

Tamworth Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2014

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live, invest, visit & work"*



Tamworth Regional Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

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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 29 October 2014. 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 2014

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 2014.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

Tamworth Regional Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

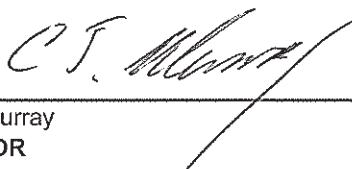
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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


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

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

Signed in accordance with a resolution of Council made on 09 September 2014.




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 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
56,573	Rates & Annual Charges	3a	56,796	54,474
31,420	User Charges & Fees	3b	41,917	37,521
5,189	Interest & Investment Revenue	3c	5,308	5,917
2,104	Other Revenues	3d	2,133	1,824
18,253	Grants & Contributions provided for Operating Purposes	3e,f	15,134 ²	19,197
9,422	Grants & Contributions provided for Capital Purposes	3e,f	21,497	20,708
Other Income:				
-	Net gains from the disposal of assets	5	-	2,074
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
122,961	Total Income from Continuing Operations		142,785	141,715
Expenses from Continuing Operations				
42,261	Employee Benefits & On-Costs	4a	39,431	38,847
6,262	Borrowing Costs	4b	6,684	6,798
29,334	Materials & Contracts	4c	32,666	36,082
29,362	Depreciation & Amortisation	4d	27,723	27,902
-	Impairment	4d	-	14
10,023	Other Expenses	4e	9,993	9,622
-	Net Losses from the Disposal of Assets	5	3,192	-
117,242	Total Expenses from Continuing Operations		119,689	119,265
5,719	Operating Result from Continuing Operations		23,096	22,450
5,719	Net Operating Result for the Year		23,096	22,450
5,719	Net Operating Result attributable to Council		23,055	22,388
-	Net Operating Result attributable to Non-controlling Interests		41	62
(3,703)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		1,599	1,742

¹ Original Budget as approved by Council - refer Note 16

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

Tamworth Regional Council

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

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		23,096	22,450
Other Comprehensive Income:			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	12,451	62,923
Total Items which will not be reclassified subsequently to the Operating Result		12,451	62,923
Total Other Comprehensive Income for the year		12,451	62,923
Total Comprehensive Income for the Year		35,547	85,373
Total Comprehensive Income attributable to Council		35,506	85,311
Total Comprehensive Income attributable to Non-controlling Interests		41	62

Tamworth Regional Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	8,595	8,612
Investments	6b	113,500	116,700
Receivables	7	14,522	21,551
Inventories	8	1,154	1,251
Other	8	127	241
Non-current assets classified as "held for sale"	22	1,752	2,644
Total Current Assets		139,650	150,999
Non-Current Assets			
Investments	6b	-	-
Receivables	7	384	371
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,401,261	1,363,574
Investment Property	14	6,050	6,146
Intangible Assets	25	236	51
Total Non-Current Assets		1,407,931	1,370,142
TOTAL ASSETS		1,547,581	1,521,141
LIABILITIES			
Current Liabilities			
Payables	10	10,382	15,016
Borrowings	10	4,773	4,181
Provisions	10	9,711	10,057
Total Current Liabilities		24,866	29,254
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	81,525	86,492
Provisions	10	16,636	16,388
Total Non-Current Liabilities		98,161	102,880
TOTAL LIABILITIES		123,027	132,134
Net Assets		1,424,554	1,389,007
EQUITY			
Retained Earnings	20	1,013,950	990,895
Revaluation Reserves	20	410,196	397,745
Council Equity Interest		1,424,146	1,388,640
Non-controlling Interests		408	367
Total Equity		1,424,554	1,389,007

Tamworth Regional Council

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		990,895	397,745	1,388,640	367	1,389,007
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		990,895	397,745	1,388,640	367	1,389,007
c. Net Operating Result for the Year		23,055	-	23,055	41	23,096
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	12,451	12,451	-	12,451
Other Comprehensive Income		-	12,451	12,451	-	12,451
Total Comprehensive Income (c&d)		23,055	12,451	35,506	41	35,547
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,013,950	410,196	1,424,146	408	1,424,554

\$ '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
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

Tamworth Regional Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
56,573	Rates & Annual Charges		57,152	54,040
33,583	User Charges & Fees		49,681	33,187
5,189	Investment & Interest Revenue Received		5,741	5,803
28,755	Grants & Contributions		30,828	36,320
-	Bonds, Deposits & Retention amounts received		1,047	127
2,981	Other		6,732	6,237
Payments:				
(42,208)	Employee Benefits & On-Costs		(40,217)	(39,017)
(32,267)	Materials & Contracts		(43,648)	(39,493)
(5,699)	Borrowing Costs		(7,390)	(6,348)
-	Bonds, Deposits & Retention amounts refunded		(576)	-
(11,025)	Other		(10,906)	(11,842)
35,882	Net Cash provided (or used in) Operating Activities	11b	48,444	39,014
Cash Flows from Investing Activities				
Receipts:				
10,000	Sale of Investment Securities		3,200	-
-	Sale of Real Estate Assets		-	6,012
296	Sale of Infrastructure, Property, Plant & Equipment		2,729	1,056
132	Deferred Debtors Receipts		4	47
Payments:				
-	Purchase of Investment Securities		-	(17,975)
(48,115)	Purchase of Infrastructure, Property, Plant & Equipment		(49,115)	(29,235)
-	Purchase of Real Estate Assets		(904)	-
(119)	Deferred Debtors & Advances Made		-	-
(37,806)	Net Cash provided (or used in) Investing Activities		(44,086)	(40,095)
Cash Flows from Financing Activities				
Receipts:				
5,250	Proceeds from Borrowings & Advances		439	3,680
Payments:				
(4,175)	Repayment of Borrowings & Advances		(4,814)	(3,832)
1,075	Net Cash Flow provided (used in) Financing Activities		(4,375)	(152)
(849)	Net Increase/(Decrease) in Cash & Cash Equivalents		(17)	(1,233)
1,876	plus: Cash & Cash Equivalents - beginning of year	11a	8,612	9,845
1,027	Cash & Cash Equivalents - end of the year	11a	8,595	8,612
Additional Information:				
	plus: Investments on hand - end of year	6b	113,500	116,700
	Total Cash, Cash Equivalents & Investments		122,095	125,312

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 2014

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n/a - not applicable

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

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

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

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 26.

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

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

(iv) Early adoption of Accounting Standards

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

A provision for the impairment on rates receivables has been established when the amount of unpaid rates is greater than the estimated amount that will be recovered when the property is next sold.

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Other Income

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

(c) Principles of Consolidation

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(i) The Consolidated Fund

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

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

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

- *General Purpose Operations*
- *Water Supply*
- *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*

A full listing of these committees 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 as follows:

Total income from continuing operations	\$91,841
Total expenditure from continuing operations	\$189,564
Total net assets held (ie Equity)	\$50,000

Note:

Where actual figures are not known, best estimates have been applied.

(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. Currently Council only holds operating leases.

Finance Leases

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

During the financial year ending June 30, 2014, Council did not utilise any overdraft funds.

(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. As at June 30, Council did not hold any financial assets at fair value through profit or loss, held to maturity investments or available-for-sale financial assets.

(i) 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.

(ii) 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.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

Financial Assets – Reclassification

Tamworth Regional Council made no reclassifications during financial year ending June 30, 2014.

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.

As at June 30, 2014 Tamworth Regional Council held no impaired assets.

(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 S 212 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.

(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 June 4, 2015 the value of these financial assets has been recorded as the value of the invested amount.

The fair value of financial liabilities 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 are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

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

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

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

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

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

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

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

Tamworth Regional Council

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

Note 1. Summary of Significant Accounting Policies

(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.

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

Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at historical cost and is classified as inventory in the Statement of Financial Position.

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

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

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

- **Plant and Equipment**

(as approximated by depreciated historical cost)

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

- **Drainage Assets** (Internal Valuation)

- **Bulk Earthworks** (as approximated by depreciated historical cost)

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

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:

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

Capitalisation Thresholds

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

Land

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

Plant & 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

Tamworth Regional Council

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

Note 1. Summary of Significant Accounting Policies

Other Equipment	
- Playground equipment	5 to 20 years
Buildings	
- Buildings	20 to 100 years
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

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

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

Disposal and De-recognition

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

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

(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, IT Development and software as intangible assets.

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

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

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

(n) Crown Reserves

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

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

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by

Tamworth Regional Council

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

Note 1. Summary of Significant Accounting Policies

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.

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

Full revaluations are carried out every year.

The last full revaluation for Council's Investment Properties was dated 30/06/14.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

As a result there could be significant adjustments to the provision for closed 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 24.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

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

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

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

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

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

Council currently has 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 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 recognised at historical cost.

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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

(w) Provisions

Council currently has no need for provisions for legal claims, service warranties and other like liabilities.

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

the superannuation fund's assets at that date and any unrecognised past service cost.

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

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

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

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

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

The last valuation of the Scheme was performed by Mercer Consulting (Australia) Pty Ltd AFT Lic 411770 and covers the period ended 30/06/14.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$1,144,801.00.

The amount of additional contributions included in the total employer contribution advised above is \$551,569.00.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$2,206,275.00 as at 30 June 2014.

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

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

(y) Self insurance

Council does not self insure.

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and interpretations

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

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9, however given the main impact will be in the area of available for sale financial assets which are outside Council's investment policy the impact will be minimal.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

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

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

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

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

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

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

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

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

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

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

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.

Tamworth Regional Council

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

Note 1. Summary of Significant Accounting Policies

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

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

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

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

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

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

Not applicable to Local Government per se;

None

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items

and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ae) Disclaimer

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Governance	-	5	70	-	4,807	5,406	-	(4,802)	(5,336)	15,570	60	-	-
A Spirit of Community	5,138	5,554	4,097	23,408	23,333	17,606	(18,270)	(17,779)	(13,509)	-	2,236	181,789	94,530
A Prosperous Region	3,121	6,668	18,123	6,827	6,992	5,386	(3,706)	(324)	12,737	-	7,805	76,228	68,724
An Accessible Region	17,064	26,960	22,347	31,727	37,793	37,001	(14,663)	(10,833)	(14,654)	-	3,496	713,380	701,669
A Region for the Future	55,293	67,133	56,741	55,280	46,764	53,866	13	20,369	2,875	-	5,652	576,184	656,218
Total Functions & Activities	80,616	106,320	101,378	117,242	119,689	119,265	(36,626)	(13,369)	(17,887)	15,570	19,249	1,547,581	1,521,141
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	42,345	36,465	40,337	-	-	-	42,345	36,465	40,337	5,456	10,204	-	-
Operating Result from Continuing Operations	122,961	142,785	141,715	117,242	119,689	119,265	5,719	23,096	22,450	21,026	29,453	1,547,581	1,521,141

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 2014

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

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

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

- Enhance and promote the character and quality of centres
- Value and support culture and heritage
- Promote an active, healthy community through parks, fields and facilities
- Provide a safe environment and effective emergency services
- Empower communities through involvement in decision making

A PROSPEROUS REGION

- Promote a strong and diverse economic base
- Support and provide diverse tourism opportunities
- Encourage sustainable population growth

AN ACCESSIBLE REGION

- Provision of a quality network of roads, bridges, drainage, footpaths and cycleways
- Facilitate quality air services
- Promote public and community transport options
- Improve safety and accessibility

A REGION FOR THE FUTURE

- Provide industry best practice water and wastewater infrastructure services
- Provide and promote sustainable waste management
- Promote protection of the natural environment and efficient use of resources
- Implement sound regional planning and development
- Excellence in administration and customer services.

Tamworth Regional Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		18,843	17,998
Farmland		5,188	5,019
Mining		16	16
Business		4,993	4,857
Total Ordinary Rates		29,040	27,890
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		5,873	5,597
Stormwater Management Services		543	532
Water Supply Services		5,461	5,203
Sewerage Services		15,060	14,460
Waste Management Services (non-domestic)		819	792
Total Annual Charges		27,756	26,584
TOTAL RATES & ANNUAL CHARGES		56,796	54,474

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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		11,219	9,823
Sewerage Services		1,918	1,895
Total User Charges		13,137	11,718
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		1,460	1,196
Private Works - Section 67		944	1,489
Regulatory/ Statutory Fees		329	339
Total Fees & Charges - Statutory/Regulatory		2,733	3,024
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		4,195	3,756
Cemeteries		229	200
Community Centres		455	428
Country Music Festival		1,357	1,136
Hire Charge Council Facilities		2,119	1,689
Parking Fees		494	450
RMS (formerly RTA) Charges (State Roads not controlled by Council)		9,833	8,836
Sewerage Services		698	500
Sports Dome		242	208
Sporting Events		84	219
Sporting Facilities		150	108
Swimming Centres		411	371
Venue Ticket Sales		111	109
Waste/Recycling Depot		4,480	3,708
Other		1,189	1,061
Total Fees & Charges - Other		26,047	22,779
TOTAL USER CHARGES & FEES		41,917	37,521

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		349	459
- Interest earned on Investments (interest & coupon payment income)		4,959	5,458
TOTAL INTEREST & INVESTMENT REVENUE		5,308	5,917
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		349	459
General Council Cash & Investments		2,197	2,211
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		153	204
- Section 64		578	694
Water Fund Operations		1,041	1,188
Sewerage Fund Operations		990	1,161
Total Interest & Investment Revenue Recognised		5,308	5,917
(d) Other Revenues			
Rental Income - Investment Properties	14	374	88
Rental Income - Other Council Properties		571	721
Fines		455	485
Commissions & Agency Fees		207	189
Consultancy Services		154	-
Insurance Rebate		78	75
Sales - General		57	59
Sponsorship Income		64	27
Other		173	180
TOTAL OTHER REVENUE		2,133	1,824

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance	4,956	9,705	-	-
Pensioners' Rates Subsidies - General Component	500	499	-	-
Total General Purpose	5,456	10,204	-	-

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

Specific Purpose

Pensioners' Rates Subsidies:

