



**Financial Reports  
Period Ended  
June 30 2012**

# Tamworth Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

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



# Tamworth Regional Council

## General Purpose Financial Statements for the financial year ended 30 June 2012

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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 specified in Paragraph 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government 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 audit by the Council on 25/09/12. Council has the power to amend and reissue the financial statements.
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# Tamworth Regional Council

## General Purpose Financial Statements

for the financial year ended 30 June 2012

### 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:**

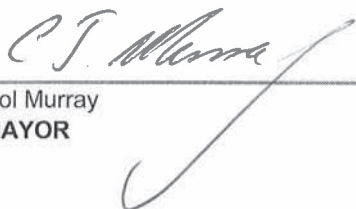
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

**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 25 September 2012.**



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 2012

Budget <sup>(1)</sup> 2012	\$ '000	Notes	Actual 2012	Actual 2011
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
49,607	Rates & Annual Charges	3a	49,768	47,554
28,592	User Charges & Fees	3b	30,188	27,335
5,144	Interest & Investment Revenue	3c	6,410	6,959
1,902	Other Revenues	3d	2,223	1,985
16,988	Grants & Contributions provided for Operating Purposes	3e,f	24,631	21,040
6,039	Grants & Contributions provided for Capital Purposes	3e,f	10,131	10,308
<b>Other Income:</b>				
-	Net gains from the disposal of assets	5	-	273
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<b>108,272</b>	<b>Total Income from Continuing Operations</b>		<b>123,351</b>	<b>115,454</b>
<b>Expenses from Continuing Operations</b>				
39,379	Employee Benefits & On-Costs	4a	37,530	36,976
7,177	Borrowing Costs	4b	7,310	4,971
27,201	Materials & Contracts	4c	30,689	26,542
24,072	Depreciation & Amortisation	4d	29,454	25,065
-	Impairment	4d	18	-
8,514	Other Expenses	4e	8,479	7,877
-	Net Losses from the Disposal of Assets	5	4,007	-
<b>106,343</b>	<b>Total Expenses from Continuing Operations</b>		<b>117,487</b>	<b>101,431</b>
<b>1,929</b>	<b>Operating Result from Continuing Operations</b>		<b>5,864</b>	<b>14,023</b>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>1,929</b>	<b>Net Operating Result for the Year</b>		<b>5,864</b>	<b>14,023</b>
1,929	Net Operating Result attributable to Council		5,856	14,005
-	Net Operating Result attributable to Minority Interests		8	18
<b>(4,110)</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>(4,267)</b>	<b>3,715</b>

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

## Tamworth Regional Council

### Statement of Comprehensive Income for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
<b>Net Operating Result for the year (as per Income statement)</b>		<b>5,864</b>	<b>14,023</b>
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	9,053	46,791
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves	20b (ii)	-	-
<b>Total Other Comprehensive Income for the year</b>		<b>9,053</b>	<b>46,791</b>
<b>Total Comprehensive Income for the Year</b>		<b>14,917</b>	<b>60,814</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>14,909</b>	<b>60,796</b>
<b>Total Comprehensive Income attributable to Minority Interests</b>		<b>8</b>	<b>18</b>

# Tamworth Regional Council

## Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	9,845	9,410
Investments	6b	98,725	85,200
Receivables	7	16,603	18,007
Inventories	8	2,707	1,980
Other	8	57	119
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>127,937</b>	<b>114,716</b>
<b>Non-Current Assets</b>			
Investments	6b	-	5,054
Receivables	7	465	466
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,304,493	1,292,412
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,950	1,975
Intangible Assets	25	-	-
Other	8	-	-
<b>Total Non-Current Assets</b>		<b>1,306,908</b>	<b>1,299,907</b>
<b>TOTAL ASSETS</b>		<b>1,434,845</b>	<b>1,414,623</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	13,624	10,497
Borrowings	10	3,782	3,804
Provisions	10	10,647	10,653
<b>Total Current Liabilities</b>		<b>28,053</b>	<b>24,954</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	832
Borrowings	10	87,043	89,364
Provisions	10	16,046	12,976
<b>Total Non-Current Liabilities</b>		<b>103,089</b>	<b>103,172</b>
<b>TOTAL LIABILITIES</b>		<b>131,142</b>	<b>128,126</b>
<b>Net Assets</b>		<b>1,303,703</b>	<b>1,286,497</b>
<b>EQUITY</b>			
Retained Earnings	20	968,576	960,702
Revaluation Reserves	20	334,822	325,498
Council Equity Interest		1,303,398	1,286,200
Minority Equity Interest		305	297
<b>Total Equity</b>		<b>1,303,703</b>	<b>1,286,497</b>

