
Unrestricted	1,121	-	3,306	-
	125,312	-	108,570	-

2013	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	67	3,680	(963)	2,784
Specific Purpose Unexpended Loans-Water (A)	1,472	-	(702)	770
Specific Purpose Unexpended Loans-Sewer (A)	2,465	-	(106)	2,359
External Restrictions - Included in Liabilities	4,004	3,680	(1,771)	5,913

External Restrictions - Other

Developer Contributions - General (D)	4,212	794	(872)	4,134
Developer Contributions - Water Fund (D)	8,480	1,489	(623)	9,347
Developer Contributions - Sewer Fund (D)	5,689	783	(65)	6,407
Specific Purpose Unexpended Grants (F)	5,404	9,143	(3,658)	10,889
Specific Purpose Unexpended Grants-Water Fund (F)	426	6	(411)	21
Specific Purpose Unexpended Grants-Sewer Fund (F)	779	68	(207)	640
Water Supplies (G)	20,685	4,826	-	25,511
Sewerage Services (G)	20,454	3,497	-	23,951
Domestic Waste Management (G)	11,054	12,115	(10,055)	13,114
Deposits, Retentions & Bonds	1,898	-	(763)	1,135
External Restrictions - Other	79,081	32,721	(16,654)	95,149
Total External Restrictions	83,085	36,401	(18,425)	101,062

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	6,430	10,249	(10,057)	6,622
Employees Leave Entitlement	1,712	400	(423)	1,689
Acquatic Centre	194	-	(32)	162
After School Care	34	526	(486)	74
Airport	1,995	4,157	(4,187)	1,965
Art Gallery Acquisition	1	-	-	1
Australia Day	4	-	-	4
Barraba Playground Equipment	10	-	-	10
Bushfire Emergency	10	-	-	10
Caravan Park	247	168	(115)	300
Central Business District	250	-	(18)	232
Central Northern Regional Libraries	271	1,558	(1,501)	328
CNCC Distribution	1	-	(1)	-
Councillor Professional Development	39	-	(7)	32
Council Buildings	780	-	(295)	485
Cultural Development Officer Grant	108	-	(39)	69
Domestic Violence Funding	2	-	-	2
Drainage Levy	1,792	561	(1,156)	1,197
Equine Centre	129	-	(44)	85
FAGS General Purpose Component	3,270	3,219	(3,269)	3,220
Flood Mitigation	559	84	(517)	126
Incomplete Works	206	20	(113)	113
International Women's Day	1	-	-	1
Integrated Planning and Reporting	31	-	-	31
Information Technology Department	874	250	(360)	764
Labaratory Equipment	51	50	(41)	60
Livestock Marketing Centre	94	-	(57)	37
Local Works Reserve	1,050	30	(492)	588
Manilla - Flat Repairs	3	-	-	3
Norsure Insurance	244	-	(30)	214
Nundle Retirement Village	273	25	(32)	266
Nundle Commons	3	6	(3)	6
Organisational Development Projects	20	53	(9)	64
Parking Meters/Car Park	862	938	(787)	1,013
Property Acquisition and Development	(4,121)	6,060	(402)	1,537
Revotes - General Fund	387	40	(401)	26
Risk and Safety	18	82	(56)	44
Roadworks (FAG Roads Component)	2,552	3,658	(3,677)	2,533
RTA User Charges ¹	884	(2,723)	(345)	(2,184)
RFS Equipment Donations	2	1	-	3
SIC Warranty	100	-	-	100
Sister City	4	-	-	4

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Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions (continued)				
Tamworth Sports Dome	9	12	(10)	11
Village Improvement Fund	66	70	(63)	73
Woolomin Flood Donations	19	-	-	19
Budget General 2012/2013	550	-	(550)	-
Events Development	30	131	(161)	-
Quarry Remediation	25	-	-	25
Tourism	104	-	(99)	5
Best Mates Challenge	-	7	-	7
Economic Development	-	124	(27)	97
Health and Well Being Projects	-	10	-	10
SRV - Transport	-	1,667	(1,017)	650
SRV - Drainage	-	248	(122)	126
SRV - Buildings	-	627	(542)	85
SRV - Sports and Entertainment Venues	-	190	(9)	181
SRV - Parks and Recreation	-	53	(49)	4
Total Internal Restrictions	22,179	32,551	(31,601)	23,129
TOTAL RESTRICTIONS	105,264	68,952	(50,026)	124,191

¹ The RTA User Charges Internally Restricted Reserve is showing a negative closing balance thus reducing the total of internally restricted funds. This is due to works performed for the RMS in May and June 2013 which remain unpaid as at 30 June 2013. These monies owed are included in the internally restricted receivable shown in Note 7 for RTA User Charges.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		3,758	371	3,352	356
Interest & Extra Charges		811	-	671	60
User Charges & Fees		13,959	-	9,234	-
Accrued Revenues					
- Interest on Investments		1,669	-	1,568	-
- Other Income Accruals		-	-	455	-
Government Grants & Subsidies		1,938	-	2,184	-
Deferred Debtors		98	-	96	49
Net GST Receivable		498	-	685	-
Contributions		2	-	42	-
Other Debtors		48	-	27	-
Total		22,781	371	18,314	465
less: Provision for Impairment					
Rates & Annual Charges		(505)	-	(518)	-
Interest & Extra Charges		(193)	-	(126)	-
User Charges & Fees		(532)	-	(1,067)	-
Total Provision for Impairment - Receivables		(1,230)	-	(1,711)	-
<u>TOTAL NET RECEIVABLES</u>		<u>21,551</u>	<u>371</u>	<u>16,603</u>	<u>465</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		18	-	70	-
- Rates & Availability Charges		513	-	511	-
- Other		1,925	-	1,771	-
Sewerage Services					
- Specific Purpose Grants		1,253	-	1,253	-
- Rates & Availability Charges		1,154	-	1,127	-
- Other		405	-	514	-
Domestic Waste Management		980	-	908	-
Total External Restrictions		6,248	-	6,154	-
Internally Restricted Receivables					
RMS User Charges		6,262			
Unrestricted Receivables		9,041	371	10,449	465
<u>TOTAL NET RECEIVABLES</u>		<u>21,551</u>	<u>371</u>	<u>16,603</u>	<u>465</u>

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 10.00% (2012 11.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		2,644	-	1,490	-
Stores & Materials		1,251	-	1,217	-
Total Inventories		3,895	-	2,707	-
Other Assets					
Prepayments		241	-	57	-
Total Other Assets		241	-	57	-
TOTAL INVENTORIES / OTHER ASSETS		4,136	-	2,764	-
Externally Restricted Assets					
Water					
Prepayments		10	-	-	-
Total Water		10	-	-	-
Total Externally Restricted Assets		10	-	-	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		4,126	-	2,764	-
TOTAL INVENTORIES & OTHER ASSETS		4,136	-	2,764	-
Other Disclosures					
Details for Real Estate Development					
Industrial/Commercial		2,644	-	1,490	-
Total Real Estate for Resale		2,644	-	1,490	-
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition Costs		2,286	-	707	-
Development Costs		358	-	783	-
Total Costs		2,644	-	1,490	-
Total Real Estate for Resale		2,644	-	1,490	-
Movements:					
Real Estate assets at beginning of the year		1,490	-	991	-
- Purchases and other costs		2,165	-	719	-
- WDV of Sales (exp)	5	(1,011)	-	(220)	-
Total Real Estate for Resale		2,644	-	1,490	-

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period							as at 30/6/2013				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	Adjustments & Transfers	Correction Prior Period Errors Movements	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value								Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	21,236	-	-	-	21,236	14,723	-	-	-	(2,530)	-	-	33,429	-	-	-	33,429
Plant & Equipment	-	39,596	18,960	-	20,636	3,980	(1,034)	(3,231)	(14)	35	-	-	-	41,141	20,769	-	20,372
Office Equipment	-	3,298	3,159	-	139	26	-	(60)	-	27	-	-	-	3,351	3,219	-	132
Furniture & Fittings	-	5,235	1,695	-	3,540	187	-	(389)	-	(5)	-	-	-	5,411	2,078	-	3,333
Land:																	
- Operational Land	-	64,128	-	-	64,128	363	-	-	-	(3,819)	(69)	5,507	-	66,110	-	-	66,110
- Community Land	-	15,356	-	-	15,356	-	-	-	-	478	-	-	-	15,834	-	-	15,834
- Land under Roads (post 30/6/08)	-	198	-	-	198	187	-	-	-	52	-	-	-	437	-	-	437
Land Improvements - depreciable	-	16,780	5,564	-	11,216	1,175	-	(457)	-	1,030	-	-	-	18,985	6,021	-	12,964
Buildings - Non Specialised	-	96,442	34,949	-	61,493	1,329	(4)	(983)	-	(2,519)	-	14,743	-	109,294	35,235	-	74,059
Buildings - Specialised	-	19,527	852	-	18,675	-	-	(230)	-	-	-	1,969	-	21,774	1,360	-	20,414
Other Structures	-	65,271	17,351	-	47,920	484	-	(1,474)	-	(14)	-	-	-	65,715	18,799	-	46,916
Infrastructure:																	
- Roads, Bridges, Footpaths	-	824,141	237,341	-	586,800	7,377	(2,945)	(9,339)	-	533	-	-	-	826,425	244,000	-	582,425
- Stormwater Drainage	-	105,774	42,790	-	62,984	1,523	-	(1,219)	-	-	-	-	-	107,297	44,009	-	63,288
- Water Supply Network	-	315,206	145,115	-	170,091	1,705	-	(3,897)	-	312	-	16,892	-	325,467	140,360	-	185,107
- Sewerage Network	-	315,944	109,294	-	206,650	1,034	-	(5,820)	-	48	-	23,812	-	340,837	115,114	-	225,723
Other Assets:																	
- Heritage Collections	-	31	11	-	20	-	-	(1)	-	-	-	-	-	31	11	-	20
- Library Books	-	2,342	1,822	-	520	359	-	(275)	-	-	-	-	-	2,701	2,097	-	604
- Art Collection	-	1,812	-	-	1,812	43	-	-	-	-	-	-	-	1,855	-	-	1,855
- Other	-	5,198	564	-	4,634	-	-	(104)	-	-	-	-	-	5,198	669	-	4,529
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																	
- Tip Asset	-	12,393	6,055	-	6,338	-	-	(411)	-	-	-	-	-	12,393	6,465	-	5,928
- Quarry Asset	-	203	96	-	107	-	-	(12)	-	-	-	-	-	203	108	-	95
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	21,236	1,908,875	625,618	-	1,304,493	34,495	(3,983)	(27,902)	(14)	(6,372)	(69)	62,923	33,429	1,970,459	640,314	-	1,363,574