- Water	200	201	-	-
- Sewerage	184	185	-	-
- Domestic Waste Management	169	170	-	-
- Other	260	242	-	-
Water Supplies	40	250	5,134	4,384
Airport Terminal	-	-	-	320
Building Better Regional Cities	-	-	3,188	7,500
Bushfire & Emergency Services	493	490	50	121
Community Care	710	688	-	-
Digital Local Government Income	188	-	-	-
Disaster Mitigation & Rehabilitation	548	451	-	-
Heritage & Cultural	352	388	-	-
LIRS income	144	-	-	-
NBN Digital Hub	-	-	84	252
Noxious Weed Control	158	168	-	-
Riverine Projects	-	60	-	-
Security Equipment	-	-	-	35
Street Lighting	169	169	-	-
Tourism	-	255	-	-
Training	103	75	-	-
Transport (Roads to Recovery)	2,315	2,113	-	-
Transport (Other Roads & Bridges Funding)	-	56	-	392
Other	405	127	676	157
Total Specific Purpose	6,438	6,088	9,132	13,161
Total Grants	11,894	16,292	9,132	13,161

Grant Revenue is attributable to:

- Commonwealth Funding	8,209	12,579	5,349	10,522
- State Funding	3,603	3,652	3,783	2,319
- Other Funding	82	61	-	320
	11,894	16,292	9,132	13,161

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	1,045	575
S 64 - Water Supply Contributions	-	-	1,762	1,087
S 64 - Sewerage Service Contributions	-	-	758	504
Total Developer Contributions	17 -	-	3,565	2,166
Other Contributions:				
Dedications (other than by S94)	-	-	8,154	5,303
Donations	359	7	-	7
Other Councils - Joint Works/Services	613	619	-	-
RMS Contributions (Regional Roads, Block Grant)	2,188	2,135	-	-
Sewerage (excl. Section 64 contributions)	24	68	-	2
Water Supplies (excl. Section 64 contributions)	-	-	2	8
Other	56	76	644	61
Total Other Contributions	3,240	2,905	8,800	5,381
Total Contributions	3,240	2,905	12,365	7,547
TOTAL GRANTS & CONTRIBUTIONS	15,134	19,197	21,497	20,708

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

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

Unexpended at the Close of the Previous Reporting Period	31,438	24,990
add: Grants & contributions recognised in the current period but not yet spent:	9,842	12,284
less: Grants & contributions recognised in a previous reporting period now spent:	(8,058)	(5,836)
Net Increase (Decrease) in Restricted Assets during the Period	1,784	6,448
Unexpended and held as Restricted Assets	33,222	31,438
Comprising:		
- Specific Purpose Unexpended Grants	11,233	11,550
- Developer Contributions	21,989	19,888
	33,222	31,438

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		30,948	29,640
Travelling		641	606
Employee Leave Entitlements (ELE)		5,721	5,541
Superannuation		3,759	3,601
Workers' Compensation Insurance		764	669
Fringe Benefit Tax (FBT)		150	147
Payroll Tax		286	259
Training Costs (other than Salaries & Wages)		400	446
Other		213	126
Total Employee Costs		42,882	41,035
less: Capitalised Costs		(3,451)	(2,188)
TOTAL EMPLOYEE COSTS EXPENSED		39,431	38,847
Number of "Equivalent Full Time" Employees at year end		520	535
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		6,231	6,356
Total Interest Bearing Liability Costs Expensed		6,231	6,356
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	453	442
Total Other Borrowing Costs		453	442
TOTAL BORROWING COSTS EXPENSED		6,684	6,798

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		25,106	28,856
Contractor & Consultancy Costs		6,457	6,083
Auditors Remuneration ⁽¹⁾		94	108
Legal Expenses:			
- Legal Expenses: Planning & Development		9	-
- Legal Expenses: Other		53	64
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		947	971
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>32,666</u>	<u>36,082</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		64	63
- Internal Auditors		30	45
Remuneration for audit and other assurance services		<u>94</u>	<u>108</u>
Total Auditor Remuneration		<u>94</u>	<u>108</u>
2. Operating Lease Payments are attributable to:			
Buildings		468	451
Computers and photocopies		479	520
		<u>947</u>	<u>971</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	14	3,337	3,231
Office Equipment		-	-	43	60
Furniture & Fittings		-	-	424	389
Land Improvements (depreciable)		-	-	655	457
Buildings - Non Specialised		-	-	1,553	983
Buildings - Specialised		-	-	271	230
Other Structures		-	-	1,466	1,474
Infrastructure:					
- Roads		-	-	8,136	7,916
- Bridges		-	-	1,102	1,127
- Footpaths		-	-	299	296
- Stormwater Drainage		-	-	1,232	1,219
- Water Supply Network		-	-	3,826	3,897
- Sewerage Network		-	-	5,008	5,820
- Swimming Pools		-	-	212	-
Other Assets					
- Heritage Collections		-	-	1	1
- Library Books		-	-	286	275
- Other		-	-	100	104
Asset Reinstatement Costs	9 & 26	-	-	323	423
Intangible Assets	25	-	-	21	-
Total Depreciation & Impairment Costs		-	14	28,295	27,902
less: Capitalised Costs		-	-	(572)	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	14	27,723	27,902

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Advertising		422	515
Bad & Doubtful Debts		467	9
Carbon Compliance		53	-
Contributions/Levies to Other Levels of Government		1,663	1,480
Councillor Expenses - Mayoral Fee		38	37
Councillor Expenses - Councillors' Fees		157	151
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		138	109
Donations, Contributions & Assistance to other organisations (Section 356)		342	290
Electricity & Heating		3,522	3,886
Insurance		1,794	1,642
Revaluation Decrements (Fair Valuation of Investment Properties)	14	96	-
Street Lighting		682	878
Sustainability Rebates		93	71
Telephone & Communications		515	540
Other		11	14
<u>TOTAL OTHER EXPENSES</u>		<u>9,993</u>	<u>9,622</u>

Note 5. Gains or Losses from the Disposal of Assets

Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	10
less: Carrying Amount of Property Assets Sold / Written Off		-	(4)
Net Gain/(Loss) on Disposal		-	6
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		2,056	1,046
less: Carrying Amount of P&E Assets Sold / Written Off		(1,846)	(1,034)
Net Gain/(Loss) on Disposal		210	12
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(3,459)	(2,945)
Net Gain/(Loss) on Disposal		(3,459)	(2,945)
Non Current Assets Classified as "Held for Sale"			
Proceeds from Disposal - Non Current Assets "Held for Sale"		673	6,012
less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off		(616)	(1,011)
Net Gain/(Loss) on Disposal		57	5,001
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(3,192)</u>	<u>2,074</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		8,595	-	8,612	-
Total Cash & Cash Equivalents		8,595	-	8,612	-
Investments (Note 6b)					
- Long Term Deposits		113,500	-	116,700	-
Total Investments		113,500	-	116,700	-
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS</u>		<u>122,095</u>	<u>-</u>	<u>125,312</u>	<u>-</u>

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

a. Cash and Cash Equivalents	8,595	-	8,612	-
Cash & Cash Equivalents	8,595	-	8,612	-
Investments				
b. "Held to Maturity"	113,500	-	116,700	-
Investments	113,500	-	116,700	-

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

Note 6(b-i)

Reconciliation of Investments classified as "Held to Maturity"

Balance at the Beginning of the Year	116,700	-	98,725	-
Amortisation of Premiums & Discounts	-	-	25	(25)
Additions	-	-	17,950	25
Term Deposit Redemption	(3,200)	-	-	-
Balance at End of Year	113,500	-	116,700	-
Comprising:				
- Long Term Deposits	113,500	-	116,700	-
Total	113,500	-	116,700	-

Refer to Note 26 - Fair Value Measurement for information regarding the fair value of investments held.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	122,095	-	125,312	-
attributable to:				
External Restrictions (refer below)	98,023	-	101,062	-
Internal Restrictions (refer below)	21,506	-	23,129	-
Unrestricted	2,566	-	1,121	-
	122,095	-	125,312	-

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

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	2,784	439	(3,156)	67
Specific Purpose Unexpended Loans-Water (A)	770	-	(278)	492
Specific Purpose Unexpended Loans-Sewer (A)	2,359	-	(253)	2,106
External Restrictions - Included in Liabilities	5,913	439	(3,687)	2,665

External Restrictions - Other

Developer Contributions - General (B)	4,134	1,199	(807)	4,526
Developer Contributions - Water Fund (B)	9,347	2,104	(1,338)	10,113
Developer Contributions - Sewer Fund (B)	6,407	993	(50)	7,350
Specific Purpose Unexpended Grants (C)	10,889	-	(724)	10,165
Specific Purpose Unexpended Grants-Water Fund (C)	21	2,017	(1,524)	514
Specific Purpose Unexpended Grants-Sewer Fund (C)	640	24	(110)	554
Water Supplies (D)	25,511	-	(224)	25,287
Sewerage Services (D)	23,951	-	(4,207)	19,744
Domestic Waste Management (D)	13,114	13,430	(11,060)	15,484
Deposits, Retentions & Bonds	1,135	486	-	1,621
External Restrictions - Other	95,149	20,253	(20,044)	95,358
Total External Restrictions	101,062	20,692	(23,731)	98,023

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- D 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 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	6,622	10,805	(11,581)	5,846
Employees Leave Entitlement	1,689	700	(756)	1,633
Asset Revaluation	-	56	(5)	51
Acquatic Centre	162	-	(3)	159
After School Care	74	568	(553)	89
Airport	1,965	4,602	(4,350)	2,217
Art Gallery Acquisition	1	-	-	1
Australia Day	4	-	-	4
Barraba Playground Equipment	10	-	-	10
Best Mates Challenge	7	10	(5)	12
Bushfire Emergency	10	-	-	10
Caravan Park	300	179	(19)	460
Central Business District	232	-	(69)	163
Country Music Festival	-	37	-	37
Central Northern Regional Libraries	328	1,553	(1,454)	427
Cemetery	-	20	(19)	1
Councillor Professional Development	32	-	(1)	31
Council Buildings	485	64	(222)	327
Cultural Development Officer Grant	69	-	(35)	34
Domestic Violence Funding	2	-	(2)	-
Drainage Levy	1,197	617	(1,349)	465
Economic Development	97	-	(29)	68
Election	-	65	-	65
Electricity/Light Bulb Repair	-	4	-	4
Equine Centre	85	-	(16)	69
FAGS General Purpose Component	3,220	-	(3,220)	-
Fibre Textiles - Council Cont	-	17	-	17
Flood Mitigation	126	129	(5)	250
Health and Well Being Projects	10	-	-	10
Human Services - Risk and Safety	-	16	-	16
Incomplete Works	113	-	(104)	9
International Women's Day	1	-	-	1
Integrated Planning and Reporting	31	-	-	31
Information Technology Department	764	64	(316)	512
Labaratory Equipment	60	50	(57)	53
Livestock Marketing Centre	37	-	-	37
Local Works Reserve	588	351	(249)	690
Manilla - Flat Repairs	3	-	(3)	-
Norsure Insurance	214	800	(8)	1,006
Nundle Retirement Village	266	18	(41)	243
Nundle Commons	6	4	(4)	6
Onsite Sewerage Management	-	40	-	40

(continued on the next page...)

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions (continued)				
Organisational Development Projects	64	-	(26)	38
Parking Meters/Car Park	1,013	960	(671)	1,302
Parks & Horticulture - Asset Renewal	-	11	-	11
Property Acquisition and Development	1,537	340	(938)	939
Quarry Remediation	25	44	-	69
Revotes - General Fund	26	121	(30)	117
Risk and Safety	44	59	(67)	36
Roads - Asset Renewal	-	200	-	200
Roadworks (FAG Roads Component)	2,533	2,059	(4,169)	423
RTA User Charges	(2,184)	13,157	(9,801)	1,172
RFS Equipment Donations	3	-	-	3
Section 94 Plan - Council Cont	-	250	-	250
SIC Warranty	100	-	(100)	-
Sister City	4	8	-	12
Sports Venues - Asset Renewal	-	173	-	173
SRV - Transport	650	1,748	(1,804)	594
SRV - Drainage	126	260	(150)	236
SRV - Buildings	85	658	(394)	349
SRV - Sports and Entertainment Venues	181	199	(9)	371
SRV - Parks and Recreation	4	56	(57)	3
Tamworth Sports Dome	11	12	-	23
Tourism	5	-	(5)	-
Village Improvement Fund	73	25	(36)	62
Woolomin Flood Donations	19	-	-	19
Total Internal Restrictions	23,129	41,109	(42,732)	21,506
TOTAL RESTRICTIONS	124,191	61,801	(66,463)	119,529

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		3,389	384	3,758	371
Interest & Extra Charges		735	-	811	-
User Charges & Fees		8,608	-	13,959	-
Accrued Revenues					
- Interest on Investments		1,312	-	1,669	-
Government Grants & Subsidies		975	-	1,938	-
Deferred Debtors		94	-	98	-
Net GST Receivable		576	-	498	-
Contributions		23	-	2	-
Other Debtors		62	-	48	-
Total		15,774	384	22,781	371
less: Provision for Impairment					
Rates & Annual Charges		(505)	-	(505)	-
Interest & Extra Charges		(193)	-	(193)	-
User Charges & Fees		(554)	-	(532)	-
Total Provision for Impairment - Receivables		(1,252)	-	(1,230)	-
<u>TOTAL NET RECEIVABLES</u>		<u>14,522</u>	<u>384</u>	<u>21,551</u>	<u>371</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		250	-	18	-
- Rates & Availability Charges		460	-	513	-
- Other		1,791	-	1,925	-
Sewerage Services					
- Specific Purpose Grants		-	-	1,253	-
- Rates & Availability Charges		1,128	-	1,154	-
- Other		314	-	405	-
Domestic Waste Management		1,239	-	980	-
Total External Restrictions		5,182	-	6,248	-
Internally Restricted Receivables					
RMS User Charges		3,602	-	6,262	-
Airport		516	-	-	-
Internally Restricted Receivables		4,118	-	6,262	-
Unrestricted Receivables		5,222	384	9,041	371
<u>TOTAL NET RECEIVABLES</u>		<u>14,522</u>	<u>384</u>	<u>21,551</u>	<u>371</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 9.00% (2013 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		1,154	-	1,251	-
Total Inventories		1,154	-	1,251	-
Other Assets					
Prepayments		127	-	241	-
Total Other Assets		127	-	241	-
TOTAL INVENTORIES / OTHER ASSETS		1,281	-	1,492	-
Externally Restricted Assets					
Water					
Prepayments		-	-	10	-
Total Water		-	-	10	-
Sewerage					
Nil					
Domestic Waste Management					
Nil					
Total Externally Restricted Assets		-	-	10	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		1,281	-	1,482	-
TOTAL INVENTORIES & OTHER ASSETS		1,281	-	1,492	-

Other Disclosures

Inventory Write Downs

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

Refer to Note 26 - Fair Value Measurement for information regarding the fair value of other assets held.