## Tamworth Regional Council

### Statement of Changes in Equity for the financial year ended 30 June 2012

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2011</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		940,824	279,319	<b>1,220,143</b>	279	<b>1,220,422</b>
a. Correction of Prior Period Errors	20 (c)	5,873	(612)	<b>5,261</b>	-	<b>5,261</b>
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/10)		<b>946,697</b>	<b>278,707</b>	<b>1,225,404</b>	<b>279</b>	<b>1,225,683</b>
<b>c. Net Operating Result for the Year</b>		<b>14,005</b>	-	<b>14,005</b>	<b>18</b>	<b>14,023</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	46,791	<b>46,791</b>	-	<b>46,791</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		<b>-</b>	<b>46,791</b>	<b>46,791</b>	<b>-</b>	<b>46,791</b>
<b>Total Comprehensive Income</b> (c&d)		<b>14,005</b>	<b>46,791</b>	<b>60,796</b>	<b>18</b>	<b>60,814</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>960,702</b>	<b>325,498</b>	<b>1,286,200</b>	<b>297</b>	<b>1,286,497</b>



# Tamworth Regional Council

## Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
49,607	Rates & Annual Charges		49,905	46,857
31,345	User Charges & Fees		31,038	26,729
5,144	Investment & Interest Revenue Received		6,321	6,916
23,572	Grants & Contributions		34,766	29,639
3,476	Bonds, Deposits & Retention amounts received		83	-
-	Other		5,555	9,161
<b>Payments:</b>				
(38,691)	Employee Benefits & On-Costs		(37,925)	(37,424)
(31,112)	Materials & Contracts		(34,260)	(35,953)
(6,773)	Borrowing Costs		(7,557)	(4,287)
-	Bonds, Deposits & Retention amounts refunded		(188)	(34)
(9,365)	Other		(5,205)	(8,764)
<b>27,203</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>42,533</b>	<b>32,840</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
11,000	Sale of Investment Securities		986	26,020
-	Sale of Real Estate Assets		297	231
-	Sale of Infrastructure, Property, Plant & Equipment		1,054	2,060
74	Deferred Debtors Receipts		65	188
<b>Payments:</b>				
-	Purchase of Investment Securities		(9,471)	-
(35,329)	Purchase of Infrastructure, Property, Plant & Equipment		(31,967)	(52,854)
-	Purchase of Real Estate Assets		(719)	(23)
-	Deferred Debtors & Advances Made		-	(108)
<b>(24,255)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(39,755)</b>	<b>(24,486)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
1,500	Proceeds from Borrowings & Advances		1,500	-
<b>Payments:</b>				
(3,758)	Repayment of Borrowings & Advances		(3,843)	(4,193)
<b>(2,258)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(2,343)</b>	<b>(4,193)</b>
<b>690</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>435</b>	<b>4,161</b>
9,410	plus: Cash & Cash Equivalents - beginning of year	11a	9,410	5,249
<b>10,100</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>9,845</b>	<b>9,410</b>
Additional Information:				
	plus: Investments on hand - end of year	6b	98,725	90,254
<b>Total Cash, Cash Equivalents &amp; Investments</b>			<b>108,570</b>	<b>99,664</b>

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 2012

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n/a - not applicable

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### 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 (AASB's), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

Because Australian Accounting Standards (AASB's) 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 Australian Accounting Standards.