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$11,012) and New Assets (\$3,615). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013				Actual 2012			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	20,941	-	-	20,941	12,420	-	-	12,420
Plant & Equipment	-	202	170	32	-	202	163	39
Office Equipment	-	43	34	9	-	42	32	10
Furniture & Fittings	-	3	3	-	-	-	-	-
Land								
- Operational Land	-	2,318	-	2,318	-	1,737	-	1,737
Buildings	-	-	-	-	-	211	-	211
Other Structures	-	553	297	256	-	553	276	277
Infrastructure	-	325,467	140,363	185,104	-	315,206	145,115	170,091
Other Assets	-	627	13	614	-	627	13	614
Total Water Supply	20,941	329,213	140,880	209,274	12,420	318,578	145,599	185,399
Sewerage Services								
WIP	1,896	-	-	1,896	700	-	-	700
Plant & Equipment	-	118	118	-	-	118	118	-
Office Equipment	-	33	27	6	-	33	25	8
Furniture & Fittings	-	6	6	-	-	-	-	-
Land								
- Operational Land	-	9,092	-	9,092	-	9,419	-	9,419
Buildings	-	1,248	-	1,248	-	1,120	67	1,053
Other Structures	-	313	298	15	-	313	268	45
Infrastructure	-	279,188	53,465	225,723	-	315,943	109,294	206,649
Other Assets	-	232	-	232	-	232	-	232
Total Sewerage Services	1,896	290,230	53,914	238,212	700	327,178	109,772	218,106
Domestic Waste Management								
WIP	1,015	-	-	1,015	1,260	-	-	1,260
Plant & Equipment	-	288	64	224	-	288	49	239
Office Equipment	-	7	7	-	-	-	-	-
Land								
- Operational Land'	-	859	-	859	-	783	-	783
- Improvements - depreciable	-	4,214	838	3,376	-	3,497	741	2,756
Buildings	-	647	107	540	-	640	99	541
Other Structures	-	2,054	468	1,586	-	2,048	396	1,652
Roads, Bridges, Footpaths	-	267	85	182	-	267	85	182
Tip Remediation	-	12,393	6,465	5,928	-	9,583	6,055	3,528
Other Assets	-	394	103	291	-	394	90	304
Total DWM	1,015	21,123	8,137	14,001	1,260	17,500	7,515	11,245
TOTAL RESTRICTED I,PP&E	23,852	640,566	202,931	461,487	14,380	663,256	262,886	414,750

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
Impairment Losses recognised in the Income Statement incl :			
Damage to Plant and Fleet Items		(14)	(18)
Total Impairment Losses		(14)	(18)
<u>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</u>	4(d)	<u>(14)</u>	<u>(18)</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		10,002	-	7,432	-
Payments Received In Advance		300	-	1,129	-
Accrued Expenses:					
- Borrowings		1,281	-	1,273	-
- Salaries & Wages		1,528	-	981	-
- Other Expenditure Accruals		70	-	222	-
Security Bonds, Deposits & Retentions		861	-	734	-
Retirement Home Contributions *		-	-	600	-
Ticket Monies Held		274	-	467	-
Other		700	-	786	-
Total Payables		15,016	-	13,624	-
* All Manellae contributions were repaid July 2012					
Borrowings					
Loans - Secured ¹		4,181	86,492	3,782	87,043
Total Borrowings		4,181	86,492	3,782	87,043
Provisions					
Employee Benefits;					
Annual Leave		3,527	-	3,742	-
Long Service Leave		6,530	317	6,905	374
Sub Total - Aggregate Employee Benefits		10,057	317	10,647	374
Asset Remediation/Restoration (Future Works) ²⁶		-	16,071	-	15,672
Total Provisions		10,057	16,388	10,647	16,046
Total Payables, Borrowings & Provisions		29,254	102,880	28,053	103,089
(i) Liabilities relating to Restricted Assets					
		2013		2012	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		4,134	8,587	1,030	9,067
Sewer		3,507	47,122	3,484	48,918
Domestic Waste Management		-	-	26	12,420
Liabilities relating to externally restricted assets		7,641	55,709	4,540	70,405
Total Liabilities relating to restricted assets		7,641	55,709	4,540	70,405
Total Liabilities relating to Unrestricted Assets		21,613	47,171	23,513	32,684
TOTAL PAYABLES, BORROWINGS & PROVISIONS		29,254	102,880	28,053	103,089

¹ 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.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013	Actual 2012
(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	8,522	9,396
Payables - Security Bonds, Deposits & Retentions	584	514
	9,106	9,910

Note 10b. Description of and movements in Provisions

Class of Provision	2012		2013			
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/13
Annual Leave	3,742	2,469	(2,619)	(65)	-	3,527
Long Service Leave	7,279	1,149	(1,253)	(328)	-	6,847
Asset Remediation	15,672	-	(43)	442	-	16,071
TOTAL	26,693	3,618	(3,915)	49	-	26,445

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	8,612	9,845
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		8,612	9,845
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		22,450	5,864
Adjust for non cash items:			
Depreciation & Amortisation		27,902	29,454
Net Losses/(Gains) on Disposal of Assets		(2,074)	4,007
Non Cash Capital Grants and Contributions		(5,303)	(3,368)
Impairment Losses Recognition - I,PP&E		14	18
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		-	25
Unwinding of Discount Rates on Reinstatement Provisions		442	562
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(4,420)	1,100
Increase/(Decrease) in Provision for Doubtful Debts		(481)	240
Decrease/(Increase) in Inventories		(34)	(228)
Decrease/(Increase) in Other Assets		(184)	62
Increase/(Decrease) in Payables		2,570	2,732
Increase/(Decrease) in accrued Interest Payable		8	(809)
Increase/(Decrease) in other accrued Expenses Payable		395	78
Increase/(Decrease) in Other Liabilities		(1,581)	294
Increase/(Decrease) in Employee Leave Entitlements		(647)	(292)
Increase/(Decrease) in Other Provisions		(43)	2,794
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		39,014	42,533

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(c) Non-Cash Investing & Financing Activities			
Other Dedications		5,303	3,368
Total Non-Cash Investing & Financing Activities		5,303	3,368
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		1,000	1,000
Credit Cards / Purchase Cards		120	120
Total Financing Arrangements		1,120	1,120

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.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		332	915
Water & Sewer Infrastructure		7,788	723
Waste Management		-	108
Bridge Construction		732	-
Plant & Equipment		1,487	-
Other		1,230	240
Total Commitments		11,569	1,986
These expenditures are payable as follows:			
Within the next year		11,569	1,986
Total Payable		11,569	1,986

(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	389	510
Later than one year and not later than 5 years	370	600
Later than 5 years	-	8
Total Non Cancellable Operating Lease Commitments	759	1,118

b. Non Cancellable Operating Leases include the following assets:

Office Equipment

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

Conditions relating to Operating Leases:

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

(d) Investment Property Commitments

Nil

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Amounts	Indicator	Prior Periods	
	2013	2013	2012	2011
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	43,679	3.49 : 1	2.84	4.55
Current Liabilities less Specific Purpose Liabilities ^(2,3)	12,507			
2. Debt Service Ratio				
Debt Service Cost	10,188	9.10%	10.41%	11.87%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	112,014			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	54,474	38.44%	40.35%	41.19%
Income from Continuing Operations	141,715			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	4,242	7.22%	7.03%	7.43%
Rates, Annual & Extra Charges Collectible	58,728			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	11,012	51.25%	21.48%	60.52%
Depreciation, Amortisation & Impairment	21,488			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

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

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>4.17</td> </tr> <tr> <td>2011</td> <td>4.55</td> </tr> <tr> <td>2012</td> <td>2.84</td> </tr> <tr> <td>2013</td> <td>3.49</td> </tr> </tbody> </table>	Year	Ratio : 1	2010	4.17	2011	4.55	2012	2.84	2013	3.49	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 3.49 : 1</p> <p>A ratio of >2.0 is considered satisfactory for the industry. Increased revenues have provided an increased ratio over last year.</p>
Year	Ratio : 1											
2010	4.17											
2011	4.55											
2012	2.84											
2013	3.49											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>9.30%</td> </tr> <tr> <td>2011</td> <td>11.87%</td> </tr> <tr> <td>2012</td> <td>10.41%</td> </tr> <tr> <td>2013</td> <td>9.10%</td> </tr> </tbody> </table>	Year	Ratio %	2010	9.30%	2011	11.87%	2012	10.41%	2013	9.10%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 9.10%</p> <p>The acceptable benchmark for this ratio is around 10%. The ratio has improved due to increased revenues and lower interest rates on renewed loans.</p>
Year	Ratio %											
2010	9.30%											
2011	11.87%											
2012	10.41%											
2013	9.10%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>37.77%</td> </tr> <tr> <td>2011</td> <td>41.19%</td> </tr> <tr> <td>2012</td> <td>40.35%</td> </tr> <tr> <td>2013</td> <td>38.44%</td> </tr> </tbody> </table>	Year	Ratio %	2010	37.77%	2011	41.19%	2012	40.35%	2013	38.44%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 38.44%</p> <p>A ratio of around 50% is used as a benchmark to indicate stability. Council's low ratio is a result of low average rates and a range of alternative revenues. The decrease is due to increased water usage charges and one-off grants despite the special rate variation increase.</p>
Year	Ratio %											
2010	37.77%											
2011	41.19%											
2012	40.35%											
2013	38.44%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>6.29%</td> </tr> <tr> <td>2011</td> <td>7.43%</td> </tr> <tr> <td>2012</td> <td>7.03%</td> </tr> <tr> <td>2013</td> <td>7.22%</td> </tr> </tbody> </table>	Year	Ratio %	2010	6.29%	2011	7.43%	2012	7.03%	2013	7.22%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 7.22%</p> <p>The preferred benchmark for this ratio is <5%. Council is pursuing a number of options to improve this ratio where capacity to pay allows.</p>
Year	Ratio %											
2010	6.29%											
2011	7.43%											
2012	7.03%											
2013	7.22%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>212.80%</td> </tr> <tr> <td>2011</td> <td>60.52%</td> </tr> <tr> <td>2012</td> <td>21.48%</td> </tr> <tr> <td>2013</td> <td>51.25%</td> </tr> </tbody> </table>	Year	Ratio %	2010	212.80%	2011	60.52%	2012	21.48%	2013	51.25%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 51.25%</p> <p>The benchmark for this ratio is 100%. In reality, renewal schedules will not follow straight line depreciation and the result should fluctuate from year to year. A 100 % match is also only possible when budgets allow for an operating surplus.</p>
Year	Ratio %											
2010	212.80%											
2011	60.52%											
2012	21.48%											
2013	51.25%											

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000	Water 2013	Sewer 2013	General ¹ 2013
Local Government Industry Indicators - by Fund			
1. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽¹⁾	6.77 : 1	7.63 : 1	3.49 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	22.37 : 1	6.7 : 1	4.7 : 1
2. Debt Service Ratio			
Debt Service Cost	5.87%	28.80%	4.92%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)			
prior period:	7.12%	29.10%	5.87%
3. Rates & Annual Charges Coverage Ratio			
Rates & Annual Charges	23.14%	73.35%	35.12%
Income from Continuing Operations			
prior period:	24.93%	70.85%	36.70%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual & Extra Charges Outstanding	9.05%	7.91%	6.69%
Rates, Annual & Extra Charges Collectible			
prior period:	8.86%	9.17%	5.69%
5. Building & Infrastructure Renewals Ratio			
Asset Renewals (Building & Infrastructure assets)	43.42%	11.99%	73.25%
Depreciation, Amortisation & Impairment			
prior period:	11.53%	34.64%	17.80%