Refer to Note 22 - For real estate inventory shown in 2012/2013 and now reclassified as non-current assets held for sale.

Tamworth Regional Council

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period						as at 30/6/2014					
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Tfrs from/(to) "Held for Sale" category	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value	
			Dep'n	Impairment										Dep'n	Impairment		
Capital Work in Progress	33,429	-	-	-	33,429	12,068	-	-	(17,508)	-	-	27,989	-	-	-	-	27,989
Plant & Equipment	-	40,616	20,481	-	20,135	7,405	(1,846)	(3,337)	645	-	-	-	43,459	20,457	-	-	23,002
Office Equipment	-	3,351	3,219	-	132	257	-	(43)	(157)	-	-	-	3,451	3,262	-	-	189
Furniture & Fittings	-	5,411	2,078	-	3,333	29	-	(424)	194	-	-	-	5,634	2,502	-	-	3,132
Land:																	
- Operational Land	-	66,110	-	-	66,110	1,910	(219)	-	6	904	-	-	68,711	-	-	-	68,711
- Community Land	-	15,834	-	-	15,834	-	-	-	-	-	-	-	15,834	-	-	-	15,834
- Land under Roads (post 30/6/08)	-	437	-	-	437	85	-	-	-	-	-	-	522	-	-	-	522
Land Improvements - depreciable	-	18,936	5,991	-	12,945	105	-	(655)	112	-	-	-	19,183	6,676	-	-	12,507
Buildings - Non Specialised	-	105,327	33,163	-	72,164	1,496	(378)	(1,553)	3,059	-	-	-	111,594	36,806	-	-	74,788
Buildings - Specialised	-	21,774	1,360	-	20,414	-	-	(271)	94	-	-	-	21,868	1,631	-	-	20,237
Other Structures	-	55,058	12,495	-	42,563	819	-	(1,466)	1,271	-	-	-	63,594	20,407	-	-	43,187
Infrastructure:																	
- Roads	-	689,866	191,391	-	498,475	10,065	(2,793)	(8,136)	940	-	-	-	694,326	195,775	-	-	498,551
- Bridges	-	109,492	44,802	-	64,690	2,441	(531)	(1,102)	486	-	-	-	108,381	42,397	-	-	65,984
- Footpaths	-	27,067	7,807	-	19,260	560	(28)	(299)	-	-	-	-	27,581	8,088	-	-	19,493
- Stormwater Drainage	-	107,297	44,009	-	63,288	3,115	(103)	(1,232)	337	-	-	-	110,551	45,146	-	-	65,405
- Water Supply Network	-	325,467	140,360	-	185,107	9,895	-	(3,826)	9,116	-	5,245	-	349,725	144,188	-	-	205,537
- Sewerage Network	-	340,837	115,114	-	225,723	6,787	(4)	(5,008)	187	-	6,052	-	287,766	54,029	-	-	233,737
- Swimming Pools	-	15,198	8,694	-	6,504	-	-	(212)	-	-	-	-	6,293	-	-	-	6,293
Other Assets:																	
- Heritage Collections	-	31	11	-	20	-	-	(1)	-	-	-	-	31	12	-	-	19
- Library Books	-	2,701	2,097	-	604	313	-	(286)	(25)	-	-	-	2,983	2,376	-	-	607
- Art Collection	-	1,855	-	-	1,855	360	-	-	-	-	1,154	-	3,369	-	-	-	3,369
- Other	-	5,198	669	-	4,529	1,101	-	(100)	938	-	-	-	7,237	769	-	-	6,468
Reinstatement, Rehabilitation & Restoration Assets (refer Note 24):																	
- Tip Assets	-	12,393	6,465	-	5,928	-	-	(319)	-	-	-	-	12,393	6,784	-	-	5,609
- Quarry Assets	-	203	108	-	95	-	-	(4)	-	-	-	-	203	112	-	-	91
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	33,429	1,970,459	640,314	-	1,363,574	58,811	(5,902)	(28,274)	(305)	904	12,451	27,989	1,964,689	591,417	-	-	1,401,261

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$21,407) and New Assets (\$18,810).
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 26 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual 2014				Actual 2013			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	14,642	-	-	14,642	20,941	-	-	20,941
Plant & Equipment	-	202	177	25	-	202	170	32
Office Equipment	-	43	35	8	-	43	34	9
Furniture & Fittings	-	3	3	-	-	3	3	-
Land								
- Operational Land	-	2,318	-	2,318	-	2,318	-	2,318
Other Structures	-	553	318	235	-	553	297	256
Infrastructure	-	353,763	148,225	205,538	-	325,467	140,363	185,104
Other Assets	-	627	13	614	-	627	13	614
Total Water Supply	14,642	357,509	148,771	223,380	20,941	329,213	140,880	209,274
Sewerage Services								
WIP	3,455	-	-	3,455	1,896	-	-	1,896
Plant & Equipment	-	118	118	-	-	118	118	-
Office Equipment	-	61	27	34	-	33	27	6
Furniture & Fittings	-	6	6	-	-	6	6	-
Land								
- Operational Land	-	10,256	-	10,256	-	9,092	-	9,092
Buildings	-	1,183	31	1,152	-	1,248	-	1,248
Other Structures	-	367	269	98	-	313	298	15
Infrastructure	-	289,278	55,542	233,736	-	279,188	53,465	225,723
Other Assets	-	1,177	-	1,177	-	232	-	232
Total Sewerage Services	3,455	302,446	55,993	249,908	1,896	290,230	53,914	238,212
Domestic Waste Management								
WIP	1,018	-	-	1,018	1,015	-	-	1,015
Plant & Equipment	-	288	80	208	-	288	64	224
Office Equipment	-	7	7	-	-	7	7	-
Land								
- Operational Land	-	859	-	859	-	859	-	859
- Improvements - depreciable	-	4,214	954	3,260	-	4,214	838	3,376
Buildings	-	647	113	534	-	647	107	540
Other Structures	-	2,088	538	1,550	-	2,054	468	1,586
Roads, Bridges, Footpaths	-	343	85	258	-	267	85	182
Tip Remediation	-	12,393	6,785	5,608	-	12,393	6,465	5,928
Other Assets	-	1,421	115	1,306	-	394	103	291
Total DWM	1,018	22,260	8,677	14,601	1,015	21,123	8,137	14,001
TOTAL RESTRICTED I,PP&E	19,115	682,215	213,441	487,889	23,852	640,566	202,931	461,487

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

\$ '000	Notes	Actual 2014	Actual 2013
Impairment Losses recognised in the Income Statement:			
Damage to Plant and Fleet Items		-	(14)
Total Impairment Losses		-	(14)

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		6,392	-	10,002	-
Payments Received In Advance		247	-	300	-
Accrued Expenses:					
- Borrowings		122	-	1,281	-
- Salaries & Wages		1,198	-	1,528	-
- Other Expenditure Accruals		143	-	70	-
Security Bonds, Deposits & Retentions		1,332	-	861	-
Ticket Monies Held		289	-	274	-
Other		659	-	700	-
Total Payables		10,382	-	15,016	-
Borrowings					
Loans - Secured ¹		4,773	81,525	4,181	86,492
Total Borrowings		4,773	81,525	4,181	86,492
Provisions					
Employee Benefits;					
Annual Leave		3,649	-	3,527	-
Long Service Leave		6,062	283	6,530	317
Sub Total - Aggregate Employee Benefits		9,711	283	10,057	317
Asset Remediation/Restoration (Future Works) ²⁶		-	16,353	-	16,071
Total Provisions		9,711	16,636	10,057	16,388
Total Payables, Borrowings & Provisions		24,866	98,161	29,254	102,880
(i) Liabilities relating to Restricted Assets					
		2014		2013	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		1,216	8,151	4,134	8,587
Sewer		2,775	44,599	3,507	47,122
Liabilities relating to externally restricted assets		3,991	52,750	7,641	55,709
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		3,991	52,750	7,641	55,709
Total Liabilities relating to Unrestricted Assets		20,875	45,411	21,613	47,171
TOTAL PAYABLES, BORROWINGS & PROVISIONS		24,866	98,161	29,254	102,880

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 2014

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

\$ '000	Actual 2014	Actual 2013
(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	7,246	8,522
Payables - Security Bonds, Deposits & Retentions	932	584
	<u>8,178</u>	<u>9,106</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	3,527	2,544	(2,480)	58	-	3,649
Long Service Leave	6,847	1,375	(1,372)	(505)	-	6,345
Asset Remediation	16,071	-	(172)	454	-	16,353
TOTAL	26,445	3,919	(4,024)	7	-	26,347

- 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	8,595	8,612
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		8,595	8,612
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		23,096	22,450
Adjust for non cash items:			
Depreciation & Amortisation		27,723	27,902
Net Losses/(Gains) on Disposal of Assets		3,192	(2,074)
Non Cash Capital Grants and Contributions		(8,154)	(5,303)
Impairment Losses Recognition - I,PP&E		-	14
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		96	-
Unwinding of Discount Rates on Reinstatement Provisions		453	442
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		6,990	(4,420)
Increase/(Decrease) in Provision for Doubtful Debts		22	(481)
Decrease/(Increase) in Inventories		97	(34)
Decrease/(Increase) in Other Assets		114	(184)
Increase/(Decrease) in Payables		(3,610)	2,570
Increase/(Decrease) in accrued Interest Payable		(1,159)	8
Increase/(Decrease) in other accrued Expenses Payable		(257)	395
Increase/(Decrease) in Other Liabilities		392	(1,581)
Increase/(Decrease) in Employee Leave Entitlements		(380)	(647)
Increase/(Decrease) in Other Provisions		(171)	(43)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		48,444	39,014

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Non-Cash Investing & Financing Activities			
Nil			
Other Dedications		8,154	5,303
Total Non-Cash Investing & Financing Activities		8,154	5,303
(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 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(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		2,380	332
Plant & Equipment		365	1,487
Water & Sewer Infrastructure		1,900	7,788
Bridge Construction		41	732
Road Construction		1,268	-
Waste Infrastructure		200	-
Other		133	1,230
Total Commitments		6,287	11,569
These expenditures are payable as follows:			
Within the next year		6,287	11,569
Total Payable		6,287	11,569
(b) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		271	389
Later than one year and not later than 5 years		233	370
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		504	759
(c) Investment in Associates / Joint Ventures - Commitments			
For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)			

Tamworth Regional Council

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

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

\$ '000	Amounts 2014	Indicator 2014	Amended * 2014	Prior Periods 2013	2012
Local Government Industry Indicators - Consolidated					
1. Operating Performance Ratio					
Total continuing operating revenue ⁽¹⁾					
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>4,887</u>	4.03%	7.93%	-0.28%	-0.23%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	<u>121,288</u>				
2. Own Source Operating Revenue Ratio					
Total continuing operating revenue ⁽¹⁾					
<u>(less ALL Grants & Contributions)</u>	<u>106,154</u>	74.35%	71.76%	71.42%	71.82%
Total continuing operating revenue ⁽¹⁾	<u>142,785</u>				
3. Unrestricted Current Ratio					
<u>Current Assets less all External Restrictions ⁽²⁾</u>	<u>36,445</u>	2.87 : 1		3.49	2.84
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>12,697</u>				
4. Debt Service Cover Ratio					
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>39,294</u>	3.42	3.86	3.23	2.92
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>11,498</u>				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage					
<u>Rates, Annual and Extra Charges Outstanding</u>	<u>3,810</u>	6.21%		7.22%	7.03%
Rates, Annual and Extra Charges Collectible	<u>61,387</u>				
6. Cash Expense Cover Ratio					
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>122,095</u>	13.62		14.96	16.90
Payments from cash flow of operating and financing activities	<u>8,963</u>				

Notes

* In 2012/2013 Tamworth Regional Council was paid \$5,145,110.00 of the 2013/2014 Financial Assistance Grant. If these funds had been paid in 2013/2014 the Financial Assistance Grant income shown at Note 3(e) would have been for the 2014 financial year \$10,100,709.00. The purpose of this note is to restate the following ratio's as if the whole 13/14 Financial Assistance Grant Had been received in the 13/14 financial year.

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

(2) Refer Notes 6-8 inclusive.

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

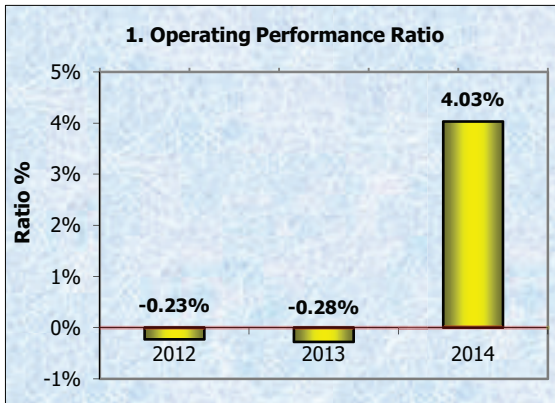
(3) Refer to Note 10(a).

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

Tamworth Regional Council

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

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



Purpose of Operating Performance Ratio

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

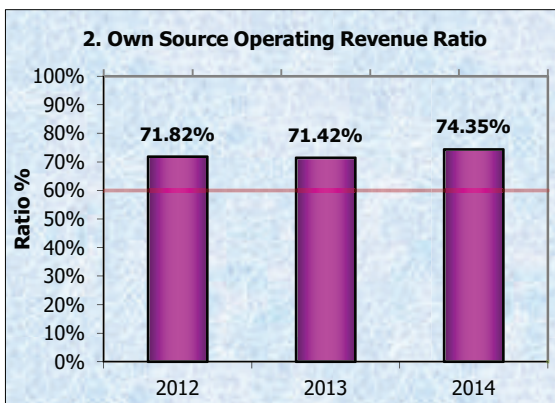
Commentary on 2013/14 Result

2013/14 Ratio 4.03%

A reasonable surplus was recorded for all council business categories, offset by a deficit in general operations which indicates a shortfall in funds to renew general assets.