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

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

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

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

###### (v) Basis of Accounting

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

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

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

###### (vi) Changes in Accounting Policies

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### **(vii) Critical Accounting Estimates**

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

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

##### **Critical judgements in applying the entity's accounting policies**

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

##### **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured and it is probable

that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

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

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

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

A provision for the impairment on rates receivables has been established where it is felt that proceeds from the sale of the property will not extinguish monies owed as unpaid rates.

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

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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 are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. In the case of parking fees and fines revenue is recognised when payment is received (refer to Note 18)

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

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

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

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

#### Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the

payment is notified, or the payment is received, whichever first occurs.

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

#### (c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and (ii) all the related operating results (for the financial year ended the 30th June 2012).

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

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

#### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund. Council currently holds no funds in a 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 committee's can be found on Council's website at the following address:

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

<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:

<b>Total income from continuing operations</b>	\$36,683
<b>Total expenditure from continuing operations</b>	\$47,381
<b>Total net assets held (ie Equity)</b>	\$46,500

**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 those monies.

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

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

#### (iii) Joint Ventures

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

#### Jointly Controlled Entities

Tamworth Regional Council does not participate in any Joint Venture Entities.

#### (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 Central Northern Regional Libraries. Council's control of this subsidiary exceeds fifty percent.

#### (d) Leases

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

#### Operating Leases

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

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

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

#### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

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

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

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

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

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

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

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

##### **(ii) Loans and receivables**

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

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

They are included in current assets, except for those with maturities greater than 12 months after the

balance sheet date which are classified as non-current assets.

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

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

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

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

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

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

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

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

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

##### **Financial Assets – Reclassification**

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

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

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

##### (i) Initial Recognition

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

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

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

##### (ii) Subsequent Measurement

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

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**"

category are included in the income statement in the period in which they arise.

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

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

#### Impairment

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

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

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

##### (iii) Types of Investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Council's Investment Policy is reviewed annually. The policy was reviewed and amended in 2012 and approved by Council on February 28, 2012.

#### **(g) Fair value estimation**

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

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

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

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

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

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

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

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

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

#### **(h) Receivables**

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

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

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

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

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

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

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

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

#### **(i) Inventories**

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

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

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

## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

##### Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

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

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

- **Buildings – Specialised/Non Specialised**  
(External Valuation)

- **Plant and Equipment**  
(as approximated by depreciated historical cost)

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

- **Drainage Assets** (Internal Valuation)

- **Community Land** (External Valuation)

- **Land Improvements**  
(as approximated by depreciated historical cost)

- **Other Structures**  
(combination of internal valuation and 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.

#### 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 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset 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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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

\*or if works carried out are > 10% of current WDV

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### Other Equipment

- Playground equipment 5 to 20 years

##### Buildings

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

##### Stormwater Drainage

11 to 106 years

##### Transportation Assets

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

##### Water & Sewer Assets

5 to 100 years

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

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

##### Disposal and De-recognition

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the 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 has not classified any assets as Intangible.

##### (n) Crown Reserves

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

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

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

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

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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 30/06/2012.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

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

Remediation procedures generally commence soon after the time the damage, remediation process and



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as its written down replacement cost.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### **(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.

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

##### **(v) Borrowing costs**

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

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. For the reporting period Council had no qualifying assets.

##### **(w) Provisions**

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

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in

settlement is determined by considering the class of obligations as a whole.

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

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

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

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

##### **(x) Employee benefits**

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

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

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

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

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

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

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

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be settled

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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 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.

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

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.



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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 30/6/12.

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

Council does not self insure.

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

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

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

##### **Exceptions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

**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.

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

***AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)***

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard will affect in particular the 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.

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 derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

***AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)***

In August 2011, the AASB issued a suite of five new and amended standards which 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.