Notes

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 14. Investment Properties

\$ '000	Notes	Actual 2013	Actual 2012
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>6,146</u>	<u>1,950</u>
Reconciliation of Annual Movement:			
Opening Balance		1,950	1,975
- Net Gain/(Loss) from Fair Value Adjustments		-	(25)
- Other Movements - trsfer of property from PPE to Investment property		4,196	-
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>6,146</u>	<u>1,950</u>
(b) Valuation Basis			
The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2013 revaluations were based on Independent Assessments made by: Sharrock Enterprises Pty Limited Registered Valuer NSW No 186			
(c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		177	65
Later than 1 year but less than 5 years		234	98
Later than 5 years		-	-
Total Minimum Lease Payments Receivable		<u>411</u>	<u>163</u>
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		88	65
- Contingent Rentals		-	-
- Other Income		-	-
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(63)	(20)
Net Revenue Contribution from Investment Properties		<u>25</u>	<u>45</u>
plus:			
Fair Value Movement for year		<u>-</u>	<u>(25)</u>
Total Income attributable to Investment Properties		<u>25</u>	<u>20</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	8,612	9,845	8,612	9,378
Investments				
- "Held to Maturity"	116,700	98,725	116,700	98,725
Receivables	21,922	17,068	21,922	17,068
Total Financial Assets	147,234	125,638	147,234	125,171
Financial Liabilities				
Payables	14,716	12,495	14,716	12,028
Loans / Advances	90,673	90,825	90,673	90,825
Total Financial Liabilities	105,389	103,320	105,389	102,853

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 estimated to be the carrying value which approximates market value
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - Council does not currently hold any financial assets that fit these classifications.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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. Currently Council staff only invest in term deposits in accordance with its current investment policy.

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

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

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

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

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

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

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

2013	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in Interest Rates	1,036	1,036	1,119	1,119
2012				
Possible impact of a 1% movement in Interest Rates	290	290	1,860	1,860

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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.

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.

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:

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	3,982	19,023	1,877	13,842
Overdue	147	-	1,831	1,229
	<u>4,129</u>	<u>19,023</u>	<u>3,708</u>	<u>15,071</u>

(ii) Movement in Provision for Impairment of Receivables

	2013	2012
Balance at the beginning of the year	1,711	1,471
+ new provisions recognised during the year	54	285
- amounts already provided for & written off this year	(469)	(32)
- amounts provided for but recovered during the year	(66)	(13)
Balance at the end of the year	<u>1,230</u>	<u>1,711</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 are available if required.

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2013									
Trade/Other Payables	861	13,842	-	-	-	-	-	14,703	14,716
Loans & Advances	-	4,176	4,390	4,771	5,201	5,220	66,915	90,673	90,673
Total Financial Liabilities	861	18,018	4,390	4,771	5,201	5,220	66,915	105,376	105,389
2012									
Trade/Other Payables	734	11,294	-	-	-	-	-	12,028	12,495
Loans & Advances	-	3,832	3,892	4,091	4,455	4,866	69,689	90,825	90,825
Total Financial Liabilities	734	15,126	3,892	4,091	4,455	4,866	69,689	102,853	103,320

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:

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	14,716	0.0%	12,495	0.0%
Loans & Advances - Fixed Interest Rate	30,369	6.9%	26,331	7.0%
Loans & Advances - Variable Interest Rate	60,304	7.1%	64,494	7.4%
	<u>105,389</u>		<u>103,320</u>	

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 26 June 2012.

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	2013 Budget	2013 Actual	2013 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	54,352	54,474	122	0%	F
User Charges & Fees	29,056	37,521	8,465	29%	F
The favourable increase is mainly due to; increased water consumption (\$1.1M F), increased landfill usage (\$1.2M F), an increase in ordered works from Roads and Maritime Services (\$4.5M F), and a private work project for State Housing (\$1.0M F)					
Interest & Investment Revenue	5,155	5,917	762	15%	F
The favourable increase was due to improved cash flows for externally restricted operations (\$600k F) and higher than anticipated interest on overdue rates and charges (\$200k F).					
Other Revenues	1,966	1,824	(142)	(7%)	U
Operating Grants & Contributions	18,461	19,197	736	4%	F
Capital Grants & Contributions	8,166	20,708	12,542	154%	F
The favourable increase was primarily due to the value of assets transferred from private subdivisions for which there is no budget (\$5.3M F) and the approval of a new capital grant from the Commonwealth Department of Families, Housing, Community and Indigenous Affairs (\$7.5M F).					
Net Gains from Disposal of Assets	-	2,074	2,074	0%	F

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 Variance*		
EXPENSES					
Employee Benefits & On-Costs	40,806	38,847	1,959	5%	F
Borrowing Costs	6,537	6,798	(261)	(4%)	U
Materials & Contracts	28,726	36,082	(7,356)	(26%)	U
The unfavourable variance is mainly affected by the following adjustments; works classed as capital in the budget but expensed (\$1.3M U), additional ordered works for State Roads (\$1.5M U), additional State Government private works (\$1M U), additional expenditure in relation to events (\$1.1M U), and net reduction in capitalised internal plant charges (\$1M U).					
Depreciation & Amortisation	25,731	27,902	(2,171)	(8%)	U
Impairment Expenses	-	14	(14)	0%	U
Other Expenses	8,705	9,622	(917)	(11%)	U
The main variance was due to increased electricity charges (\$740k U).					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	33,552	39,014	5,462	16.3%	F
Cash inflows were above estimates for a number of reasons as outlined above including; User Charges (\$2M F) and Grants (\$9M F). Cash outflows over estimates as outlined above include; expenses in relation to private works, events and capital budgets expensed (\$8M U) and electricity (\$750k U). Net cash flows for GST were also above estimates (\$3M F).					
Cash Flows from Investing Activities	(34,294)	(40,095)	(5,801)	16.9%	U
Due to an increased operating result and reduced capital expenditure, cash invested increased by \$18M rather than the estimated reduction of \$3M (\$21M U). Favourable variances included asset sales not included in estimates (\$7M F) and net reduction in capital purchases (\$3M F).					
Cash Flows from Financing Activities	419	(152)	(571)	(136.3%)	U
The unfavourable variance is mainly due to an estimate for additional loan funds which were not required (\$500k U).					

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	
Roads	1,169	191	-	57	(426)	-	991	3,774	(4,765)	-	-
Parking	52	-	-	2	-	-	54	-	(54)	-	-
Open Space	1,173	119	-	57	(179)	-	1,170	300	(1,470)	-	-
Community Facilities	312	77	-	15	(134)	-	270	150	(420)	-	-
Rural Fire Service	194	7	-	9	(29)	-	181	100	(281)	-	-
Studies	83	10	-	4	(21)	-	76	100	(176)	-	-
Garbage Disposal	3	-	-	-	-	-	3	-	(3)	-	-
Mines & Extractive Industry	950	136	-	47	(82)	-	1,051	1,000	(2,051)	-	-
Rural Traffic Generating	5	-	-	-	-	-	5	250	(255)	-	-
Cycleways	162	24	-	8	-	-	194	100	(294)	-	-
Tamworth Regional S94 Direct Plan	-	9	-	-	-	-	9	17,847	(20,247)	(2,391)	-
Tamworth Regional S94 Indirect Plan	-	3	-	-	-	-	3	4,549	(4,552)	-	-
S94 Contributions - under a Plan	4,103	576	-	199	(871)	-	4,007	28,170	(34,568)	(2,391)	-
Total S94 Revenue Under Plans	4,103	576	-	199	(871)	-	4,007				-
S94 not under Plans	109	14	-	5	-	-	128	-	(128)	-	-
S64 Contributions	14,169	1,578	-	694	(688)	-	15,753				
Total Contributions	18,381	2,168	-	898	(1,559)	-	19,888	28,170	(34,696)	(2,391)	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN

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	
Roads - Hills Plain East	4	-	-	-	-	-	4	-	(4)	-	-
Roads - Manilla	12	-	-	1	-	-	13	-	(13)	-	-
Roads - Parry	377	31	-	18	-	-	426	274	(700)	-	-
Roads - Tamworth Urban	776	160	-	38	(426)	-	548	3,500	(4,048)	-	-
Parking - Tamworth	52	-	-	2	-	-	54	-	(54)	-	-
Open Space - Barraba	6	-	-	-	-	-	6	-	(6)	-	-
Open Space - Manilla - Active	13	-	-	1	(4)	-	10	-	(10)	-	-
Open Space . Manilla - Passive	2	-	-	-	(2)	-	-	-	-	-	-
Open Space - Tamworth	757	14	-	37	-	-	808	-	(808)	-	-
Open Space - Tamworth Urban	395	105	-	19	(173)	-	346	300	(646)	-	-
Community Facilities - Hills Plain	69	-	-	3	-	-	72	-	(72)	-	-
Community Facilities - Tamworth	54	20	-	3	(22)	-	55	-	(55)	-	-
Community Facilities - Tamworth Urban	189	57	-	9	(112)	-	143	150	(293)	-	-
Rural Fire Service - Barraba	19	-	-	1	(3)	-	17	-	(17)	-	-
Rural Fire Service - Manilla	4	-	-	-	-	-	4	-	(4)	-	-
Rural Fire Service - Nundle	7	-	-	-	-	-	7	-	(7)	-	-
Rural Fire Service - Parry	164	7	-	8	(26)	-	153	100	(253)	-	-
Studies - Hills Plain East	39	-	-	2	(21)	-	20	-	(20)	-	-
Studies - Tamworth Urban	44	10	-	2	-	-	56	100	(156)	-	-
Garbage Disposal - Nundle	3	-	-	-	-	-	3	-	(3)	-	-
Mines & Extractive Industry - Parry	950	136	-	47	(82)	-	1,051	1,000	(2,051)	-	-

(continued on the next page...)

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN (continued from the previous page)

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	
Rural Traffic Generating - Parry	5	-	-	-	-	-	5	250	(255)	-	-
Tamworth Urban Cycleway	64	17	-	3	-	-	84	100	(184)	-	-
Cycleways - Tamworth	98	7	-	5	-	-	110	-	(110)	-	-
Tamworth Regional (Roads)	-	7	-	-	-	-	7	14,134	(16,532)	(2,391)	-
Tamworth Regional (Open Space & Rec)	-	2	-	-	-	-	2	3,118	(3,120)	-	-
Tamworth Regional (Plan Preparation)	-	-	-	-	-	-	-	595	(595)	-	-
Tamworth S94A (Indirect Plan)	-	3	-	-	-	-	3	4,549	(4,552)	-	-
Total	4,103	576	-	199	(871)	-	4,007	28,170	(34,568)	(2,391)	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

Payments Arising From Developer Consents

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	53	-	-	2	-	-	55	-	(55)	-	-
Roads	32	14	-	2	-	-	48	-	(48)	-	-
Subdivision Works	24	-	-	1	-	-	25	-	(25)	-	-
Total	109	14	-	5	-	-	128	-	(128)	-	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S64 LEVIES - UNDER A PLAN

S64 Contributions

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	
Water	8,479	1,074	-	415	(623)	-	9,345	-	-	9,345	-
Sewer	5,690	504	-	279	(65)	-	6,408	-	-	6,408	-
Total	14,169	1,578	-	694	(688)	-	15,753	-	-	15,753	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 its Defined Benefit Scheme obligations in accordance with AASB 119.