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Own Source Operating Revenue Ratio

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

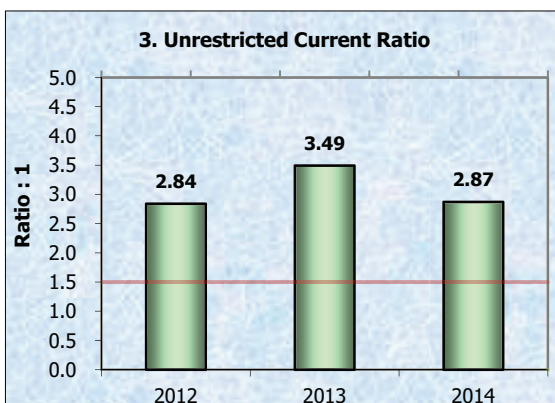
Commentary on 2013/14 Result

2013/14 Ratio 74.35%

This ratio is well above the industry minimum benchmark of 60% which reflects a responsible revenue policy and application of rates, fees and charges.

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Unrestricted Current Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 2.87 : 1

This shows council is well positioned to meet current liabilities. Council is required to hold a range of cash reserves for future needs as disclosed by Internal Reserves in Note 6.

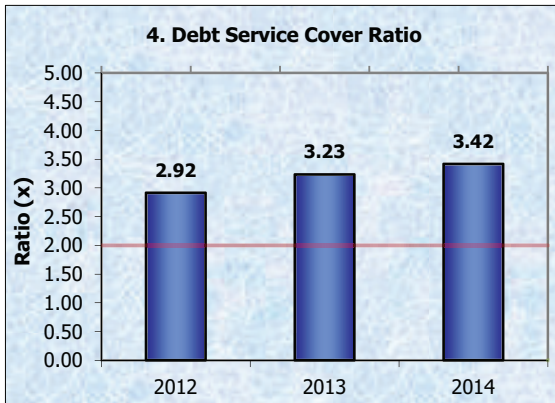
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Tamworth Regional Council

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

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



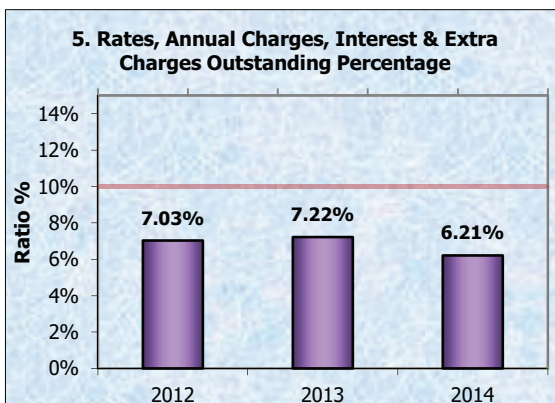
— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

Purpose of Debt Service Cover Ratio

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

Commentary on 2013/14 Result	
2013/14 Ratio	3.42
Councils ratio shows the cost of funding new capital works is being distributed fairly through borrowing programs, while keeping within financing capacity.	



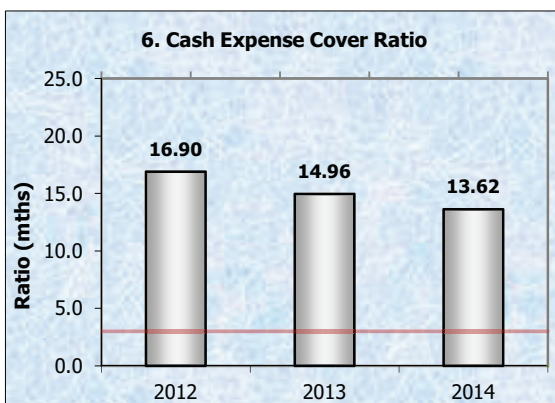
— Maximum 10.00%

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

Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2013/14 Result	
2013/14 Ratio	6.21%
Council is continuing to assist ratepayers and debtors to manage account balances through our debt recovery and hardship policies.	



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

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

Commentary on Result	
2013/14 Ratio	13.62
Council continues to be in a sound position for cash flows. As shown in Note 6, most of councils cash reserves are externally restricted for designated future needs.	

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	19.64%	7.55%	-0.64%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	Amended 2014 *		5.65%
	prior period:	13.98%	4.09%
			-4.45%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(less ALL Grants & Contributions)</u>	68.11%	88.59%	72.96%
Total continuing operating revenue ⁽¹⁾			
	Amended 2014 *		69.09%
	prior period:	74.57%	93.14%
			66.11%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions ⁽²⁾</u>	22.85 : 1	7.63 : 1	2.87 : 1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period:	6.77	7.63
			3.49
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	8.90	1.71	4.39
<u>Principal Repayments (from the Statement of Cash Flows)</u>			
+ Borrowing Interest Costs (from the Income Statement)	Amended 2014 *		5.45
	prior period:	6.60	1.87
			4.15
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	7.75%	7.41%	5.52%
Rates, Annual and Extra Charges Collectible			
	prior period:	9.05%	7.91%
			6.69%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits			
<u>Payments from cash flow of operating and financing activities</u> x12	34.82	23.96	8.38
	prior period:	34.97	26.45
			9.48

* In 2012/2013 Tamworth Regional Council was paid \$5,145,110.00 of the 2013/2014 Financial Assistance Grant. If these funds had been paid in 2013/2014 the Financial Assistance Grant income shown at Note 3(e) would have been for the 2014 financial year \$10,100,709.00. The purpose of this note is to restate the following ratio's as if the whole 13/14 Financial Assistance Grant Had been received in the 13/14 financial year.

Notes

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>6,050</u>	<u>6,146</u>
Reconciliation of Annual Movement:			
Opening Balance		6,146	1,950
- Net Gain/(Loss) from Fair Value Adjustments		(96)	-
- Other Movements - trsfer of property from PPE to Investment property		-	4,196
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>6,050</u>	<u>6,146</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 2014 revaluations were based on Independent Assessments made by:
Sharrock Enterprises Pty Limited Registered Valuer NSW No 186

(c) 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 receivable as follows:

Within 1 year	390	177
Later than 1 year but less than 5 years	536	234
Total Minimum Lease Payments Receivable	<u>926</u>	<u>411</u>

(d) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	374	88
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(204)	(63)
Net Revenue Contribution from Investment Properties	<u>170</u>	<u>25</u>
plus:		
Fair Value Movement for year	<u>(96)</u>	<u>-</u>
Total Income attributable to Investment Properties	<u>74</u>	<u>25</u>

Refer to Note 26 - Fair Value Measurement for information regarding the fair value of investment properties held.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	8,595	8,612	2,649	8,612
Investments				
- "Held to Maturity"	113,500	116,700	119,446	116,700
Receivables	14,906	21,922	14,909	21,922
Total Financial Assets	137,001	147,234	137,004	147,234
Financial Liabilities				
Payables	10,135	14,716	10,135	14,716
Loans / Advances	86,298	90,673	86,298	90,673
Total Financial Liabilities	96,433	105,389	96,433	105,389

Fair Value is determined as follows:

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

Refer to Note 26 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio. 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 risks associated with the investments held are:

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2014				
Possible impact of a 1% movement in Interest Rates	910	910	1,452	1,452
2013				
Possible impact of a 1% movement in Interest Rates	1,036	1,036	1,119	1,119

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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.

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

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	36%	0%	83%
Overdue	100%	64%	100%	17%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of Receivables - value				
Current (not yet overdue)	-	10,788	-	17,805
Past due by more than 90 days	3,773	1,597	4,129	1,218
	<u>3,773</u>	<u>12,385</u>	<u>4,129</u>	<u>19,023</u>
(iii) Movement in Provision for Impairment of Receivables				
			2014	2013
Balance at the beginning of the year			1,230	1,711
+ new provisions recognised during the year			465	54
- amounts already provided for & written off this year			(443)	(469)
- amounts provided for but recovered during the year			-	(66)
Balance at the end of the year			<u>1,252</u>	<u>1,230</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	1,332	8,803	-	-	-	-	-	10,135	10,135
Loans & Advances	-	4,773	4,842	5,139	5,156	5,281	61,107	86,298	86,298
Total Financial Liabilities	1,332	13,576	4,842	5,139	5,156	5,281	61,107	96,433	96,433
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

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	10,135	0.0%	14,716	0.0%
Loans & Advances - Fixed Interest Rate	28,882	6.9%	30,369	6.9%
Loans & Advances - Variable Interest Rate	57,416	6.1%	60,304	7.1%
	<u>96,433</u>		<u>105,389</u>	

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 25 June 2013.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2014 Budget	2014 Actual	2014 Variance*	
REVENUES				
User Charges & Fees	31,420	41,917	10,497	33% F
The favourable increase is mainly due to; increased water consumption (\$3.4M F), an increase in ordered works from Roads and Maritime Services (\$2.9M F), increased waste landfill usage (\$2.6M F), increase in sewerage services fees (\$0.46M F) and increase in fees from venues (\$0.5M F).				
Operating Grants & Contributions	18,253	15,134	(3,119)	(17%) U
The unfavourable variance is mainly due to the cessation of the advance payments for Financial Assistance Grants (FAGS) by the Federal Government (\$5.2M U), offset by an increase in Roads to Recovery (\$0.4M F) and Flood Damage (\$0.5M F) funds due to works carried over from 2012-13.				
Capital Grants & Contributions	9,422	21,497	12,075	128% F
The favourable increase is mainly due to the value of infrastructure assets transferred from private subdivisions for which there is no budget (\$8.2M F), as well as a new grant under the BBRC program (\$3.2M F) and increased revenue from developer contribution plans (\$0.9M F).				

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 Variance*	
EXPENSES				
Materials & Contracts	29,334	32,666	(3,332)	(11%) U
The unfavourable variance is mainly a result of; works classed as capital in the budget but expensed (\$1.1M U), additional ordered works for State funded roads (\$2.1M U) and flood works carried over from 2012-13 (\$0.6M U).				
Net Losses from Disposal of Assets	-	3,192	(3,192)	0% U
The net loss was mainly due to the remaining value of replaced infrastructure assets being written off for which there was no budget.				
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	35,882	48,444	12,562	35.0% F
Favourable net cash inflows mainly included; user fees (\$7M F), new capital grants (\$3.2M F), additional developer contributions (\$1M F), net decrease in receivables (\$7M F) and GST (\$3.7M F). Unfavourable cash flows included; FAGS advance (\$5.2M U), capital budgets expensed (\$1.5M U), and net decrease in payables and accrued expenses (\$5.2M U).				
Cash Flows from Investing Activities	(37,806)	(44,086)	(6,280)	16.6% U
The unfavourable variance is mainly due to the favourable operating variance which resulted in investments decreasing \$3.2M rather than decreasing \$10M.				
Cash Flows from Financing Activities	1,075	(4,375)	(5,450)	(507.0%) U
The unfavourable variance resulted from loan funds not being taken up within the year due to works carried forward to 2014-15 (\$0.5M) and funds for other works taken up in August (\$4.75M).				

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	991	315	-	36	(360)	-	982	3,459	(4,405)	36	-
Parking	54	-	-	2	-	-	56	-	(56)	-	-
Open Space	1,170	199	-	43	(87)	-	1,325	195	(1,417)	103	-
Community Facilities	270	79	-	11	(96)	-	264	96	(355)	5	-
Rural Fire Service	181	20	-	7	-	-	208	100	(308)	-	-
Studies	76	13	-	3	-	-	92	100	(192)	-	-
Garbage Disposal	3	-	-	-	-	-	3	-	(3)	-	-
Mines & Extractive Industry	1,051	118	-	39	(262)	-	946	1,105	(2,051)	-	-
Rural Traffic Generating	5	-	-	-	-	-	5	250	(255)	-	-
Cycleways	194	32	-	7	-	-	233	100	(333)	-	-
Tamworth Regional S94 Direct Plan	9	130	-	-	-	-	139	17,717	(20,265)	(2,409)	-
Tamworth Regional S94 Indirect Plan	3	140	-	-	-	-	143	4,409	(4,552)	-	-
S94 Contributions - under a Plan	4,007	1,046	-	148	(805)	-	4,396	27,531	(34,192)	(2,265)	-
Total S94 Revenue Under Plans	4,007	1,046	-	148	(805)	-	4,396				-
S94 not under Plans	128	-	-	5	(3)	-	130	-	(130)	-	-
S64 Contributions	15,753	2,519	-	578	(1,387)	-	17,463				
Total Contributions	19,888	3,565	-	731	(2,195)	-	21,989	27,531	(34,322)	(2,265)	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN

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	13	-	-	-	-	-	13	-	(13)	-	-
Roads - Parry	426	53	-	16	(155)	-	340	221	(545)	16	-
Roads - Tamworth Urban	548	262	-	20	(205)	-	625	3,238	(3,843)	20	-
Parking - Tamworth	54	-	-	2	-	-	56	-	(56)	-	-
Open Space - Barraba	6	-	-	1	-	-	7	-	(7)	-	-
Open Space - Manilla - Active	10	-	-	-	-	-	10	-	(10)	-	-
Open Space - Tamworth	808	4	-	29	-	-	841	-	(841)	-	-
Open Space - Tamworth Urban	346	195	-	13	(87)	-	467	195	(559)	103	-
Community Facilities - Hills Plain	72	-	-	3	(39)	-	36	-	(36)	-	-
Community Facilities - Tamworth	55	25	-	3	-	-	83	-	(83)	-	-
Community Facilities - Tamworth Urban	143	54	-	5	(57)	-	145	96	(236)	5	-
Rural Fire Service - Barraba	17	-	-	-	-	-	17	-	(17)	-	-
Rural Fire Service - Manilla	4	1	-	1	-	-	6	-	(6)	-	-
Rural Fire Service - Nundle	7	1	-	1	-	-	9	-	(9)	-	-
Rural Fire Service - Parry	153	18	-	5	-	-	176	100	(276)	-	-
Studies - Hills Plain East	20	-	-	1	-	-	21	-	(21)	-	-
Studies - Tamworth Urban	56	13	-	2	-	-	71	100	(171)	-	-
Garbage Disposal - Nundle	3	-	-	-	-	-	3	-	(3)	-	-
Mines & Extractive Industry - Parry	1,051	118	-	39	(262)	-	946	1,105	(2,051)	-	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN (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	84	24	-	3	-	-	111	100	(211)	-	-
Cycleways - Tamworth	110	8	-	4	-	-	122	-	(122)	-	-
Tamworth Regional (Roads)	7	94	-	-	-	-	101	14,040	(16,550)	(2,409)	-
Tamworth Regional (Open Space & Rec)	2	34	-	-	-	-	36	3,084	(3,120)	-	-
Tamworth Regional (Plan Preparation)	-	2	-	-	-	-	2	593	(595)	-	-
Tamworth S94A (Indirect Plan)	3	140	-	-	-	-	143	4,409	(4,552)	-	-
Total	4,007	1,046	-	148	(805)	-	4,396	27,531	(34,192)	(2,265)	-

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	55	-	-	2	(3)	-	54	-	(54)	-	-
Roads	48	-	-	1	-	-	49	-	(49)	-	-
Subdivision Works	25	-	-	2	-	-	27	-	(27)	-	-
Total	128	-	-	5	(3)	-	130	-	(130)	-	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	9,345	1,762	-	343	(1,337)	-	10,113	-	-	10,113	-
Sewer	6,408	757	-	235	(50)	-	7,350	-	-	7,350	-
Total	15,753	2,519	-	578	(1,387)	-	17,463	-	-	17,463	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) 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 Rugby Club Inc. Drawn February 2008, for \$300,000. Balance as at 30/6/2014 \$230,000. Council's guarantee on this loan is limited to \$240,000.