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

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

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

None

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

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

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

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

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

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

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

None

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

## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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##### **(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 2012

### 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 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Governance	-	19	4	-	4,751	4,674	-	(4,732)	(4,670)	4	4	-	-
A Spirit of Community	5,605	7,400	6,199	21,698	22,523	18,501	(16,093)	(15,123)	(12,302)	3,081	2,493	105,738	97,349
A Prosperous Region	3,091	3,532	3,214	6,430	7,842	6,922	(3,339)	(4,310)	(3,708)	198	8	41,045	42,630
An Accessible Region	14,546	19,266	18,395	31,671	36,691	33,139	(17,125)	(17,425)	(14,744)	4,335	4,682	715,904	670,650
A Sustainable Region	47,652	53,347	50,375	45,388	45,423	37,922	2,264	7,924	12,453	2,777	5,107	530,469	559,342
Corporate Services	406	411	756	1,156	244	273	(750)	167	483	81	138	41,689	44,652
<b>Total Functions &amp; Activities</b>	<b>71,300</b>	<b>83,975</b>	<b>78,943</b>	<b>106,343</b>	<b>117,474</b>	<b>101,431</b>	<b>(35,043)</b>	<b>(33,499)</b>	<b>(22,488)</b>	<b>10,476</b>	<b>12,432</b>	<b>1,434,845</b>	<b>1,414,623</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income <sup>1</sup>	36,972	39,376	36,511	-	13	-	36,972	39,363	36,511	13,107	10,396	-	-
<b>Operating Result from Continuing Operations</b>	<b>108,272</b>	<b>123,351</b>	<b>115,454</b>	<b>106,343</b>	<b>117,487</b>	<b>101,431</b>	<b>1,929</b>	<b>5,864</b>	<b>14,023</b>	<b>23,583</b>	<b>22,828</b>	<b>1,434,845</b>	<b>1,414,623</b>

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 2012

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

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

#### **GOVERNANCE**

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

#### **A SPIRIT OF COMMUNITY**

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

#### **A PROSPEROUS REGION**

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

#### **AN ACCESSIBLE REGION**

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

#### **A SUSTAINABLE REGION**

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

#### **CORPORATE SERVICES**

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

## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		15,471	14,869
Farmland		4,380	4,239
Mining		14	13
Business		4,136	4,072
<b>Total Ordinary Rates</b>		<b>24,001</b>	<b>23,193</b>
<b>Special Rates</b>			
Nil			
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		5,347	5,089
Stormwater Management Services		531	526
Water Supply Services		4,824	4,439
Sewerage Services		14,323	13,592
Waste Management Services (non-domestic)		742	715
<b>Total Annual Charges</b>		<b>25,767</b>	<b>24,361</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>49,768</b>	<b>47,554</b>

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 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Water Supply Services		8,800	7,490
Sewerage Services		2,053	1,542
<b>Total User Charges</b>		<b>10,853</b>	<b>9,032</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building Regulation		1,104	1,175
Private Works - Section 67		577	752
Regulatory/ Statutory Fees		249	256
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,930</b>	<b>2,183</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Aerodrome		3,019	3,142
Cemeteries		207	172
Community Centres		697	691
Country Music Festival		1,085	490
Hire Charge Council Facilities		1,720	1,703
Parking Fees		386	365
RMS (formerly RTA) Charges (State Roads not controlled by Council)		4,363	3,623
Saleyards *		10	813
Sewerage Services		710	615
Sports Dome		239	103
Sporting Facilities		138	118
Swimming Centres		294	328
Water/Recycling Depot		3,031	2,919
Venue Ticket Sales		137	266
Sporting Events		364	-
Other		1,005	772
<b>Total Fees &amp; Charges - Other</b>		<b>17,405</b>	<b>16,120</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>30,188</b>	<b>27,335</b>