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

(ii) Bank Guarantees

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, as at reporting date these amounts are:

Tamworth Gymnastics Club Inc. Drawn 23/2/2000 for \$100,000. Balance as at 30/06/2013 \$24,455.00

Tamworth Rugby Club Inc. Drawn February 2008, for \$300,000. Balance as at 30/6/2013 \$260,000.00. Council's guarantee on this loan is limited to \$260,000.

Council does not expect to incur any loss arising from these guarantees.

(iii) Other Guarantees

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

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.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(ii) Public Liability

Council is involved in a public liability legal matter where judgement was found in favour of the plaintiff for damages to be assessed with costs, at a future date to be determined. To date Council has only been asked for 50% compensation with regards to costs and disbursements. An amount is yet to be determined with regards to damages. However there is no insurance cover available to Council against any potential loss. At the current time the value of the claim cannot be accurately determined.

(iii) Dungowan Pipeline

Council was the only defendant in a class action commenced in 1998 in the Federal Court of Australia.

The case related to the provision and quality of water from the Dungowan pipeline under the Trade Practices Act, 1974, and is applicable to Tamworth Water Supply. This action has now been dismissed.

Council received a letter from a legal firm which anticipated further proceedings in relation to the same issues that were before the Federal Court.

These proceedings have not yet commenced and various issues arising from the circumstances of the original action continue as current issues for the determination of Council. If the threatened proceedings are ultimately commenced, Council will again have a contingent liability in respect of the outcome of those proceedings.

The quantum of the contingent liability is too difficult to ascertain at this time given that no particular proceedings have been suggested. Council's insurer has been notified of the potential claim.

(iv) Statewide Limited

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

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

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

(vi) S94 Plans

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

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

Accordingly, at Year End, there is a potential asset due to Council not reflecting 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.

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000

Subsidiaries (ie. Entities & Operations controlled by Council)

These consolidated financial statements incorporate the assets, liabilities & results of the following subsidiaries in accordance with AASB 127 and the accounting policy described in Note 1(c).

Name of Operation/Entity	Principal Activity	Type of Entity	Equity Holding	
			2013	2012
Central Northern Regional Libraries	<i>Provision of library resources & services for its member Councils</i>	N	62%	62%
Current Year Financial Movements in Total Operation/Entity		Gross Financial Summary of Subsidiary		
Opening Equity Balance	803	Assets	<u>966</u>	
Operating Result	163	Net Equity	966	
Distributions Paid	-	Revenues	1,560	
Closing Equity Balance	<u>966</u>	Net Profit	163	
Non-controlling Interest Share	367	Non-controlling Interest Share	62	

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		968,576	960,702
a. Correction of Prior Period Errors	20 (c)	(69)	2,018
b. Net Operating Result for the Year		22,388	5,856
Balance at End of the Reporting Period		990,895	968,576

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	397,745	334,822
Total	397,745	334,822

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	334,822	325,498
- Revaluations for the year	9(a) 62,923	9,053
- Correction of Prior Period Errors	20(c) -	271
- Balance at End of Year	397,745	334,822

TOTAL VALUE OF RESERVES

397,745	334,822
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(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.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this year's financial statements:			
In conducting the operational land revaluation as at 30 June 2013 it was found that two parcels of land were not included in the operational land asset register. The value of this land was \$1.1 million. Once again as part of the operational land revaluation Council also found it had land in both the operational land register and the investment property register.			
The Impact of these corrections on individual line items are:			
Operational Land decrease		(69)	-
Retained Earnings decrease		69	-
Correction of errors as disclosed in last year's financial statements:			
In performing the calculation for fair valuation of Other Structures - Car Parks, the figures for the accumulated depreciation and written down value were transposed.			
The impact of these corrections on individual line items are:			
- Other Structures Car Parks Accumulated Dep'n		-	(2,289)
- Retained Earnings		-	2,018
- Reserves		-	271
This adjustment resulted in a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/11.			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/12 (relating to adjustments for the 30/6/11 reporting year end and prior periods)		-	2,289
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/12 year end)		(69)	-
Total Prior Period Adjustments - Prior Period Errors		(69)	2,289

(d) Voluntary Changes in Accounting Policies

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	5,592	14,581	35,400
User Charges & Fees	10,822	2,492	25,207
Interest & Investment Revenue	1,603	1,440	2,879
Other Revenues	1	4	1,822
Grants & Contributions provided for Operating Purposes	451	255	19,420
Grants & Contributions provided for Capital Purposes	5,694	1,108	13,906
Other Income			
Net Gains from Disposal of Assets	-	-	2,079
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	24,163	19,880	100,713
Expenses from Continuing Operations			
Employee Benefits & on-costs	1,895	1,678	35,274
Borrowing Costs	631	3,693	2,474
Materials & Contracts	7,229	5,561	26,322
Depreciation & Amortisation	3,930	5,874	18,098
Impairment	-	-	14
Other Expenses	1,962	1,028	6,639
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	-	4	-
Total Expenses from Continuing Operations	15,647	17,838	88,821
Operating Result from Continuing Operations	8,516	2,042	11,892
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	8,516	2,042	11,892
Net Operating Result attributable to each Council Fund	8,516	2,042	11,830
Net Operating Result attributable to Non-controlling Interests	-	-	62
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	2,822	934	(2,014)

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

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

Tamworth Regional Council

Notes to the Financial Statements

as at 30 June 2013

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

Statement of Financial Position by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
	Water	Sewer	General ¹
ASSETS			
Current Assets			
Cash & Cash Equivalents	-	-	8,612
Investments	35,648	33,357	47,695
Receivables	2,457	2,812	16,282
Inventories	-	-	3,895
Other	10	-	231
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	38,115	36,169	76,715
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	371
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	209,274	238,212	916,088
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	6,146
Intangible Assets	51	-	-
Other	-	-	-
Total Non-Current Assets	209,325	238,212	922,605
TOTAL ASSETS	247,440	274,381	999,320
LIABILITIES			
Current Liabilities			
Payables	3,673	1,712	9,631
Borrowings	461	1,795	1,925
Provisions	-	-	10,057
Total Current Liabilities	4,134	3,507	21,613
Non-Current Liabilities			
Payables	-	-	-
Borrowings	8,587	47,122	30,783
Provisions	-	-	16,388
Total Non-Current Liabilities	8,587	47,122	47,171
TOTAL LIABILITIES	12,721	50,629	68,784
Net Assets	234,719	223,752	930,536
EQUITY			
Retained Earnings	162,836	205,475	622,584
Revaluation Reserves	71,883	18,277	307,585
Total Equity	234,719	223,752	930,536

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

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

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000

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

Note 23. Events occurring after the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2013) 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 25/10/13.

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 2013.

(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 2013 and which are only indicative of conditions that arose after 30 June 2013.

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

Note 24. Discontinued Operations

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 25. Intangible Assets

\$ '000

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

	Actual 2013 Carrying Amount	Actual 2012 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/12)	-	-
Accumulated Amortisation (1/7/12)	-	-
Accumulated Impairment (1/7/12)	-	-
Net Book Value - Opening Balance	-	-
Movements for the year		
- Other Capitalised Costs	51	-
Closing Values:		
Gross Book Value (30/6/13)	51	-
Accumulated Amortisation (30/6/13)	-	-
Accumulated Impairment (30/6/13)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>51</u>	<u>-</u>

¹ The Net Book Value of Intangible Assets represent:

- Property Easements	51	-
	51	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	
		2013	2012
Quarry & Tip Rehabilitation		16,071	15,672
Balance at End of the Reporting Period	10(a)	<u>16,071</u>	<u>15,672</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	15,672	12,316
Amounts capitalised to new or existing assets:		
- Landfill Assets	-	2,811
- Quarry Assets	-	21
Amortisation of discount (expensed to borrowing costs)	442	562
Expenditure incurred attributable to Provisions	(43)	(38)
Total - Reinstatement, rehabilitation and restoration provision	<u>16,071</u>	<u>15,672</u>

Amount of Expected Reimbursements

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

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 27. Council Information & Contact Details

Principal Place of Business:

Ray Walsh House
437 Peel Street
TAMWORTH NSW 2340

Contact Details

Mailing Address:

PO Box 555
TAMWORTH NSW 2340

Opening Hours:

Council Office Hours

8.30am to 5.00pm - Monday to Friday

Branch Office Hours

Monday to Friday (except Public Holidays)

Barraba: 8.30am to 12.00pm & 1.00pm to 4.30pm

Manilla: 8.30am to 4.30pm

Nundle: 8.30am to 12.00pm & 1.00pm to 4.30pm

Telephone: 02 6767 5555

Facsimile: 02 6767 5499

Internet: www.tamworth.nsw.gov.au

Email: trc@tamworth.nsw.gov.au

**INDEPENDENT AUDITOR'S REPORT
TO TAMWORTH REGIONAL COUNCIL
S417(2) REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS**

Report on the Financial Report

We have audited the accompanying financial report of Tamworth Regional Council ("the Council"), which comprises the balance sheet as at 30 June 2013, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by Councillors and Management in the approved form as required by Section 413(2) of the *Local Government Act 1993*.

Councillors' Responsibility for the Financial Report

The Councillors of the Council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is 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 report based on our audit. 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 report is free from material misstatement.

Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Cash Flow Statement, and Note 2 or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, 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 report 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 councillors, as well as evaluating the overall presentation of the financial report.

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

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**INDEPENDENT AUDITOR'S REPORT
TO TAMWORTH REGIONAL COUNCIL
S417(2) REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS (CONT'D)**

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Auditor's 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 financial report:
 - i. has been presented in accordance with the requirements of this Division;
 - ii. is consistent with the Council's accounting records;
 - iii. presents fairly the Council's financial position as at 30 June 2013, the results of its operations and its cash flows for the year then ended; and
 - iv. is in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia;
- (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 report that we have become aware of during the course of the audit.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Tamworth Regional Council (the Council) for the year ended 30 June 2013 included on Tamworth Regional Council's website. The Council's councillors are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.

PROSPERITY AUDIT SERVICES



LUKE MALONE
Partner

25 October 2013
Sydney

25 October 2013

The Mayor
Councillor Colin Murray
Tamworth Regional Council
357 Peel Street
TAMWORTH NSW 2340

Dear Councillor Murray,

**SUBJECT: SECTION 417(3)
REPORT ON THE CONDUCT OF THE AUDIT
FOR THE YEAR ENDED 30 JUNE 2013**

We have completed the audit of the financial report for Tamworth Regional Council for the year ended 30 June 2013 in accordance with Section 415 of the *Local Government Act 1993*. Our audit opinion under Section 417(2) has been issued to Council.