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.

(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.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities (continued)

(ii) Public Liability

Council is currently involved in four other public liability matters where judgement is yet to be made. At this time there is insufficient progress in the individual cases to ascertain if any potential contingent liabilities exist in relation to these matters.

(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.

(v) 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 2014

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(vi) Native Title Determination

Council has a registered proprietary interest in land for which a Native Title Determination Application has been made. The case is expected to go on for some time and the quantum of the contingent liability is too difficult to ascertain at this time.

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.

ASSETS NOT RECOGNISED (continued):

(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.

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

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	
			2014	2013
Central Northern Regional Libraries	Provision of library resources & services for its member Councils		62%	62%
Current Year Financial Movements in Total Operation/Entity		Gross Financial Summary of Subsidiary		
Opening Equity Balance	966	Assets		1,076
New Capital Contributions	-	Liabilities		-
Operating Result	109	Net Equity		1,076
Adjustment to Equity Share	-	Revenues		
Distributions Paid	-	Net Profit		109
Closing Equity Balance	1,075	Non-controlling Interest Share		41
Non-controlling Interest Share	408			

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		990,895	968,576
a. Correction of Prior Period Errors	20 (c)	-	(69)
b. Net Operating Result for the Year		23,055	22,388
Balance at End of the Reporting Period		<u>1,013,950</u>	<u>990,895</u>

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		410,196	397,745
Total		<u>410,196</u>	<u>397,745</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		397,745	334,822
- Revaluations for the year	9(a)	12,451	62,923
- Balance at End of Year		<u>410,196</u>	<u>397,745</u>
TOTAL VALUE OF RESERVES		<u>410,196</u>	<u>397,745</u>

(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 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors as disclosed in last year's financial statements:			
<p>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.</p>			
The Impact of these corrections on individual line items are:			
Operational Land decrease		-	(69)
Retained Earnings decrease		-	69
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 30/6/12 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/13 year end)		-	(69)
Total Prior Period Adjustments - Prior Period Errors		-	(69)

(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 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	5,858	15,218	36,904
User Charges & Fees	12,582	2,785	27,907
Interest & Investment Revenue	1,384	1,225	2,700
Other Revenues	1	4	2,037
Grants & Contributions provided for Operating Purposes	290	208	15,552
Grants & Contributions provided for Capital Purposes	8,994	2,271	10,232
Other Income			
Net Gains from Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	29,109	21,711	95,332
Expenses from Continuing Operations			
Employee Benefits & on-costs	2,180	1,904	35,357
Borrowing Costs	597	3,560	2,528
Materials & Contracts	7,377	6,199	22,532
Depreciation & Amortisation	3,855	5,041	18,827
Impairment	-	-	-
Other Expenses	2,093	1,052	6,762
Net Losses from the Disposal of Assets	-	29	3,163
Total Expenses from Continuing Operations	16,102	17,785	89,169
Operating Result from Continuing Operations	13,007	3,926	6,163
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	13,007	3,926	6,163
Net Operating Result attributable to each Council Fund	13,007	3,926	6,122
Net Operating Result attributable to Non-controlling Interests	-	-	41
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	4,013	1,655	(4,069)

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 2014

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

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
	Water	Sewer	General ¹
ASSETS			
Current Assets			
Cash & Cash Equivalents	-	-	8,595
Investments	36,406	29,754	47,340
Receivables	2,501	1,442	10,958
Inventories	-	-	1,154
Other	-	-	127
Non-current assets classified as 'held for sale'	-	-	1,752
Total Current Assets	38,907	31,196	69,926
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	-
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	223,380	249,908	927,973
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	6,050
Intangible Assets	51	-	185
Total Non-Current Assets	223,431	249,908	934,208
TOTAL ASSETS	262,338	281,104	1,004,134
LIABILITIES			
Current Liabilities			
Payables	749	754	8,874
Borrowings	467	2,020	2,286
Provisions	-	-	9,711
Total Current Liabilities	1,216	2,774	20,871
Non-Current Liabilities			
Payables	-	-	-
Borrowings	8,151	44,600	28,774
Provisions	-	-	16,636
Total Non-Current Liabilities	8,151	44,600	45,410
TOTAL LIABILITIES	9,367	47,374	66,281
Net Assets	252,971	233,730	937,853
EQUITY			
Retained Earnings	175,843	209,401	628,706
Revaluation Reserves	77,128	24,329	308,739
Total Equity	252,971	233,730	937,853

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 2014

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

\$ '000	2014 Current	2014 Non Current	2013 Current	2013 Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	1,752	-	2,644	-
Total Non Current Assets "Held for Sale"	1,752	-	2,644	-
Disposal Group Assets "Held for Sale"				
None				
<u>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</u>	<u>1,752</u>	<u>-</u>	<u>2,644</u>	<u>-</u>

(ii) Details of Assets & Disposal Groups

Council anticipates that the disposal of land assets shown as being held for sale will be finalised within the oncoming twelve month period.

\$ '000	Assets "Held for Sale"	
	2014	2013
(iii) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations		
Opening Balance	2,644	2,644
less: Carrying Value of Assets/Operations Sold	(616)	-
Balance still unsold after 12 months:	2,028	2,644
less: Assets no longer classified as "Held for Sale"	(904)	-
plus New Transfers in:		
- Assets "Held for Sale"	12	
Closing Balance of "Held for Sale" Non Current Assets & Operations	<u>1,752</u>	<u>2,644</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 23. Events occurring after the Reporting Date

\$ '000

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

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

Accordingly, the "authorised for issue" date is 29/10/14.

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

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

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

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 24. Intangible Assets

\$ '000	Actual 2014	Actual 2013
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	51	-
Accumulated Amortisation (1/7)	-	-
Accumulated Impairment (1/7)	-	-
Net Book Value - Opening Balance	51	-
Movements for the year		
- Purchases	206	-
- Other Capitalised Costs	-	51
- Amortisation charges	(21)	-
Closing Values:		
Gross Book Value (30/6)	257	51
Accumulated Amortisation (30/6)	(21)	-
Accumulated Impairment (30/6)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>236</u>	<u>51</u>

¹ The Net Book Value of Intangible Assets represent:

- Software	155	-
- Property Easements	51	51
- eBooks	30	-
	<u>236</u>	<u>51</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 25. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2014	2013
Quarry & Tip Rehabilitation		16,353	16,071
Balance at End of the Reporting Period	10(a)	<u>16,353</u>	<u>16,071</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	16,071	15,672
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	453	442
Expenditure incurred attributable to Provisions	(171)	(43)
Total - Reinstatement, rehabilitation and restoration provision	<u>16,353</u>	<u>16,071</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Investment Property

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

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

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

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

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

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Investment Properties					
468 -472 Peel Street	30/06/14	-	4,000	-	4,000
474 Peel Street	30/06/14	-	1,300	-	1,300
561 Peel Street	30/06/14	-	750	-	750
Total Investment Properties		-	6,050	-	6,050
Infrastructure, Property, Plant & Equipment					
Plant and Equipment	30/06/14	-	-	23,002	23,002
Office Equipment	30/06/14	-	-	189	189
Furniture & Fittings	30/06/14	-	-	3,132	3,132
Land - Operational	30/06/13	-	-	68,711	68,711
Land under Roads (Post 30/6/08)		-	-	522	522
Land Improvements - depreciable	30/06/14	-	-	12,507	12,507
Buildings	30/06/13	-	-	95,025	95,025
Other Structures	30/06/11	-	-	49,480	49,480
Road & Footpath Infrastructure	30/06/10	-	-	584,028	584,028
Stormwater Drainage	30/06/10	-	-	65,405	65,405
Water Supply Network	30/06/13	-	-	205,537	205,537
Sewerage Network	30/06/13	-	-	233,737	233,737
Heritage Assets	30/06/14	-	-	19	19
Library Books	30/06/14	-	-	607	607
Art Collection	30/06/14	-	-	3,369	3,369
Other Assets	30/06/14	-	-	6,468	6,468
Land - Community		-	-	15,834	15,834
Total Infrastructure, Property, Plant & Equipment		-	-	1,367,572	1,367,572
Non Current Assets classified as "Held for Sale"					
Land	30/06/13	-	-	1,752	1,752
Total NCA's classified as "Held for Sale"		-	-	1,752	1,752

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Fair Value Measurement (continued)

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

Council identifies at the end of the reporting period what if any transfers between the different levels of the hierarchies have occurred. During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

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

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

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

Investment Properties

Investment properties were valued using Level 2 inputs as at June 30, 2014 by B C Sharrock, registered valuer NSW No 186. Observable inputs used in determining the valuation include net rentals in order to provide a rate per m² this value was then used in conjunction with sales of comparable properties. Unobservable inputs include a limited number of sales evidence on the open market.

There has been no change to the valuation process during the reporting period.

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment, Furniture & Fittings, Land Improvements, Heritage, Library, Other

All of the above asset categories are valued at cost but are disclosed at fair value in the notes, as such no observable or unobservable inputs were used in determining fair value. This is in accordance with Appendix I of Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 22. As such valuation has been deemed to be made using Level 3 inputs.

There has been no change to the valuation process during the reporting period.

Operational Land

Operational land values were obtained via external valuation using B C Sharrock, registered valuer NSW No 186. Valuations are as at 30 June, 2013. Observable inputs used in determining the highest and best use valuation include planning and other development constraints and land dimensions. Unobservable inputs used include the potential for alternative uses along with market prices for similar properties when available for an active and liquid market. As there is no active market for identical land products valuation has been made using Level 3 inputs.

Valuations are carried out every five years unless significant movement in similar markets would suggest that a valuation needs to be conducted sooner.

There has been no change to the valuation process during the reporting period.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Fair Value Measurement (continued)

Community Land

Community land is valued in accordance with the Local government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 22, Appendix I; as such community land has been valued using the NSW Valuer General's valuations. For this reason Council is unable to provide either observable nor unobservable valuation techniques and valuation is being reported at Level 3.

Changes in the NSW Valuer General's valuations will result in a higher or lower fair value measurement.

There has been no change to the valuation process during the reporting period.

Land Under Roads

Councils recognised land under roads have had Fair Value derived using the Englobo methodology. Using this method there are no observable inputs and the only unobservable input is that of the average site value for each council on a \$ per m². This average site value is determined using values from NSW Valuer General Valuations.

Changes in the NSW Valuer General's valuations will result in a higher or lower fair value measurement.

There has been no change to the valuation process during the reporting period.

Buildings – Specialised and Non Specialised

Non-specialised and specialised buildings were valued as at June 30, 2013 using external valuer B C Sharrock, registered valuer NSW No 186. Given that there is no observable market for identical buildings valuation was made using Level 3 inputs. When available valuation has been made using sales of comparable properties, if there were no sales of comparable properties then Fair value was ascertained using the depreciable replacement cost of the various buildings.

There has been no change to the valuation process during the reporting period.

Other Structures

Other structures have been valued using the depreciated replacement cost approach for each asset taking into account a range of factors including condition, location and construction material. All assets within this class have been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Roads, Bridges, Footpaths and Stormwater Drainage

Council's transport infrastructure was where necessary broken down into components. For example roads are broken down into various components including kerb and gutter, wearing course, structure and earthworks. All valuations for these asset classes were undertaken in-house using Council engineers. Valuations were derived using unit rates. These unit rates were calculated for the various asset components using costs from recent works carried out across the Tamworth Regional Council area. Sampling was conducted in various locations to assess asset condition and this information was then extrapolated to determine the fair value of

Tamworth Regional Council

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

Note 26. Fair Value Measurement (continued)

asset components using the depreciated cost method. Fair value was determined using Level 3 valuation inputs for this asset class.

There has been no change to the valuation process during the reporting period.

Water and Sewer Networks

The water and sewer network of Council is also broken down into components where necessary by Council's engineering staff who conduct the valuation of these assets in house. Sampling of the condition of assets is taken using cameras and site inspections. The results of this condition assessment is used in conjunction with unit rates taken from the NSW Reference Rates Manual as published by the Office of water to determine the depreciated replacement cost of the various assets that make up these two networks. For those items not covered by the NSW Reference Rates Manual the historical cost is indexed every year by the annual index rate which is also included in the NSW Reference Rates Manual.

There has been no change to the valuation process during the reporting period.

Art Collection

Tamworth Regional Council's art collection had fair value determined using an insurance valuation as at June 30, 2014. The valuation was carried out by external valuer Helen Maxwell who is an approved valuer of Art, Australian Government Cultural Gifts and Cultural Bequests. This method of ascertaining fair valuation is in accordance with Appendix I of Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 22. Given that there are observable or unobservable inputs the fair value has been derived using Level 3.

There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets

Tamworth Regional Council's recreation assets are valued internally using the depreciated historical replacement cost. Council staff determines fair value by inspecting the condition of the assets and using the cost of recent works to determine asset values. If no recent costs are available then replacement costs can be determined if necessary via current suppliers. As there are very few observable inputs in relation to this asset class valuation is at Level 3.