The Council is responsible for the preparation and true and fair presentation of the financial report in accordance with the *Local Government Act 1993*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

We have conducted an independent audit of the financial report in order to express an opinion on it to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Cash Flow Statement, and Note 2 or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17 to the financial statements, accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material aspects the financial report presents fairly, in accordance with the *Local Government Act 1993*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of the its operations and cash flows.

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We formed our opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not include an analysis of the prudence of business decisions made by Councillors or management.

As a result of our audit there are a number of comments we wish to raise concerning the financial report and trends in the Council's finances. These comments are set out below under the following headings:

1. Income Statement
2. Statement of Comprehensive Income
3. Balance Sheet
4. Statement of Cash Flows
5. Performance Indicators
6. Key Financial Statement Issues
7. Management Letter

1. Income Statement

The net operating result before capital grants and contributions for the year ended 30 June 2013 was a surplus of \$1.7m compared with a deficit of \$4.3m for the year ended 30 June 2012.

The improvement in the performance in the 2013 financial year compared to the 2012 financial year is reflective of an overall increase in revenue of \$6.72m (before grants and contribution for capital purposes) primarily driven by increase in:

- a. Rates and annual charges by \$4.7m;
- b. User charges and fees by \$7.3m; and
- c. Net gains on disposal of assets of \$2m.

The above increase was partially offset by:

- a. A decrease in grants and contributions revenue (for operating purposes) of \$5.4m;
- b. A decrease in interest and other revenue of \$0.8m and
- c. An increase in overall expenses of \$1.8m.

These results and other significant movements, together with their contributing factors, are outlined below:

	2013 \$'000	2012 \$'000	Variance \$'000	Variance %	Note
INCOME					
Rates & Annual Charges	54,474	49,768	4,706	9%	1
User Charges & Fees	37,521	30,188	7,333	24%	2
Interest & Investment Revenue	5,917	6,410	(493)	(8%)	**
Other Revenues	1,824	2,223	(399)	(18%)	**
Grants & Contributions provided for Operating Purposes	19,197	24,631	(5,434)	(22%)	4
Grants & Contributions provided for Capital Purposes	20,708	10,131	10,577	104%	4
Net gains from the disposal of assets	2,074	-	2,074	100%	5
Total income	141,715	123,351	18,364	15%	
EXPENSES					
Employee Benefits & On-Costs	38,847	37,530	1,317	4%	6
Borrowing Costs	6,798	7,310	(512)	(7%)	7
Materials & Contracts	36,082	30,689	5,393	18%	8
Depreciation & Amortisation	27,902	29,454	(1,552)	(5%)	9
Impairment	14	18	(4)	(22%)	**
Other Expenses	9,622	8,479	1,143	13%	10
Net Losses from the Disposal of Assets	-	4,007	(4,007)	(100%)	5
Total expenses	119,265	117,487	1,778	2%	
Net operating results	22,450	5,864	16,586	283%	

** variance not material and in line expectation

The following comments are made in respect of the income statement:

1. Rates & Annual Charges

Rates and annual charges increased by 9% from the prior year. This increase was largely attributable to an increase in rates as a result of an IPART approved rate increase of 14.6% to the general rate charges in the 2013 financial year.

2. User Charges & Fees

User charges and fees increased by \$7.3m, representing a 24% increase from the year ended 30 June 2012. The increase is primarily due to:

- Water and sewerage user charges increased by approximately \$1.15m, representing an increase of approximately 13% from 30 June 2012. The increase was reflective of the increase in overall water usage;
- Fees and charges increased by approximately \$1m, an increase of approximately 57% from 30 June 2012. The increase was mainly attributable to:
 - revenue arising on completion of projects for Housing NSW; and
 - an increase in fees from the waste facilities of \$0.7m arising from disposal of certain commercial waste items.
- Revenue from the Aerodrome increased by \$0.7m as a result of increased activity at the airport; and
- RMS Charges (representing revenue for completion of projects on behalf of the NSW Roads and Maritime Services [‘RMS’]) increased by \$4.5m as a result of a higher projects undertaken by the Council on behalf of NSW RMS.

3. Interest & Investment Revenue

The decrease in investment revenue was mainly attributable to a decrease in the weighted average interest rate across the investment portfolio (2013:4.31% and 2012: 5.62%).

4. Grants and contributions

Grants and contributions have decreased by \$5.1m as follows:

	2013 \$'000	2012 \$'000	Variance \$'000	Variance %	Note
Financial assistance	9,705	12,622	(2,917)	(23%)	a
Pensioner rebate subsidies	1,297	1,274	23	2%	**
Water supplies	4,634	650	3,984	613%	b
Transport	2,561	1,518	1,043	69%	c
Other grants	11,256	7,519	3,737	50%	d
Developer contributions	2,166	4,409	(2,243)	(51%)	e
Other contributions	8,286	6,770	1,516	22%	f
Total grant and contributions	39,905	34,762	5,143	15%	

** Variance not material and in line with expectation

- a. Financial assistance grants are general purpose grants that are paid to the local councils under the Local Government (Financial Assistance) Act 1995. The quantum of the financial assistance grant is determined by the Minister for Local Government and is discretionary.

The Council is entitled to \$9.7m for the 2013 financial year (2012: \$9.9m) as advised by Minister for Local Government. However, the timing of the payments does not necessarily coincide with the entitlement of the financial year. The Council recognises grant income only upon receipt under AASB 1004 *Contributions*.

The table below explains the timing of receipt of payment and thus the difference in the financial assistance grant income between 2013 and 2012 financial year:

		2013	2012
Entitled amount per communication from Minister	A	\$9.72m	\$9.99m
Amounts relating to 2012 received in 2011	B	-	(\$2.53m)
Amounts relating to 2013 received in 2012	C	(\$5.16m)	\$5.16m
Amounts relating to 2014 received in 2013	D	\$5.15m	-
Total amount recognised as revenue	A+B+C+D	\$9.71m	\$12.62m

The Council has received \$1.3m of financial assistance grants subsequent to 30 June 2013.

- b. The majority of the water supplies grant relates to grants received from State Government with respect to the Barraba Pipeline that commenced in the 2013 financial year.
- c. Transport grants related to roads to recovery contribution received with respect to repairs to the roads as a result of flood damage during 2011. A large portion of the project was completed in the 2012 financial year and there were no such grants during the 2013.
- d. The increase in other grants is primarily attributable to a federal grant to increase low cost housing options.
- e. Developer contributions include:
- Section 94: monetary contribution from developers to assist funding of any additional community facilities or infrastructure;
 - Section 64: monetary contributions from developers for water and sewerage.

The quantum of developer contributions received each year can fluctuate significantly from year to year depending on how much development activity is carried out. The decrease in developer contributions is reflective of lower levels of development activities as compared to the 2012 financial year.

- f. Other contributions comprise a number of other contributions received by the Council. The increase in the other contributions is reflective of the timing of payments of these contributions.

5. *Net gains and losses on disposal of assets*

The net gains on disposal of assets represents the gain on disposal of real estate assets held for sale amounting to \$5m, offset by certain road assets amounting to \$3m that were replaced in the 2013 financial year resulting in the existing written down value of these replaced assets to be written off.

6. *Employee Costs*

Employee costs for the 2013 financial year have increased by 4% compared to 2012 financial year reflective of the increase in the number of employees as at 30 June 2013 to 535 employees (30 June 2012: 524 employees).

7. *Borrowing Costs*

The decrease in borrowing costs is reflective of the general decline in interest rates between the 2013 and 2012 financial years.

8. *Materials & Contracts Expense*

The increase in materials and contracts maintenance expense is reflective of some large projects undertaken by the Council in the 2013 financial year. A significant contributor to the increase in material and contractor expenses is the road work undertaken by the Council for NSW Roads and Maritime Services.

9. *Depreciation and amortisation*

Depreciation and amortisation expense for the year decreased by \$1.5m. This was attributable to the re-estimation of the useful life of non specialised buildings and the sewerage network in the 2013 financial year which resulted in an extension in the useful lives of these assets resulting in a lower depreciation charge.

10. *Other expenses*

Other expenses have increased by \$1.1m as a result of an increase in electricity and heating expenses of \$1.1m, reflective of increased utility prices.

2. Statement of Comprehensive Income

	2013 \$'000	2012 \$'000	Variance \$'000	Variance %
Net operating result	22,450	5,864	16,586	283%
Gain on revaluation of I,PP&E	62,923	9,053	53,870	595%
Total comprehensive income	85,373	14,917	70,456	472%

Total comprehensive income has increased by \$70.5m. This is reflective of an increase in the gain on revaluation of infrastructure, property, plant and equipment assets in the 2013 financial year. This is attributable to the revaluation of water and sewerage networks, buildings and operational land as at 30 June 2013. These assets were last revalued in the year ended 30 June 2008.

The Council recorded a higher operating result in the current year as a result of increased revenues generated from rates & annual charges, user charges & fees and grants and contributions with materially consistent expenses.

3. Balance Sheet

	2013 \$'000	2012 \$'000	Variance \$'000	Variance %	Note
ASSETS					
Current Assets					
Cash & Cash Equivalents	8,612	9,845	(1,233)	(13%)	1
Investments	116,700	98,725	17,975	18%	2
Receivables	21,551	16,603	4,948	30%	3
Inventories	3,895	2,707	1,188	44%	4
Other	241	57	184	323%	**
Total current assets	150,999	127,937	23,062	18%	
Non-Current Assets					
Receivables	371	465	(94)	(20%)	3
Infrastructure, Property, Plant & Equipment	1,363,574	1,304,493	59,081	5%	5
Investment Property	6,146	1,950	4,196	215%	6
Intangible Assets	51	-	51	100%	**
Total non-current assets	1,370,142	1,306,908	63,234	5%	
Total assets	1,521,141	1,434,845	86,296	6%	
LIABILITIES					
Current Liabilities					
Payables	15,016	13,624	1,392	10%	7
Borrowings	4,181	3,782	399	11%	8
Provisions	10,057	10,647	(590)	(6%)	9
Total current liabilities	29,254	28,053	1,201	4%	
Non-Current Liabilities					
Borrowings	86,492	87,043	(551)	(1%)	8
Provisions	16,388	16,046	342	2%	9
Total current liabilities	102,880	103,089	(209)	(0%)	
Total liabilities	132,134	131,142	992	1%	
Net assets	1,389,007	1,303,703	85,304	7%	
EQUITY					
Retained Earnings	990,895	968,576	22,319	2%	9
Revaluation Reserves	397,745	334,822	62,923	19%	9
Council Equity Interest	1,388,640	1,303,398	85,242	7%	
Non-controlling Interests	367	305	62	20%	
Total Equity	1,389,007	1,303,703	85,304	7%	

The net asset position of the Council for the year ended 30 June 2013 was \$1.39b compared with \$1.3b in the prior year.

This result and other significant movements, together with their contributing factors, are outlined below:

1. Cash & Cash Equivalents

Commentary on the Council's cash performance is located at section 4 of this report.

2. Investments

An increase in the rates and annual charges revenues resulted in additional cash inflow which the Council invested in term deposits in the current year. This resulted in an increase in the investments balance as at 30 June 2013.

3. Receivables

The balance of receivables (including current and non-current) has increased by \$4.85m. This was primarily attributable to the invoice raised for work performed by the Council for NSW Roads and Maritime Services close to 30 June 2013.

4. Inventories

Inventories represent tools, gravel and land held for sale by the Council.

The increase in inventories of \$1.1m is due to the transfer of a block of operational land to inventories as the Council has entered into an agreement to sell this land to Tamworth Property & Development Investments Pty Ltd.

5. Infrastructure, Property, Plant & Equipment

Infrastructure, property, plant & equipment (IPP&E) increased by \$59m. This is reflective of:

- a. Additions to IPP&E in the year amounting to \$34.5m; and
- b. Increase in the value of buildings, operational land and water and sewer networks of \$62.9m as a result of revaluation.

The above increase was offset by:

- a. Depreciation expense of \$26.7m;
- b. Disposal of assets amounting to \$5.2m; and
- c. Other adjustments of \$6.5m.

Other adjustments are usually adjustments that result in transfer of assets from IPP&E to other classes such as investment properties, inventories etc. The other adjustment of \$6.5m for the 2013 financial year comprised of:

- Transfer of \$4.2m of land and building to investment property (refer note 7 below)
- Transfer of \$1.1m of operational land to inventories (refer note 5 above); and
- Other minor adjustments aggregating to \$1.2m.

6. Investment property

An increase in investment property of \$4.2m is as a result of the transfer of the property at 468 Peel Street from buildings to investment property as the Council has decided to rent this property out. Under AASB 140 Investment Property the property has been reclassified as an investment property.

7. Payables

The balance of payables (including current and non-current) increased by \$1.3m primarily due to timing of payments.

8. Borrowings

Total interest bearing liabilities (including current and non-current) at 30 June 2013 have remained fairly consistent with the prior year.

9. Provisions

Current provisions represent annual and long service leave liability and non-current provisions represents the provision to maintain the tips and quarries that have remained materially consistent with prior year.

4. Statement of Cash Flows

The movement in cash is attributable to the following movements:

	2013 \$'000	2012 \$'000
Cash at the beginning of the year	9,845	9,410
Cash provided by operating activities	39,014	42,533
Cash used in investing activities	(40,095)	(39,755)
Cash provided by financing activities	(152)	(2,343)
Cash at the end of the year	8,612	9,845

4.1 Cash flows from operating activities

Cash from operating activities amounting to \$39m represents a decrease of \$3.52m as compared with the prior year. Significant cash flows for the 2013 financial year included:

- Receipt of rates and annual charges, and user charges and fees amounted to \$87.2m;
- Receipt of investment revenue of \$5.8m;
- Receipt of grants and contributions of \$36.3m; and
- Other receipts of \$6.3m.

The above receipts were offset by the following payment:

- Employee payments of \$39m;
- Payments for material and contracts of \$39.5m;
- Interest payments of \$6.35m; and
- Other operational payments amounted to \$11.8m.

4.2 Cash flows from investing activities

Net cash outflows from investing activities of \$40m represents an increase of \$341k as compared with the prior year. Significant cash flows for the year include:

- the sale of real estate assets of \$6m;
- the sale of property, plant and equipment assets of \$1m;
- purchase of investment securities of \$18m; and
- purchase of infrastructure, property, plant and equipment of \$29m.

4.3 Cash flows from financing activities

Net cash outflows from financing activities were \$152k reflective of the net repayments of borrowings in the 2013 financial year.

5. Performance Indicators

We have based our comments on the performance of the Council on indicators which we consider meaningful to its operations.

The indicators that we have reviewed are as follows:

5.1 Liquidity / Working Capital

	2013 \$'000	2012 \$'000
Current assets	150,999	127,937
Current liabilities	29,254	28,053
Current ratio	5.16	4.56

The current ratio demonstrates that current assets yet to be realised exceed the current liabilities to be met over the next twelve months. Prima facie, this result demonstrates that the Council is in a positive position with regards to liquidity.

However, it must be noted that the balance of current assets includes cash and investment items that are restricted in their use, as follows:

	2013 \$'000	2012 \$'000
Total cash and investments	125,312	108,570
Less: externally restricted items	(101,062)	(83,085)
Less: internally restricted items	(23,129)	(22,179)
Unrestricted cash and investments	1,121	3,306

As Council's cash and investments (and the income generated by them) are a fundamental component of Council's day to day operations, it remains vitally important that care is exercised in the management of these assets to minimise risk and maintain appropriate and sustained returns, in order to maintain security of Council funds and income streams. Accordingly, we have also analysed the Council's unrestricted current ratio which as follows:

	2013 \$'000	2012 \$'000
Current assets less all restrictions	43,679	38,698
Current liabilities less specific purpose liabilities	12,507	13,603
Unrestricted current ratio	3.49	2.84

We note that the Council's unrestricted current ratio demonstrates that for every dollar of the Council's current liabilities is matched by \$3.49 of the Council's unrestricted current assets.

5.2 Debt Service Ratio

The debt service ratio is calculated as loan and interest repayments as a percentage of operating revenue, and indicates the cost to the Council of meeting its debt obligations.

	2013 \$'000	2012 \$'000
Net debt service cost	10,188	10,591
Operating revenue	110,792	101,696
Debt Service Ratio	10.87	9.60

The debt servicing ratio has increased to 10.87 times (2012: 9.6 times) primarily due to higher levels of operating revenue generated in the current financial year.

5.3 Rates and Annual Charge Coverage Ratio

The rates and annual charges coverage ratio is a measure of how dependent the Council is upon revenue from these sources.

	2013 \$'000	2012 \$'000
Rates and annual charge revenue	54,474	49,768
Total revenue	141,715	123,351
Rates & annual charge coverage ratio	38%	40%

Council's dependence on rates has remained stable year on year. However, the Council is still below the average for NSW Councils (approximately 47% based on recent historical data).

5.4 Rates and Annual Charges Outstanding

The rates and annual charges outstanding percentage is used to determine the effectiveness of debt collection procedures, and highlight the extent of any impact upon liquidity.

	2013 \$'000	2012 \$'000
Rates & annual charges outstanding	4,129	3,708
Rates and annual charge revenue	54,474	49,768
Percentage of outstanding rates	7.6%	7.5%

The increase of the percentage of rates and annual charges outstanding indicates that the Council needs to continue to focus on its debt recovery processes to reduce the outstanding rates and annual charges. Currently, the ratio is higher than the acceptable benchmark of the Local Government Division of 5%.

5.5 Building & Infrastructure Renewals Ratio

The building and infrastructure renewals ratio is a comparison of the rate at which assets are being renewed against the rate at which they are depreciating.

	2013 \$'000	2012 \$'000
Building & infrastructure renewals	11,012	5,011
Depreciation & amortisation	20,267	23,325
Building renewals ratio	54%	21%

A ratio of less than 100% indicates that assets are being depreciated at a faster rate than they are being renewed. However, care needs to be taken in interpreting this ratio due to the limitations inherent in the scope of its analysis.

The increase in the current year ratio is reflective of the higher levels of renewals in the year.

6. Key Financial Statement Issues

6.1 Internally Restricted Assets

Council sets aside specific cash and investment amounts to cover future expenditure that is considered necessary for efficient long term operations. These cash or investments are restricted for use only on the specific purposes designated. It does not include restrictions on unexpended grant income or section 94 contributions, as these are provided for separately in external restrictions. Internal restrictions relate to expenditure on such items as leave entitlements and asset replacements.

At year end Council had internally restricted assets totalling \$23.1 million which was consistent with the prior year restrictions of \$22.2 million.

6.2 Asset Remediation liability

An asset remediation liability has been recognised in the financial statements at 30 June 2013 to a value of \$16 million (\$15.6m). This liability will be incurred at the conclusion of the useful lives of the tips and quarries, which ranges from 2014 to 2029.

The increase in liability of \$400K is as a result of the reassessment by management of the provision to maintain the tips and quarries.

6.3 Asset Recognition

Except for land under roads, infrastructure assets acquired or constructed prior to 1 January 1993 have been capitalised in the accounts on a staged basis since June 1995, in accordance with the transitional provisions of the *Local Government Code of Accounting Practice and Financial Reporting*.

Under direction from the Division of Local Government, the Council revalued operational land, buildings, and water and sewer network to fair value (using depreciated replacement cost) at 30 June 2013. The upward changes resulted as a result of revaluation resulted in an increase in these asset values by \$62.9m.

The fair value of operational land and buildings were based on the independent valuations, while the water and sewer networks were valued based on the NSW reference rate tables issued by the NSW Office of Water to assist valuation of water supply, sewerage and stormwater assets.

The revaluation process necessitated a review of the completeness and accuracy of the Council's asset registers in recognising the assets that they owned and controlled. The revaluation process also necessitated a review of the remaining useful lives of assets by Council staff. The review of remaining useful lives was undertaken by way of physical inspection.

The revaluation increment has been recognised as other comprehensive income and included as an increase in the asset revaluation reserve.

6.4 Defined Benefit Plans

The Council participates in an Industry Defined Benefit Plan under the Local Government Superannuation Scheme which has both defined benefits and accumulation arrangements. The Scheme was deemed to be a "multi-employer fund" and has advised member councils that it has a significant deficiency of assets over liabilities at 30 June 2013.

The Council has accounted for its participation in the plan as if it were a defined contribution plan as sufficient information is not available to account for the scheme as a defined benefit plan consistent with the prior year.

The Council also 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.

The above accounting treatment is considered appropriate and is in compliance with *AASB 119 Employee Benefits*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Tamworth Regional Council (the Council) for the year ended 30 June 2013 included on Tamworth Regional Council's web site. The Council's councillors are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.

We would like to take this opportunity to acknowledge the courtesy and cooperation extended to us during the audit by Council staff.

Should you have any queries in relation to this report, please do not hesitate to contact our office.

Yours faithfully
PROSPERITY AUDIT SERVICES



LUKE MALONE
Partner

Tamworth Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

*“...the perfect place to
live, invest, visit & work”*



Tamworth Regional Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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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).

Tamworth Regional Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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:

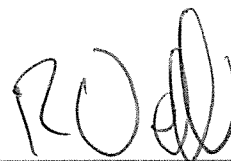
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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 24 September 2013.