There has been no change to the valuation process during the reporting period.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Fair Value Measurement (continued)

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

I,PP&E

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	23,002	Historical Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 to 50 years 0% to 50% 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Office Equipment	189	Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 to 10 years 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Furniture & Fittings	3,132	Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life 	<ul style="list-style-type: none"> Varies significantly from asset to asset 10 to 20 years 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Land Operational	68,711	External Valuation	<ul style="list-style-type: none"> Land Value Land zoning Sales of comparable properties 	\$0.50 - \$60.00	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Land Community	15,834	NSW Valuer General Valuations	<ul style="list-style-type: none"> Land value 	\$0.50 - \$60.00	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Land Under Roads	522	Englobo Method	<ul style="list-style-type: none"> Land Value 	\$1 - \$1.20	Changes in the average council NSW Valuer General Valuation would result in a change to the fair value measurement.
Land Improvements	12,507	Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 to 250 years 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.

Tamworth Regional Council

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

Note 26. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Buildings Specialised	20,237	External Valuation	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 – 101 years 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement. Changes in land zoning would also impact on fair value.
Buildings Non-specialised	74,788	External Valuation	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value Sale of Comparable Properties 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 – 101 years 0% to 95% 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement. Changes in land zoning would also impact on fair value.
Other Structures	49,480	Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 to 270 years 0% -91% 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Roads, Bridges, Footpaths	584,028	Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 to 100 years 0 to 100% 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Stormwater Drainage	65,405	Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 to 120 years 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Water Network	205,537	Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 to 100 years 0 – 32% 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Sewer Network	233,737	Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 to 84 years 0 to 92% 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Heritage Collections	19	Historical Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life 	<ul style="list-style-type: none"> Varies significantly from asset to asset Indefinite 	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Art Collections	3,369	External Valuation	<ul style="list-style-type: none"> Insurance valuation 	<ul style="list-style-type: none"> Varies significantly from asset to asset 	Significant changes in external markets for similar pieces will result in significant changes to fair value measurement.
Library Books	607	Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 		Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.

(5). Highest and best use

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

Tamworth Regional Council

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

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: <http://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 2014, 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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Prosperity Audit Services
ABN 87 879 283 831

**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 2014, 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 2014 included on Tamworth Regional Council's website. The Councillors of the Council 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

29 October 2014
Sydney

29 October 2014

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 2014**

We have completed the audit of the financial report for Tamworth Regional Council for the year ended 30 June 2014 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.

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.

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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. Statement of Financial Position
4. Statement of Cash Flows
5. Performance Indicators
6. Key Financial Statement Issues
7. General Matters

1. Income Statement

The net operating result before capital grants and contributions for the year ended 30 June 2014 was a surplus of \$1.60m compared with a surplus of \$1.74m for the year ended 30 June 2013.

The key difference in the Council's performance for the 2014 financial year compared to the 2013 financial year was an overall increase in revenue of \$1.07m (before grants and contributions for capital purposes) which was primarily driven by increases in:

- a. Rates and annual charges by \$2.32m; and
- b. User charges and fees by \$4.39m.

The above increase was partially offset by:

- a. A decrease in grants and contributions revenue (for operating purposes) of \$4.06m;
- b. A decrease in interest and other revenue of \$0.61m; and
- c. The net loss on the disposal of assets recognised in 2014 compared to the net gain recognised in 2013. A net difference of \$5.27m.

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

	2014 \$'000	2013 \$'000	Variance \$'000	Variance %	Note
Revenue and Other Income					
Rates and annual charges	56,796	54,474	2,322	4%	1
User charges and fees	41,917	37,521	4,396	12%	2
Interest and investment revenue	5,308	5,917	(609)	-10%	3
Other revenues	2,133	1,824	309	17%	**
Grants and contributions - operating	15,134	19,197	(4,063)	-21%	4
Grants and contributions - capital	21,497	20,708	789	4%	4
Net gain from disposal of assets	-	2,074	(2,074)	-	5
Total Revenue and Other Income	142,785	141,715	1,070	1%	

	2014 \$'000	2013 \$'000	Variance \$'000	Variance %	Note
Expenses					
Employee benefits and on-costs	39,431	38,847	584	2%	6
Borrowing costs	6,684	6,798	(114)	-2%	7
Materials and contracts	32,666	36,082	(3,416)	-9%	8
Depreciation and amortisation	27,723	27,902	(179)	-1%	9
Impairment	-	14	(14)	-	**
Other expenses	9,993	9,622	371	4%	10
Net loss from disposal of assets	3,192	-	3,192	-	5
Total Expenses	119,689	119,265	424	0%	
Net operating result	23,096	22,450	646	3%	
Other comprehensive income					
Revaluation of property, plant, equipment	12,451	62,923	(50,472)	-80%	
Total comprehensive income	35,547	85,373	(49,826)	-58%	

** Variance is not material and is in line with audit expectations.

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

1. Rates and Annual Charges

The increase in rates and annual charges is primarily attributable to the Council's general rate increase of 3.4% on the prior year. For future periods, we note that the Council has recently increased general rates for the 2014/15 financial year at the maximum pegged rate of 2.3%.

2. User Charges and Fees

User charges and fees increased by \$4.39m, representing a 12% increase from the year ended 30 June 2013. The increase is primarily due to:

- Water and sewerage user charges increased by approximately \$1.42m, representing an increase of approximately 12% from 30 June 2013. The increase was reflective of the increased water consumption by residents at higher water rates;
- Waste / Recycling depot fees and charges increased by approximately \$0.77m, an increase of approximately 21% from 30 June 2013 due to increased levy amounts and activity at the depot;
- Revenue from the Aerodrome increased by \$0.44m 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) increased by \$1.00m as a result of the projects undertaken by the Council on behalf of NSW RMS.

3. Interest and Investment Revenue

The decrease in investment income is attributable to the rollover of term deposits that were entered into in previous periods at lower interest rates due to the current offerings by facility providers. The weighted average interest rate across the investment portfolio decreased from 4.31% in 2013 to 4.14% in 2014.

4. Grants and Contributions

Grants and contributions have decreased by \$3.27m as follows:

	2014 \$'000	2013 \$'000	Variance \$'000	Variance %	Note
Financial assistance	4,956	9,705	(4,749)	-49%	a
Pensioner rebate subsidies	1,313	1,297	16	1%	**
Water supplies	6,487	4,634	1,853	40%	b
Transport	2,315	2,561	(246)	-10%	**
Other grants	9,195	11,256	(2,061)	-18%	c
Developer contributions	3,565	2,166	1,399	65%	d
Other contributions	8,800	8,286	514	6%	**
Total grant and contributions	36,631	39,905	(3,274)	-8%	

** Variance is not material and is in line with audit expectations.

- 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 \$9.9m for the 2014 financial year (2013: \$9.7m) 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 decrease of \$4.8m reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

- 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 and was completed in 2014.
- c. The decrease in other grants is primarily attributable to a \$4.0M reduction in the Building Better Regional Cities funding in 2014.
- d. 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 increase in developer contributions is reflective of higher levels of development activities as compared to the 2013 financial year.

5. Net Gains / Losses on Disposal of Assets

The prior year gain relates to the net gain on disposal of assets for a number of real estate assets for which approximately \$6.0m was received. There were no similar sales in the current year, however a number of assets were disposed at a loss of \$3.2m. These assets primarily related to the road works program.

6. Employee Costs

Employee benefits expenses are consistent with the prior year based on 520 equivalent full time employees in 2014 (2013: 535).

7. *Borrowing Costs*

The decrease in borrowing costs attributable to the repayment of a portion of the Council's debt portfolio and stable interest rates during the year.

8. *Materials and Contracts Expense*

The decrease in materials and contract expenses is primarily attributable to the reduced level of flood repair works in 2014 (\$1.2m) and the change of focus of the Council's road works from maintenance to capital renewal projects (\$0.5m). In addition, the prior year included a private works project for the Department of Housing for \$0.9m, a similar project was not undertaken in 2014.

9. *Depreciation and Amortisation*

Depreciation and amortisation costs are consistent with the prior year.

10. *Other Expenses*

The increase in other expenses is primarily attributable to bad debts expense of \$467K which was partially offset by savings to light, power and heating of \$364K. Other movements in other expenses include increases to insurances (\$152K), payments to other levels of government (\$182K), movement to investment property values (\$96K) and decreases to street lighting (\$196K) and advertising (\$94K).

2. **Statement of Comprehensive Income**

	2014 \$'000	2013 \$'000	Variance \$'000	Variance %
Net operating result	23,096	22,450	646	3%
Gain on revaluation of infrastructure, property, plant and equipment	12,451	62,923	(50,472)	-80%
Total comprehensive income	35,547	85,373	(49,826)	-58%

Total comprehensive income has decreased by \$49.83m. This is reflective of the revaluation of different asset classes between 2014 and the prior year as follows:

- 2014: Water and sewerage network assets and art collection assets;
- 2013: Water and sewerage networks, buildings and operational land.

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

3. Statement of Financial Position

	2014 \$'000	2013 \$'000	Variance \$'000	Variance %	Note
Current Assets					
Cash and cash equivalents	8,595	8,612	(17)	0%	1
Investments	113,500	116,700	(3,200)	-3%	2
Receivables	14,522	21,551	(7,029)	-33%	3
Inventories	1,154	1,251	(97)	-8%	4
Other current assets	127	241	(114)	-47%	**
Non-current assets held for sale	1,752	2,644	(892)	-34%	5
	139,650	150,999	(11,349)	-8%	
Non-Current Assets					
Receivables	384	371	13	4%	3
Infrastructure, property, plant, equipment	1,401,261	1,363,574	37,687	3%	6
Investment property	6,050	6,146	(96)	-2%	7
Intangible assets	236	51	185	363%	8
	1,407,931	1,370,142	37,789	3%	
Total Assets	1,547,581	1,521,141	26,440	2%	
Current Liabilities					
Payables	10,382	15,016	(4,634)	-31%	9
Borrowings	4,773	4,181	592	14%	10
Provisions	9,711	10,057	(346)	-3%	11
	24,866	29,254	(4,388)	-15%	
Non-Current Liabilities					
Borrowings	81,525	86,492	(4,967)	-6%	10
Provisions	16,636	16,388	248	2%	11
	98,161	102,880	(4,719)	-5%	
Total Liabilities	123,027	132,134	(9,107)	-7%	
Net Assets/(Liabilities)	1,424,554	1,389,007	35,547	3%	
Retained earnings	1,013,950	990,895	23,055	2%	
Revaluation reserves	410,196	397,745	12,451	3%	
Non-controlling interests	408	367	41	11%	
Total Equity	1,424,554	1,389,007	35,547	3%	

** Variance is not material and is in line with audit expectations.

The net asset position of the Council for the year ended 30 June 2014 was \$1.42b compared with \$1.39b in the prior year. This result and other significant movements, together with their contributing factors, are outlined below:

1. Cash and Cash Equivalents

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

2. Investments

The Council redeemed term deposit investments of \$3.20m resulting in a decrease in the investments balance as at 30 June 2014.

3. *Receivables*

The decrease in receivables is primarily attributable to a decrease in the amount receivable from the Roads and Maritime Service due to the timing of the reimbursement for completed roadworks on State owned roads.

4. *Inventories*

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

The decrease in inventories is due to the transfer of certain assets to property, plant and equipment and non-current assets held for sale to more appropriately reflect the current status of the assets.

5. *Non-Current Assets Held for Sale*

The decrease in non-current assets held for sale is attributable to the transfer of certain land parcels and buildings back to property, plant equipment as there is currently no active effort to sell the assets.

6. *Infrastructure, Property, Plant & Equipment*

Infrastructure, property, plant & equipment increased by \$37.69m. This is reflective of:

- a. Asset additions in the year amounting to \$58.81m; and
- b. Increase in the value of water and sewer networks and art collection assets of \$12.45m as a result of revaluation.

The above increase was offset by:

- a. Depreciation expense of \$28.27m;
- b. Disposal of assets amounting to \$5.90m; and
- c. Other adjustments of \$0.60m. Other adjustments are usually adjustments that result in transfer of assets from IPP&E to other classes such as investment properties, inventories etc.

7. *Investment property*

The decrease in investment property is as a result of the revaluation in accordance with the independent valuer's report in 2014.

8. *Intangible assets*

The increase in intangible assets is primarily attributable to the purchase of the Business Intelligence modules of the Council's finance system during 2014.

9. *Payables*

The balance of payables decreased by \$4.63m primarily due to the construction work for the Barraba Water Supply project which was in progress at 30 June 2013 and has been subsequently completed in 2014.

10. *Borrowings*

Total interest bearing liabilities (including current and non-current) at 30 June 2014 have remained consistent with the prior year and have been repaid in line with the Council's repayment obligations.

11. *Provisions*

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

4. Statement of Cash Flows

The movement in cash is attributable to the following movements:

	2014 \$'000	2013 \$'000	Variance \$'000	Variance %
Cash at the beginning of the year	8,612	9,845	(1,233)	-13%
Cash provided by operating activities	48,444	39,014	9,430	24%
Cash used in investing activities	(44,086)	(40,095)	(3,991)	10%
Cash used in financing activities	(4,375)	(152)	(4,223)	2,778%
Cash at the end of the year	8,595	8,612	(17)	0%

4.1 Cash flows from operating activities

Cash from operating activities amounting to \$48.44m represents an increase of \$9.43m as compared with the prior year. Significant cash flows for the 2014 financial year included:

- Receipt of rates and annual charges, and user charges and fees amounted to \$106.83m;
- Receipt of investment revenue of \$5.74m;
- Receipt of grants and contributions of \$30.83m; and
- Other receipts of \$7.78m.

The above receipts were offset by the following payments:

- Payments to employees of \$41.41m;
- Payments for materials and contracts of \$43.65m;
- Interest payments of \$6.05m; and
- Other operational payments amounting to \$11.63m.

4.2 Cash flows from investing activities

Net cash outflows from investing activities of \$44.09m represent an increase of \$3.99m as compared with the prior year. Significant cash flows for the year include:

- the sale of property, plant and equipment assets of \$2.73m;
- redemption of investments of \$3.20m; and
- purchase of infrastructure, property, plant and equipment of \$50.02m.

4.3 Cash flows from financing activities

Net cash outflows from financing activities were \$4.38m 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

	2014 \$'000	2013 \$'000	2012 \$'000
Current assets	139,650	150,999	127,937
Current liabilities	24,866	29,254	28,053
Current ratio	5.62	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:

	2014 \$'000	2013 \$'000	2012 \$'000
Total cash and investments	122,095	125,312	108,570
Less: Externally restricted items	(98,023)	(101,062)	(83,085)
Less: Internally restricted items	(21,506)	(23,129)	(22,179)
Unrestricted cash and investments	2,566	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:

	2014 \$'000	2013 \$'000	2012 \$'000
Current assets less all restrictions	36,445	43,679	38,698
Current liabilities less specific purpose liabilities	12,697	12,507	13,603
Unrestricted current ratio	2.87	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 \$2.87 of the Council's unrestricted current assets.