Col Murray
MAYOR



Russell Webb
COUNCILLOR



Paul Bennett
GENERAL MANAGER



Rick Sanderson
RESPONSIBLE ACCOUNTING OFFICER

Tamworth Regional Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	5,592	5,214
User charges	10,822	9,890
Fees	-	-
Interest	1,603	1,651
Grants and contributions provided for non capital purposes	451	437
Profit from the sale of assets	-	-
Other income	1	1
Total income from continuing operations	18,469	17,193
Expenses from continuing operations		
Employee benefits and on-costs	1,895	1,698
Borrowing costs	631	752
Materials and contracts	7,229	7,352
Depreciation and impairment	3,930	3,890
Water purchase charges	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	31	22
Debt guarantee fee (if applicable)	46	48
Other expenses	1,962	1,528
Total expenses from continuing operations	15,724	15,290
Surplus (deficit) from Continuing Operations before capital amounts	2,745	1,903
Grants and contributions provided for capital purposes	5,694	3,721
Surplus (deficit) from Continuing Operations after capital amounts	8,439	5,624
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	8,439	5,624
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(824)	(571)
SURPLUS (DEFICIT) AFTER TAX	7,616	5,053
plus Opening Retained Profits	140,994	135,300
plus/less: Adjustments to Equity Prior Years	13,326	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	31	22
- Debt guarantee fees	46	48
- Corporate taxation equivalent	824	571
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	162,836	140,994
Return on Capital %	1.6%	1.4%
Subsidy from Council	4,514	2,963
Calculation of dividend payable:		
Surplus (deficit) after tax	7,616	5,053
less: Capital grants and contributions (excluding developer contributions)	(5,466)	(3,037)
Surplus for dividend calculation purposes	2,150	2,016
Potential Dividend calculated from surplus	1,075	1,008

Tamworth Regional Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	14,581	14,444
User charges	1,921	2,053
Liquid Trade Waste charges	500	710
Fees	71	76
Interest	1,440	1,540
Grants and contributions provided for non capital purposes	255	517
Profit from the sale of assets	-	-
Other income	4	16
Total income from continuing operations	18,772	19,356
Expenses from continuing operations		
Employee benefits and on-costs	1,678	1,615
Borrowing costs	3,693	3,859
Materials and contracts	5,561	5,268
Depreciation and impairment	5,874	6,586
Loss on sale of assets	4	392
Calculated taxation equivalents	166	172
Debt guarantee fee (if applicable)	249	257
Other expenses	1,028	906
Total expenses from continuing operations	18,253	19,055
Surplus (deficit) from Continuing Operations before capital amounts	519	301
Grants and contributions provided for capital purposes	1,108	1,031
Surplus (deficit) from Continuing Operations after capital amounts	1,627	1,332
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,627	1,332
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(156)	(90)
SURPLUS (DEFICIT) AFTER TAX	1,471	1,242
plus Opening Retained Profits	148,951	147,190
plus/less: Adjustments to Equity Prior Years	54,482	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	166	172
- Debt guarantee fees	249	257
- Corporate taxation equivalent	156	90
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	205,475	148,951
Return on Capital %	1.8%	1.9%
Subsidy from Council	4,769	2,449
Calculation of dividend payable:		
Surplus (deficit) after tax	1,471	1,242
less: Capital grants and contributions (excluding developer contributions)	(504)	(1,025)
Surplus for dividend calculation purposes	967	217
Potential Dividend calculated from surplus	484	108

Tamworth Regional Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Income from continuing operations				
Access charges	-	-	6,456	6,156
User charges	4,086	3,357	3,954	3,227
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	503	480
Profit from the sale of assets	-	-	-	-
Other income	71	75	1	-
Total income from continuing operations	4,157	3,432	10,914	9,863
Expenses from continuing operations				
Employee benefits and on-costs	523	581	1,092	1,054
Borrowing costs	96	10	434	551
Materials and contracts	2,184	1,477	6,837	6,088
Depreciation and impairment	517	411	626	527
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	170	140	7	8
Debt guarantee fee (if applicable)	7	4	-	-
Other expenses	265	197	23	29
Total expenses from continuing operations	3,762	2,820	9,019	8,257
Surplus (deficit) from Continuing Operations before capital amounts	395	612	1,895	1,606
Grants and contributions provided for capital purposes	320	665	-	-
Surplus (deficit) from Continuing Operations after capital amounts	715	1,277	1,895	1,606
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	715	1,277	1,895	1,606
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(119)	(184)	(569)	(482)
SURPLUS (DEFICIT) AFTER TAX	597	1,093	1,327	1,124
plus Opening Retained Profits	22,312	20,667	9,797	8,183
plus/less: Adjustments to Equity Prior Years	1,913	224	(1)	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	170	140	7	8
- Debt guarantee fees	7	4	-	-
- Corporate taxation equivalent	119	184	569	482
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	25,117	22,312	11,698	9,797
Return on Capital %	1.2%	1.7%	16.6%	15.3%
Subsidy from Council	1,047	458	-	-

Tamworth Regional Council

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

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	35,648	31,063
Receivables	2,457	2,352
Inventories	-	-
Other	10	-
Non-current assets classified as held for sale	-	-
Total Current Assets	38,115	33,415
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	209,274	185,399
Investments accounted for using equity method	-	-
Investment property	-	-
Other	51	-
Total non-Current Assets	209,325	185,399
TOTAL ASSETS	247,440	218,814
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	3,673	611
Interest bearing liabilities	461	419
Provisions	-	-
Total Current Liabilities	4,134	1,030
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	8,587	9,067
Provisions	-	-
Total Non-Current Liabilities	8,587	9,067
TOTAL LIABILITIES	12,721	10,097
NET ASSETS	234,719	208,717
EQUITY		
Retained earnings	162,836	140,994
Revaluation reserves	71,883	67,723
Council equity interest	234,719	208,717
Non-controlling interest	-	-
TOTAL EQUITY	234,719	208,717

Tamworth Regional Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	33,357	29,387
Receivables	2,812	2,894
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	36,169	32,281
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	238,212	218,106
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	238,212	218,106
TOTAL ASSETS	274,381	250,387
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1,712	1,770
Interest bearing liabilities	1,795	1,714
Provisions	-	-
Total Current Liabilities	3,507	3,484
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	47,122	48,918
Provisions	-	-
Total Non-Current Liabilities	47,122	48,918
TOTAL LIABILITIES	50,629	52,402
NET ASSETS	223,752	197,985
EQUITY		
Retained earnings	205,475	148,951
Revaluation reserves	18,277	49,034
Council equity interest	223,752	197,985
Non-controlling equity interest	-	-
TOTAL EQUITY	223,752	197,985

Tamworth Regional Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
ASSETS				
Current Assets				
Cash and cash equivalents	2,790	2,670	645	430
Investments	1,965	2,693	13,640	11,516
Receivables	560	502	980	908
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	5,315	5,865	15,265	12,854
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	40,785	35,635	14,000	14,056
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	40,785	35,635	14,000	14,056
TOTAL ASSETS	46,100	41,500	29,265	26,910
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	130	1,150	8	26
Interest bearing liabilities	40	38	-	-
Provisions	-	-	-	-
Total Current Liabilities	170	1,188	8	26
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	1,421	1,462	-	-
Provisions	-	-	15,776	15,385
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	1,421	1,462	15,776	15,385
TOTAL LIABILITIES	1,591	2,650	15,784	15,411
NET ASSETS	44,509	38,850	13,481	11,499
EQUITY				
Retained earnings	25,117	22,312	11,698	9,797
Revaluation reserves	19,392	16,538	1,783	1,702
Council equity interest	44,509	38,850	13,481	11,499
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	44,509	38,850	13,481	11,499

Tamworth Regional Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
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2	Water Supply Business Best Practice Management disclosure requirements	13
3	Sewerage Business Best Practice Management disclosure requirements	15

Tamworth Regional Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council 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 Division of Local Government in July 1997 has also been adopted.

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

Declared Business Activities

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

Category 1

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

a. Tamworth Regional Council Combined Water Supplies

Water supply systems servicing the area of Tamworth Regional Council.

b. Tamworth Regional Council Combined Sewerage Service

Sewerage reticulation and treatment system servicing the area of Tamworth Regional Council.

c. Tamworth Regional Airport

Tamworth Regional Airport Facility.

d. Tamworth Regional Council Waste Management

Tamworth Regional Council Waste Management Facilities.

Category 2

(where gross operating turnover is less than \$2 million)

None

Tamworth Regional Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

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 **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – Council is liable for payroll tax on all relevant activities as deemed by the Office of State Revenue including its water and sewer operations. For this reason no taxation equivalent charge has been allowed for with regards to payroll tax.

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.

Tamworth Regional Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face “true” commercial 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 3.77% at 30/6/13.

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 2013 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.

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 2. Water Supply Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2013

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	77,000
(ii)	No of assessments multiplied by \$3/assessment	63,714
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	63,714
(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]	1,074,750
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	573,426
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	5,164,500

2013 Surplus	2,149,500	2012 Surplus	2,016,100	2011 Surplus	1,567,900
		2012 Dividend	-	2011 Dividend	569,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	573,426
(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]	YES
	- 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	YES

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	18,001
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	60.13%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	185,104
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	10,990
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	10,383
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	1.47%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	4,634

- 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.

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 3. Sewerage Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2013

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	415,000
(ii)	No of assessments multiplied by \$3/assessment	57,495
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	57,495
(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]	483,650
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	517,455
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	6,399,700

2013 Surplus	967,300	2012 Surplus	216,700	2011 Surplus	5,721,700
		2012 Dividend	-	2011 Dividend	506,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	483,650
(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]	YES
	Complying charges	
	(a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(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	YES

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

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	18,440
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	225,723
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	8,220
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	2,278
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)]	%	1.82%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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	36,437
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.06%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	12,661
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)]	%	1.66%
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%

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2013

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-2.41%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 7,425 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: 1,356 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		5
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	5,924
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	386

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

INDEPENDENT AUDITOR'S REPORT TO TAMWORTH REGIONAL COUNCIL

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Tamworth Regional Council, which comprises the balance sheet as at 30 June 2013, and the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the Statement by Councillors and Management.

Responsibility of the Councillors for the Financial Report

The Councillors of the Council are responsible for the preparation of the financial report in accordance with the *Local Government Act 1993* and have determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the Department of Local Government. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 Councillors, as well as evaluating the overall presentation of the financial report.

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

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**INDEPENDENT AUDITOR'S REPORT
TO TAMWORTH REGIONAL COUNCIL (CONT'D)**

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion the financial report of the Council presents fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Emphasis of Matter - Basis of Accounting

Without modifying our opinion, attention is drawn to the preparation of the financial report on a special purpose basis. The special purpose financial report does not apply all Australian Accounting Standards which would otherwise be applied in the preparation of a general purpose financial report. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the *Local Government Act 1993*. As a result, the special purpose financial report may not be suitable for another purpose.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Tamworth Regional Council (the Council) for the year ended 30 June 2013 included on Tamworth Regional Council's web site. The Council's councillors are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.

PROSPERITY AUDIT SERVICES



LUKE MALONE

Partner
25 October 2013
Sydney

Tamworth Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2013

*“...the perfect place to
live, invest, visit & work”*



Tamworth Regional Council

Special Schedules

for the financial year ended 30 June 2013

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¹ Special Purpose Schedules are not audited.

Background

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

Tamworth Regional Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	5,280	70	-	(5,210)
Administration	3,728	311	-	(3,417)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,273	476	129	(668)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	45	9	-	(36)
Animal Control	242	60	-	(182)
Other	-	-	-	-
Total Public Order & Safety	1,560	545	129	(886)
Health	512	129	-	(383)
Environment				
Noxious Plants and Insect/Vermin Control	433	184	-	(249)
Other Environmental Protection	70	-	-	(70)
Solid Waste Management	8,130	10,595	-	2,465
Street Cleaning	759	-	-	(759)
Drainage	1,784	534	-	(1,250)
Stormwater Management	186	77	-	(109)
Total Environment	11,362	11,390	-	28
Community Services and Education				
Administration & Education	182	-	-	(182)
Social Protection (Welfare)	123	23	55	(45)
Aged Persons and Disabled	916	593	-	(323)
Children's Services	821	604	-	(217)
Total Community Services & Education	2,042	1,220	55	(767)
Housing and Community Amenities				
Public Cemeteries	340	200	-	(140)
Public Conveniences	284	-	-	(284)
Street Lighting	903	169	-	(734)
Town Planning	819	1,084	10	275
Other Community Amenities	55	1	-	(54)
Total Housing and Community Amenities	2,401	1,454	10	(937)
Water Supplies	14,461	17,394	5,693	8,626
Sewerage Services	16,838	18,619	1,110	2,891

Tamworth Regional Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from Continuing Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	2,662	936	252	(1,474)
Museums	83	12	-	(71)
Art Galleries	1,119	187	39	(893)
Community Centres and Halls	886	128	-	(758)
Performing Arts Venues	1,389	265	-	(1,124)
Other Performing Arts	-	-	-	-
Other Cultural Services	8	-	-	(8)
Sporting Grounds and Venues	3,156	369	19	(2,768)
Swimming Pools	1,680	516	-	(1,164)
Parks & Gardens (Lakes)	2,262	31	155	(2,076)
Other Sport and Recreation	190	48	111	(31)
Total Recreation and Culture	13,435	2,492	576	(10,367)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,422	256	-	(1,166)
Other Mining, Manufacturing & Construction	(120)	-	-	120
Total Mining, Manufacturing and Const.	1,302	256	-	(1,046)
Transport and Communication				
Urban Roads (UR) - Local	12,037	(405)	4,845	(7,597)
Urban Roads - Regional	309	220	-	(89)
Sealed Rural Roads (SRR) - Local	3,669	337	179	(3,153)
Sealed Rural Roads (SRR) - Regional	1,203	1,915	185	897
Unsealed Rural Roads (URR) - Local	4,239	78	32	(4,129)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	1,873	(107)	(35)	(2,015)
Bridges on URR - Local	97	-	-	(97)
Bridges on Regional Roads	-	-	-	-
Parking Areas	479	938	-	459
Footpaths	400	-	28	(372)
Aerodromes	3,058	4,157	320	1,419
Other Transport & Communication	8,749	8,832	31	114
Total Transport and Communication	36,113	15,965	5,585	(14,563)
Economic Affairs				
Camping Areas & Caravan Parks	64	168	-	104
Other Economic Affairs	10,167	10,657	7,550	8,040
Total Economic Affairs	10,231	10,825	7,550	8,144
Totals – Functions	119,265	80,670	20,708	(17,887)
General Purpose Revenues⁽²⁾		40,337		40,337
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	119,265	121,007	20,708	22,450

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Tamworth Regional Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2013

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	131	910	1,041	-	131	-	-	-	130	780	910
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	3,639	86,124	89,763	3,680	3,689	-	-	6,355	4,045	85,709	89,754
Other	12	9	21	-	12	-	-	1	6	3	9
Total Loans	3,782	87,043	90,825	3,680	3,832	-	-	6,356	4,181	86,492	90,673
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	3,782	87,043	90,825	3,680	3,832	-	-	6,356	4,181	86,492	90,673

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).

Tamworth 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 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	1,424	1,392
b. Engineering and Supervision	2,210	2,382
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	614	489
b. Maintenance expenses	689	563
- Mains		
c. Operation expenses	317	274
d. Maintenance expenses	1,340	1,343
- Reservoirs		
e. Operation expenses	140	111
f. Maintenance expenses	203	108
- Pumping Stations		
g. Operation expenses (excluding energy costs)	106	87
h. Energy costs	130	84
i. Maintenance expenses	113	96
- Treatment		
j. Operation expenses (excluding chemical costs)	2,161	1,726
k. Chemical costs	325	291
l. Maintenance expenses	646	1,184
- Other		
m. Operation expenses	22	1
n. Maintenance expenses	49	47
o. Purchase of water	501	399
3. Depreciation expenses		
a. System assets	3,897	3,861
b. Plant and equipment	34	29
4. Miscellaneous expenses		
a. Interest expenses	631	752
b. Revaluation Decrements	-	-
c. Other expenses	95	1
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	15,647	15,220

Tamworth 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 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges		
a. Access (including rates)	4,176	3,884
b. Usage charges	6,299	5,446
7. Non-residential charges		
a. Access (including rates)	1,417	1,329
b. Usage charges	4,209	4,168
8. Extra charges	75	75
9. Interest income	1,528	1,576
10. Other income	314	277
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	4,634	650
b. Grants for pensioner rebates	201	201
c. Other grants	-	189
12. Contributions		
a. Developer charges	1,074	2,435
b. Developer provided assets	228	684
c. Other contributions	8	-
13. Total income	24,163	20,914
14. Gain (or loss) on disposal of assets	-	-
15. Operating Result	8,516	5,694
15a. Operating Result (less grants for acquisition of assets)	3,882	5,044

Tamworth 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 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	1,164	5,476
b. New Assets for Growth	8,711	684
c. Renewals	508	-
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	439	381
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	10,822	6,541
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	702	1,504
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	702	1,504
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	17,950	17,877
b. Residential (unoccupied, ie. vacant lot)	1,170	976
c. Non-residential (occupied)	1,763	1,765
d. Non-residential (unoccupied, ie. vacant lot)	355	354
25. Number of ETs for which developer charges were received	257 ET	477 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 366,778	\$ 364,446

Tamworth Regional Council

Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. 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 land value from access charges (ie rates)?	<input type="checkbox"/> YES	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

* 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.

Tamworth 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 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	9,347	-	9,347
b. Special purpose grants	21	-	21
c. Accrued leave	-	-	-
d. Unexpended loans	770	-	770
e. Sinking fund	-	-	-
f. Other	25,511	-	25,511
31. Receivables			
a. Specific purpose grants	18	-	18
b. Rates and Availability Charges	513	-	513
c. User Charges	1,925	-	1,925
d. Other	-	-	-
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	185,104	185,104
b. Plant and equipment	-	24,170	24,170
34. Other assets	10	51	61
35. Total assets	38,115	209,325	247,440
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	3,673	-	3,673
38. Borrowings			
a. Loans	461	8,587	9,048
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	4,134	8,587	12,721
41. NET ASSETS COMMITTED	33,981	200,738	234,719
EQUITY			
42. Accumulated surplus			162,836
43. Asset revaluation reserve			71,883
44. TOTAL EQUITY			234,719
Note to system assets:			
45. Current replacement cost of system assets			325,466
46. Accumulated current cost depreciation of system assets			(140,362)
47. Written down current cost of system assets			185,104

Tamworth 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 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	974	952
b. Engineering and Supervision	2,316	2,378
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	339	362
b. Maintenance expenses	1,095	862
- Pumping Stations		
c. Operation expenses (excluding energy costs)	153	155
d. Energy costs	122	99
e. Maintenance expenses	191	200
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,063	1,150
g. Chemical costs	93	68
h. Energy costs	771	594
i. Effluent Management	38	12
j. Biosolids Management	311	365
k. Maintenance expenses	754	524
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	7
3. Depreciation expenses		
a. System assets	5,820	6,538
b. Plant and equipment	55	48
4. Miscellaneous expenses		
a. Interest expenses	3,693	3,859
b. Revaluation Decrements	-	-
c. Other expenses	46	61
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	17,834	18,234

Tamworth 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 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges (including rates)	12,806	12,680
7. Non-residential charges		
a. Access (including rates)	1,717	1,706
b. Usage charges	1,789	1,810
8. Trade Waste Charges		
a. Annual Fees	70	61
b. Usage charges	391	392
c. Excess mass charges	331	557
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	1,440	1,540
11. Other income	(27)	92
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	185	186
c. Other grants	-	21
13. Contributions		
a. Developer charges	504	996
b. Developer provided assets	604	6
c. Other contributions	70	340
14. Total income	<u>19,880</u>	<u>20,387</u>
15. Gain (or loss) on disposal of assets	(4)	(392)
16. Operating Result	<u>2,042</u>	<u>1,761</u>
16a. Operating Result (less grants for acquisition of assets)	2,042	1,761

Tamworth 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 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	717	3,931
b. New Assets for Growth	1,426	6
c. Renewals	135	-
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	1,714	1,722
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	3,992	5,659
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	106	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	106	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	16,623	16,556
b. Residential (unoccupied, ie. vacant lot)	906	711
c. Non-residential (occupied)	1,554	1,557
d. Non-residential (unoccupied, ie. vacant lot)	82	79
26. Number of ETs for which developer charges were received	286 ET	568 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 338,493	\$ 336,127

Tamworth Regional Council

Special Schedule No. 5 - Sewerage Cross Subsidies for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. 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. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* 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.

Tamworth 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 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	6,407	-	6,407
b. Special purpose grants	640	-	640
c. Accrued leave	-	-	-
d. Unexpended loans	2,359	-	2,359
e. Sinking fund	-	-	-
f. Other	23,951	-	23,951
32. Receivables			
a. Specific purpose grants	1,253	-	1,253
b. Rates and Availability Charges	1,154	-	1,154
c. User Charges	404	-	404
d. Other	1	-	1
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	225,723	225,723
b. Plant and equipment	-	12,489	12,489
35. Other assets	-	-	-
36. Total Assets	36,169	238,212	274,381
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	1,712	-	1,712
39. Borrowings			
a. Loans	1,795	47,122	48,917
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	3,507	47,122	50,629
42. NET ASSETS COMMITTED	32,662	191,090	223,752
EQUITY			
42. Accumulated surplus			205,475
44. Asset revaluation reserve			18,277
45. TOTAL EQUITY			223,752
Note to system assets:			
46. Current replacement cost of system assets			279,188
47. Accumulated current cost depreciation of system assets			(53,465)
48. Written down current cost of system assets			225,723

Tamworth Regional Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2013

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

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

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

Notes:

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

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

Tamworth Regional Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23
(i) OPERATING BUDGET											
Income from continuing operations	141,715	125,849	120,654	121,863	125,142	127,795	131,454	135,237	139,164	142,984	146,819
Expenses from continuing operations	119,265	120,130	119,273	119,249	121,139	124,187	126,651	129,005	132,389	134,154	136,911
Operating Result from Continuing Operations	22,450	5,719	1,381	2,614	4,003	3,608	4,803	6,232	6,775	8,830	9,908
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	-	-	-	-	-	-	-	-	-	-	-
Total Capital Budget	-	-	-	-	-	-	-	-	-	-	-
Funded by:											
- Loans	-	-	-	-	-	-	-	-	-	-	-
- Asset sales	-	-	-	-	-	-	-	-	-	-	-
- Reserves	-	-	-	-	-	-	-	-	-	-	-
- Grants/Contributions	-	-	-	-	-	-	-	-	-	-	-
- Recurrent revenue	-	-	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-

Notes:

(1) From 12/13 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.