5.2 Debt Service Cover Ratio

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

	2014 \$'000	2013 \$'000	2012 \$'000
Operating Result before capital excluding interest, depreciation and amortisation	39,294	34,382	36,504
Principal Repayments and Borrowing Costs	11,498	10,630	12,501
Debt service cover ratio	3.42	3.23	2.92

The debt service cover ratio has increased steadily over the past three years primarily due to higher levels of operating revenue generated. The Council compares favourably to the minimum industry benchmark of 2:1.

5.3 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.

	2014 \$'000	2013 \$'000	2012 \$'000
Rates and annual charges outstanding	3,810	4,242	3,795
Rates and annual charges revenue	61,387	58,728	53,983
Percentage of outstanding rates	6.2%	7.2%	7.0%

The decrease of the percentage of rates and annual charges outstanding indicates that the Council has made substantial progress on its debt recovery processes. However, we note that the ratio remains higher than the acceptable benchmark of the Local Government Division of 5%.

5.4 Building and 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.

	2014 \$'000	2013 \$'000	2012 \$'000
Building and infrastructure renewals	21,407	11,012	5,011
Depreciation and amortisation	21,639	21,488	23,325
Building and infrastructure renewals ratio	99%	51%	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. The Council has achieved substantial progress over the past three years as this ratio has trended towards the 100% benchmark.

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 \$21.51m which was consistent with the prior year restrictions of \$23.13m.

6.2 Asset Remediation Liabilities

An asset remediation liability has been recognised in the financial statements at 30 June 2014 to a value of \$16.35m (2013: \$16.07m). This liability will be incurred at the conclusion of the useful lives of the tips and quarries, which ranges from 2015 to 2029. The increase in liability of \$0.28m 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 water and sewer network assets and art collection assets using fair value methodologies at 30 June 2014. The valuation increments noted as a result of revaluation to these assets were \$5.25m, \$6.05m and \$1.15m respectively. The fair value of 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 while the art collection assets were based on independent valuations.

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 2014.

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*.

7. General Matters

The books of accounts and records inspected by us have been kept in a reasonable manner.

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

7.1 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 2014 included on Tamworth Regional Council's web site. The Councillors of the Council 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.

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

29 October 2014
Sydney

Tamworth Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

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



Tamworth Regional Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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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 2014

Statement by Councillors and Management

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

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

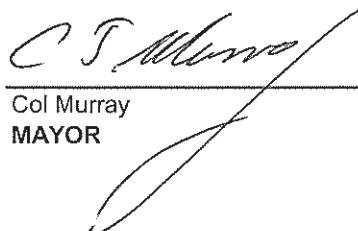
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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


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

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


Signed in accordance with a resolution of Council made on 09 September 2014.




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 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	5,858	5,592
User charges	12,582	10,822
Fees	-	-
Interest	1,384	1,603
Grants and contributions provided for non capital purposes	290	451
Profit from the sale of assets	-	-
Other income	1	1
Total income from continuing operations	20,115	18,469
Expenses from continuing operations		
Employee benefits and on-costs	2,180	1,895
Borrowing costs	597	631
Materials and contracts	7,377	7,229
Depreciation and impairment	3,855	3,930
Water purchase charges	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	31	31
Debt guarantee fee (if applicable)	44	46
Other expenses	2,093	1,962
Total expenses from continuing operations	16,177	15,724
Surplus (deficit) from Continuing Operations before capital amounts	3,938	2,745
Grants and contributions provided for capital purposes	8,994	5,694
Surplus (deficit) from Continuing Operations after capital amounts	12,932	8,439
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	12,932	8,439
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,181)	(824)
SURPLUS (DEFICIT) AFTER TAX	11,751	7,616
plus Opening Retained Profits	162,836	140,994
plus/less: Adjustments to Equity Prior Years	-	13,326
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	31	31
- Debt guarantee fees	44	46
- Corporate taxation equivalent	1,181	824
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	175,843	162,836
Return on Capital %	2.0%	1.6%
Subsidy from Council	3,417	4,514
Calculation of dividend payable:		
Surplus (deficit) after tax	11,751	7,616
less: Capital grants and contributions (excluding developer contributions)	(8,994)	(5,466)
Surplus for dividend calculation purposes	2,757	2,150
Potential Dividend calculated from surplus	1,378	1,075

Tamworth Regional Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	15,218	14,581
User charges	1,951	1,921
Liquid Trade Waste charges	698	500
Fees	136	71
Interest	1,225	1,440
Grants and contributions provided for non capital purposes	208	255
Profit from the sale of assets	-	-
Other income	4	4
Total income from continuing operations	19,440	18,772
Expenses from continuing operations		
Employee benefits and on-costs	1,904	1,678
Borrowing costs	3,560	3,693
Materials and contracts	6,199	5,561
Depreciation and impairment	5,041	5,874
Loss on sale of assets	29	4
Calculated taxation equivalents	189	166
Debt guarantee fee (if applicable)	239	249
Other expenses	1,052	1,028
Total expenses from continuing operations	18,213	18,253
Surplus (deficit) from Continuing Operations before capital amounts	1,227	519
Grants and contributions provided for capital purposes	2,271	1,108
Surplus (deficit) from Continuing Operations after capital amounts	3,498	1,627
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	3,498	1,627
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(368)	(156)
SURPLUS (DEFICIT) AFTER TAX	3,130	1,471
plus Opening Retained Profits	205,475	148,951
plus/less: Adjustments to Equity Prior Years	-	54,482
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	189	166
- Debt guarantee fees	239	249
- Corporate taxation equivalent	368	156
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	209,401	205,475
Return on Capital %	1.9%	1.8%
Subsidy from Council	4,110	4,769
Calculation of dividend payable:		
Surplus (deficit) after tax	3,130	1,471
less: Capital grants and contributions (excluding developer contributions)	(2,271)	(504)
Surplus for dividend calculation purposes	859	967
Potential Dividend calculated from surplus	429	484

Tamworth Regional Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
Access charges	-	-	6,766	6,456
User charges	-	-	-	-
Fees	4,500	4,086	4,820	3,954
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	594	503
Profit from the sale of assets	-	-	-	-
Other income	101	71	1	1
Total income from continuing operations	4,601	4,157	12,181	10,914
Expenses from continuing operations				
Employee benefits and on-costs	790	523	1,206	1,092
Borrowing costs	94	96	445	434
Materials and contracts	2,362	2,184	7,187	6,837
Depreciation and impairment	672	517	539	626
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	169	170	7	7
Debt guarantee fee (if applicable)	7	7	-	-
Other expenses	227	265	79	23
Total expenses from continuing operations	4,321	3,762	9,463	9,019
Surplus (deficit) from Continuing Operations before capital amounts	280	395	2,718	1,895
Grants and contributions provided for capital purposes	-	320	75	-
Surplus (deficit) from Continuing Operations after capital amounts	280	715	2,793	1,895
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	280	715	2,793	1,895
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(84)	(119)	(815)	(569)
SURPLUS (DEFICIT) AFTER TAX	196	597	1,978	1,327
plus Opening Retained Profits	25,117	22,312	11,698	9,797
plus/less: Adjustments to Equity Prior Years	-	1,913	-	(1)
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	169	170	7	7
- Debt guarantee fees	7	7	-	-
- Corporate taxation equivalent	84	119	815	569
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	25,573	25,117	14,498	11,698
Return on Capital %	0.9%	1.2%	21.7%	16.6%
Subsidy from Council	1,077	1,047	-	-

Tamworth Regional Council

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

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Investments	36,406	35,648
Receivables	2,501	2,457
Inventories	-	-
Other	-	10
Total Current Assets	38,907	38,115
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	223,380	209,274
Other	51	51
Total non-Current Assets	223,431	209,325
TOTAL ASSETS	262,338	247,440
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	749	3,673
Interest bearing liabilities	467	461
Provisions	-	-
Total Current Liabilities	1,216	4,134
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	8,151	8,587
Provisions	-	-
Total Non-Current Liabilities	8,151	8,587
TOTAL LIABILITIES	9,367	12,721
NET ASSETS	252,971	234,719
EQUITY		
Retained earnings	175,843	162,836
Revaluation reserves	77,128	71,883
Council equity interest	252,971	234,719
Non-controlling equity interest	-	-
TOTAL EQUITY	252,971	234,719

Tamworth Regional Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Investments	29,754	33,357
Receivables	1,442	2,812
Total Current Assets	31,196	36,169
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	249,908	238,212
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	249,908	238,212
TOTAL ASSETS	281,104	274,381
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	754	1,712
Interest bearing liabilities	2,020	1,795
Provisions	-	-
Total Current Liabilities	2,774	3,507
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	44,600	47,122
Provisions	-	-
Total Non-Current Liabilities	44,600	47,122
TOTAL LIABILITIES	47,374	50,629
NET ASSETS	233,730	223,752
EQUITY		
Retained earnings	209,401	205,475
Revaluation reserves	24,329	18,277
Council equity interest	233,730	223,752
Non-controlling equity interest	-	-
TOTAL EQUITY	233,730	223,752

Tamworth Regional Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	3,217	2,790	350	645
Investments	2,217	1,965	16,187	13,640
Receivables	516	560	1,239	980
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	5,950	5,315	17,776	15,265
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	40,749	40,785	14,601	14,000
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	40,749	40,785	14,601	14,000
TOTAL ASSETS	46,699	46,100	32,377	29,265
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	313	130	47	8
Interest bearing liabilities	44	40	-	-
Provisions	-	-	-	-
Total Current Liabilities	357	170	47	8
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	1,377	1,421	-	-
Provisions	-	-	16,049	15,776
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	1,377	1,421	16,049	15,776
TOTAL LIABILITIES	1,734	1,591	16,096	15,784
NET ASSETS	44,965	44,509	16,281	13,481
EQUITY				
Retained earnings	25,573	25,117	14,498	11,698
Revaluation reserves	19,392	19,392	1,783	1,783
Council equity interest	44,965	44,509	16,281	13,481
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	44,965	44,509	16,281	13,481

Tamworth Regional Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

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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 2014

Note 1. Significant Accounting Policies

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

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

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

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

Declared Business Activities

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

Category 1

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

a. 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

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).

Tamworth Regional Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – 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.

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.

Tamworth Regional Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

The actual rate of return achieved by each Business Activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2014 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

As Tamworth Regional Council does not fully comply with Best Practice Management Guidelines no dividend has been taken from surplus funds.

Tamworth Regional Council

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

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	75,000
(ii)	No of assessments multiplied by \$3/assessment	64,257
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	64,257
(iv)	Amounts actually paid for Tax Equivalents	64,257

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	1,378,300
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	578,313
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	6,922,200

2014 Surplus	2,756,600	2013 Surplus	2,149,500	2012 Surplus	2,016,100
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	578,313
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	Nil

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 2014

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

National Water Initiative (NWI) Financial Performance Indicators

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	22,626
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)]	%	64.32%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	205,537
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	11,490
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	10,949
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)]	%	3.26%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	5,174

- Notes:
1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Tamworth Regional Council

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

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	428,000
(ii)	No of assessments multiplied by \$3/assessment	58,044
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	58,044
(iv)	Amounts actually paid for Tax Equivalents	58,044

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	429,450
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	522,396
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	2,042,900

2014 Surplus	858,900	2013 Surplus	967,300	2012 Surplus	216,700
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	429,450
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	Nil

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 2014

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	20,485
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	233,737
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	9,109
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	9,682
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)]	%	2.53%
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	43,082
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.89%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	20,631
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	2.88%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	Nil
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	Nil

Tamworth Regional Council

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

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

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

2014

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

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)]	%	-2.24%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		8
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	11,637
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	384

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

INDEPENDENT AUDITOR'S REPORT 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 (the "Council"), which comprises the balance sheet as at 30 June 2014, 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.

Independence

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

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Standards Legislation.

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

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 2014 included on Tamworth Regional Council's web site. The Councillors of the Council 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

29 October 2014
Sydney

Tamworth Regional Council

SPECIAL SCHEDULES

for the year ended 30 June 2014

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



Tamworth Regional Council

Special Schedules

for the financial year ended 30 June 2014

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- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

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

Tamworth Regional Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	4,667	5	-	(4,662)
Administration	3,907	873	-	(3,034)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,231	520	96	(615)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	40	10	-	(30)
Animal Control	272	85	-	(187)
Other	-	-	-	-
Total Public Order & Safety	1,543	615	96	(832)
Health	518	63	-	(455)
Environment				
Noxious Plants and Insect/Vermin Control	460	161	-	(299)
Other Environmental Protection	78	-	-	(78)
Solid Waste Management	8,290	11,768	74	3,552
Street Cleaning	720	-	-	(720)
Drainage	1,890	543	-	(1,347)
Stormwater Management	177	79	-	(98)
Total Environment	11,615	12,551	74	1,010
Community Services and Education				
Administration & Education	130	-	-	(130)
Social Protection (Welfare)	21	26	130	135
Aged Persons and Disabled	768	558	-	(210)
Children's Services	903	633	-	(270)
Total Community Services & Education	1,822	1,217	130	(475)
Housing and Community Amenities				
Public Cemeteries	517	229	-	(288)
Public Conveniences	365	-	-	(365)
Street Lighting	699	233	-	(466)
Town Planning	1,076	1,317	16	257
Other Community Amenities	35	-	-	(35)
Total Housing and Community Amenities	2,692	1,779	16	(897)
Water Supplies	14,140	18,784	8,994	13,638
Sewerage Services	16,529	19,249	2,271	4,991

Tamworth Regional Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	2,504	918	84	(1,502)
Museums	78	21	-	(57)
Art Galleries	1,094	537	5	(552)
Community Centres and Halls	871	122	-	(749)
Performing Arts Venues	1,337	272	-	(1,065)
Other Performing Arts	-	-	-	-
Other Cultural Services	2	18	-	16
Sporting Grounds and Venues	3,380	424	-	(2,956)
Swimming Pools	1,741	589	20	(1,132)
Parks & Gardens (Lakes)	2,411	62	235	(2,114)
Other Sport and Recreation	172	73	79	(20)
Total Recreation and Culture	13,590	3,036	423	(10,131)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,640	288	-	(1,352)
Other Mining, Manufacturing & Construction	(35)	-	-	35
Total Mining, Manufacturing and Const.	1,605	288	-	(1,317)
Transport and Communication				
Urban Roads (UR) - Local	14,393	2,538	5,177	(6,678)
Urban Roads - Regional	504	220	-	(284)
Sealed Rural Roads (SRR) - Local	2,438	491	(1)	(1,948)
Sealed Rural Roads (SRR) - Regional	542	1,968	445	1,871
Unsealed Rural Roads (URR) - Local	4,314	57	52	(4,205)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	1,758	144	510	(1,104)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	511	960	1	450
Footpaths	435	-	27	(408)
Aerodromes	3,603	4,602	-	999
Other Transport & Communication	9,252	9,851	82	681
Total Transport and Communication	37,750	20,831	6,293	(10,626)
Economic Affairs				
Camping Areas & Caravan Parks	25	179	-	154
Other Economic Affairs	9,286	5,353	3,200	(733)
Total Economic Affairs	9,311	5,532	3,200	(579)
Totals – Functions	119,689	84,823	21,497	(13,369)
General Purpose Revenues ⁽²⁾		36,465		36,465
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	119,689	121,288	21,497	23,096

(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 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	130	780	910	-	130	-	-	-	130	650	780
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	4,045	85,709	89,754	-	4,565	-	-	6,231	4,424	80,765	85,189
Other	6	3	9	439	119	-	-	-	219	110	329
Total Loans	4,181	86,492	90,673	439	4,814	-	-	6,231	4,773	81,525	86,298
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	4,181	86,492	90,673	439	4,814	-	-	6,231	4,773	81,525	86,298

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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	1,502	1,424
b. Engineering and Supervision	2,733	2,210
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	575	614
b. Maintenance expenses	403	689
- Mains		
c. Operation expenses	351	317
d. Maintenance expenses	1,688	1,340
- Reservoirs		
e. Operation expenses	123	140
f. Maintenance expenses	196	203
- Pumping Stations		
g. Operation expenses (excluding energy costs)	73	106
h. Energy costs	158	130
i. Maintenance expenses	58	113
- Treatment		
j. Operation expenses (excluding chemical costs)	2,075	2,161
k. Chemical costs	336	325
l. Maintenance expenses	519	646
- Other		
m. Operation expenses	3	22
n. Maintenance expenses	18	49
o. Purchase of water	679	501
3. Depreciation expenses		
a. System assets	3,826	3,897
b. Plant and equipment	28	34
4. Miscellaneous expenses		
a. Interest expenses	597	631
b. Revaluation Decrements	-	-
c. Other expenses	162	95
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	16,103	15,647

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	4,372	4,176
b. Usage charges	7,880	6,299
7. Non-residential charges		
a. Access (including rates)	1,487	1,417
b. Usage charges	4,273	4,209
8. Extra charges	74	75
9. Interest income	1,310	1,528
10. Other income	430	314
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	5,174	4,634
b. Grants for pensioner rebates	200	201
c. Other grants	50	-
12. Contributions		
a. Developer charges	1,761	1,074
b. Developer provided assets	2,097	228
c. Other contributions	2	8
13. Total income	29,110	24,163
14. Gain (or loss) on disposal of assets	-	-
15. Operating Result	13,007	8,516
15a. Operating Result (less grants for acquisition of assets)	7,833	3,882

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	7,431	1,164
b. New Assets for Growth	1,638	8,711
c. Renewals	1,880	508
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	341	439
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	11,290	10,822
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	277	702
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	277	702
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	18,373	17,950
b. Residential (unoccupied, ie. vacant lot)	919	1,170
c. Non-residential (occupied)	1,784	1,763
d. Non-residential (unoccupied, ie. vacant lot)	343	355
25. Number of ETs for which developer charges were received	420 ET	257 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 371,885	\$ 366,778

Tamworth Regional Council

Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2014

\$'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" value="No"/>	
If Yes, go to 28a.			
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 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" value="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 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	10,113	-	10,113
b. Special purpose grants	514	-	514
c. Accrued leave	-	-	-
d. Unexpended loans	492	-	492
e. Sinking fund	-	-	-
f. Other	25,287	-	25,287
31. Receivables			
a. Specific purpose grants	250	-	250
b. Rates and Availability Charges	460	-	460
c. User Charges	1,757	-	1,757
d. Other	34	-	34
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	205,537	205,537
b. Plant and equipment	-	17,843	17,843
34. Other assets	-	51	51
35. Total assets	38,907	223,431	262,338
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	749	-	749
38. Borrowings			
a. Loans	467	8,151	8,618
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	1,216	8,151	9,367
41. NET ASSETS COMMITTED	37,691	215,280	252,971
EQUITY			
42. Accumulated surplus			175,843
43. Asset revaluation reserve			77,128
44. TOTAL EQUITY			252,971
Note to system assets:			
45. Current replacement cost of system assets			353,762
46. Accumulated current cost depreciation of system assets			(148,225)
47. Written down current cost of system assets			205,537

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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	1,123	974
b. Engineering and Supervision	2,257	2,316
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	413	339
b. Maintenance expenses	1,117	1,095
- Pumping Stations		
c. Operation expenses (excluding energy costs)	165	153
d. Energy costs	97	122
e. Maintenance expenses	392	191
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,121	1,063
g. Chemical costs	136	93
h. Energy costs	787	771
i. Effluent Management	39	38
j. Biosolids Management	629	311
k. Maintenance expenses	833	754
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	5,008	5,820
b. Plant and equipment	33	55
4. Miscellaneous expenses		
a. Interest expenses	3,560	3,693
b. Revaluation Decrements	-	-
c. Other expenses	45	46
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	17,755	17,834

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	13,405	12,806
7. Non-residential charges		
a. Access (including rates)	1,752	1,717
b. Usage charges	1,700	1,789
8. Trade Waste Charges		
a. Annual Fees	66	70
b. Usage charges	445	391
c. Excess mass charges	368	331
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	1,225	1,440
11. Other income	271	(27)
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	184	185
c. Other grants	-	-
13. Contributions		
a. Developer charges	758	504
b. Developer provided assets	1,512	604
c. Other contributions	24	70
14. Total income	21,710	19,880
15. Gain (or loss) on disposal of assets	(29)	(4)
16. Operating Result	3,926	2,042
16a. Operating Result (less grants for acquisition of assets)	3,926	2,042

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	2,968	717
b. New Assets for Growth	46	1,426
c. Renewals	6,668	135
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	2,186	1,714
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	11,868	3,992
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	253	106
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	253	106
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	17,025	16,623
b. Residential (unoccupied, ie. vacant lot)	680	906
c. Non-residential (occupied)	1,565	1,554
d. Non-residential (unoccupied, ie. vacant lot)	78	82
26. Number of ETs for which developer charges were received	406 ET	286 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 342,143	\$ 338,493

Tamworth Regional Council

Special Schedule No. 5 - Sewerage Cross Subsidies for the financial year ended 30 June 2014

\$'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 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	7,350	-	7,350
b. Special purpose grants	554	-	554
c. Accrued leave	-	-	-
d. Unexpended loans	2,106	-	2,106
e. Sinking fund	-	-	-
f. Other	19,744	-	19,744
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	1,128	-	1,128
c. User Charges	314	-	314
d. Other	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	233,737	233,737
b. Plant and equipment	-	16,171	16,171
35. Other assets	-	-	-
36. Total Assets	31,196	249,908	281,104
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	755	-	755
39. Borrowings			
a. Loans	2,020	44,599	46,619
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	2,775	44,599	47,374
42. NET ASSETS COMMITTED	28,421	205,309	233,730
EQUITY			
42. Accumulated surplus			209,401
44. Asset revaluation reserve			24,329
45. TOTAL EQUITY			233,730
Note to system assets:			
46. Current replacement cost of system assets			289,279
47. Accumulated current cost depreciation of system assets			(55,542)
48. Written down current cost of system assets			233,737

Tamworth Regional Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2014

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. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings										
	Council Works Depot	-	158	162	5,918	10%	90%	0%	0%	0%
	Other Buildings	1,044	1,625	1,415	89,107	17%	40%	40%	3%	0%
	sub total	1,044	1,783	1,577	95,025					
Other Structures										
	Other Structures		3,440	3,440	43,187	0%	100%	0%	0%	0%
	Other					0%	0%	0%	0%	0%
	sub total	-	3,440	3,440	43,187					
Roads										
	Sealed Roads Surface	418	828	838		28%	7%	25%	25%	15%
	Sealed Roads Structure	382	1,397	1,431		13%	13%	53%	17%	4%
	Unsealed Roads	753	1,921	2,005		21%	8%	61%	5%	5%
	Bridges	220	427	368	65,984	7%	86%	6%	0%	1%
	Footpaths		1,418	1,385	19,493	1%	20%	63%	14%	2%
	Kerb and Gutter		167	110		46%	19%	35%	0%	0%
	Other Road Assets		7,900	7,552		62%	22%	12%	4%	0%
	WDV for Roads only				498,551					
	sub total	1,773	14,058	13,689	584,028					

Tamworth Regional Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}					
						1	2	3	4	5	
Water Supply Network	Dams/Weirs		430	403		50%	43%	7%	0%	0%	
	Mains	3,912	1,278	1,688		48%	24%	27%	1%	0%	
	Reservoirs		188	196		1%	99%	0%	0%	0%	
	Pumping Station/s	319	117	58		84%	13%	3%	0%	0%	
	Treatment	4,650	720	519		17%	16%	65%	2%	0%	
	Buildings					100%	0%	0%	0%	0%	
	Other	31	6	18		91%	7%	2%	0%	0%	
	Total System WDV sub total					205,537					
		8,912	2,739	2,882	205,537						
Sewerage Network	Mains	8,215	1,007	1,117		48%	19%	23%	6%	4%	
	Pumping Station/s	6,406	362	392		66%	16%	12%	6%	0%	
	Treatment	2,300	725	833		90%	4%	6%	0%	0%	
	Buildings					73%	0%	27%	0%	0%	
	Total System WDV					233,737					
	sub total		16,921	2,094	2,342	233,737					

Tamworth Regional Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Retarding Basins		59	25		77%	21%	2%	0%	0%
	Stormwater Conduits	25	68	68		30%	30%	38%	2%	0%
	Inlet and Junction Pits		535	582		38%	21%	31%	10%	0%
	Total System WDV				65,405					
	sub total	25	662	675	65,405					
	TOTAL - ALL ASSETS	28,675	24,776	24,605	1,233,212					

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements

(5). Infrastructure Asset Condition Assessment "Key"

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

Tamworth Regional Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>21,407</u>	98.93%	51.25%	21.48%
Depreciation, Amortisation & Impairment	<u>21,639</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>28,675</u>	0.02	0.05	0.09
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>1,245,719</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>24,605</u>	0.99	0.77	0.98
Required Asset Maintenance	<u>24,776</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>52,909</u>	1.91	1.09	0.96
Annual Depreciation	<u>27,723</u>			

Notes

⁽¹⁾ 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.

⁽²⁾ Written down value

Tamworth Regional Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure)⁽²⁾</u>	49.14%	113.74%	108.01%
Depreciation, Amortisation & Impairment			
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>	0.04	0.07	0.00⁽⁴⁾
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets			
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>	1.05	1.12	0.97
Required Asset Maintenance			
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>	2.84	1.92	1.71
Annual Depreciation			

Notes

- (1) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.
- (2) 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.
- (3) Written down value
- (4) This ratio is so low for a number of reasons including the fact that a lot of general fund assets need to be in a satisfactory condition or closed down due to the risk to public safety for example parks, gardens and airport assets. Other programs such as timber bridge replacement also keeps this ratio very low for general fund

Tamworth Regional Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 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	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	142,785	131,288	128,556	128,086	131,461	135,112	138,945	142,922	146,795	150,686	148,064
Expenses from continuing operations	119,689	125,629	121,382	120,071	122,352	124,582	126,811	130,074	131,716	134,345	131,439
Operating Result from Continuing Operations	23,096	5,659	7,174	8,015	9,109	10,530	12,134	12,848	15,079	16,341	16,625
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	21,758	20,697	24,069	17,024	20,369	10,364	10,972	19,946	12,454	11,424	11,518
Replacement/Refurbishment of Existing Assets	28,369	24,228	19,990	19,370	18,034	19,078	25,210	21,501	21,140	20,928	23,705
Total Capital Budget	50,127	44,925	44,059	36,394	38,403	29,442	36,182	41,447	33,594	32,352	35,223
Funded by:											
– Loans	3,484	3,500	4,000	4,000	-	-	-	-	-	-	-
– Asset sales	1,977	760	-	-	-	-	-	-	-	-	-
– Reserves	28,560	29,456	28,272	19,420	32,179	22,305	26,321	26,797	25,605	21,989	28,992
– Grants/Contributions	15,671	11,193	11,770	12,957	6,206	7,137	9,861	14,650	7,989	10,363	6,231
– Recurrent revenue	435	16	17	17	18	-	-	-	-	-	-
– Other	-	-	-	-	-	-	-	-	-	-	-
	50,127	44,925	44,059	36,394	38,403	29,442	36,182	41,447	33,594	32,352	35,223

Notes:

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects as per Tamworth Regional Council's Long Term Financial Plan.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Tamworth Regional Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	29,407	30,656
Plus or minus Adjustments ⁽²⁾	b	240	287
Notional General Income	c	29,647	30,943
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d		
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f		
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	1,008	712
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	30,655	31,655
plus (or minus) last year's Carry Forward Total	l	1	(0)
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	1	(0)
Total Permissible income	o = k + n	30,656	31,655
less Notional General Income Yield	p	30,656	31,656
Catch-up or (excess) result	q = o - p	(0)	(1)
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	(0)	(1)

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

SPECIAL SCHEDULE NO.9 - INDEPENDENT AUDITOR'S REPORT TO TAMWORTH REGIONAL COUNCIL

Report on Special Schedule No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Tamworth Regional Council for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 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.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 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 Special Schedule No. 9 is free from material misstatement.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 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.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

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**SPECIAL SCHEDULE NO.9 - INDEPENDENT AUDITOR'S REPORT
TO TAMWORTH REGIONAL COUNCIL (CONT'D)**

Auditor's Opinion

In our opinion, Special Schedule No. 9 of Tamworth Regional Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Emphasis of Matter - Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

PROSPERITY AUDIT SERVICES



LUKE MALONE
Partner

29 October 2014
Sydney