\* In July 2011 Council ceased operation of the saleyards



# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		439	351
- Interest earned on Investments (interest & coupon payment income)		5,971	6,608
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>6,410</u></b>	<b><u>6,959</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		439	351
General Council Cash & Investments		2,628	2,699
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		227	197
- Section 64		696	610
Water Fund Operations		1,144	1,141
Sewerage Fund Operations		1,276	1,961
<b><u>Total Interest &amp; Investment Revenue Recognised</u></b>		<b><u>6,410</u></b>	<b><u>6,959</u></b>
<b>(d). Other Revenues</b>			
Rental Income - Investment Properties	14	65	85
Rental Income - Other Council Properties		737	757
Fines		75	24
Fines - Parking		354	464
Commissions & Agency Fees		230	129
Insurance Rebate		105	141
PNG Ministerial Services		-	30
Sales - General		266	138
Sponsorship Income		21	51
Tourism Tamworth Dissolution		270	-
Other		100	166
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>2,223</u></b>	<b><u>1,985</u></b>

# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance	12,622	9,920	-	-
Pensioners' Rates Subsidies - General Component	485	476	-	-
<b>Total General Purpose</b>	<b>13,107</b>	<b>10,396</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Water	201	197	-	-
- Sewerage	186	183	-	-
- Domestic Waste Management	182	182	-	-
- Other	220	222	-	-
Water Supplies	50	104	600	12
Barraba Pipeline Feasibility Study	-	-	2	256
Bushfire & Emergency Services	540	414	-	210
Community Care	1,288	1,262	-	233
Disaster Mitigation & Rehabilitation	3,035	2,475	-	-
Heritage & Cultural	398	296	170	-
Recreation & Culture	271	-	-	251
RLCIP	153	158	120	114
Sewerage Services	-	-	-	3,099
Street Lighting	165	161	-	-
Training	81	138	-	-
Transport (Roads to Recovery)	1,116	1,669	-	-
Transport (Other Roads & Bridges Funding)	55	231	347	(68)
Weed Action Grant	-	96	-	-
Security Equipment	115	-	650	-
Adventure Playground	-	-	118	-
Other	361	170	52	367
<b>Total Specific Purpose</b>	<b>8,417</b>	<b>7,958</b>	<b>2,059</b>	<b>4,474</b>
<b>Total Grants</b>	<b>21,524</b>	<b>18,354</b>	<b>2,059</b>	<b>4,474</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	15,416	13,193	1,369	423
- State Funding	6,087	4,958	690	4,233
- Other Funding	21	203	-	(182)
	<b>21,524</b>	<b>18,354</b>	<b>2,059</b>	<b>4,474</b>

# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 94 - Contributions towards amenities/services	-	-	979	430
S 64 - Water Supply Contributions	-	-	2,434	635
S 64 - Sewerage Service Contributions	-	-	996	436
<b>Total Developer Contributions</b>	17 -	-	<b>4,409</b>	<b>1,501</b>
<b>Other Contributions:</b>				
Chemical Collection	-	91	-	-
Dedications (other than by S94)	-	-	3,578	3,692
Donations	41	6	8	9
Equine Centre	-	-	-	200
Hazard Reduction	-	41	-	-
Other Councils - Joint Works/Services	494	453	-	-
RMS Contributions (Regional Roads, Block Grant)	2,033	2,010	-	-
Sewerage (excl. Section 64 contributions)	331	-	9	-
Tamworth Sports Dome	-	-	-	381
Tourism	-	24	-	-
Water Supplies (excl. Section 64 contributions)	-	-	-	7
Other	208	61	68	44
<b>Total Other Contributions</b>	<b>3,107</b>	<b>2,686</b>	<b>3,663</b>	<b>4,333</b>
<b>Total Contributions</b>	<b>3,107</b>	<b>2,686</b>	<b>8,072</b>	<b>5,834</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>24,631</b>	<b>21,040</b>	<b>10,131</b>	<b>10,308</b>

\$ '000	Actual 2012	Actual 2011
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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	20,838	23,488
add: Grants & contributions recognised in the current period but not yet spent:	10,309	5,578
less: Grants & contributions recognised in a previous reporting period now spent:	(6,157)	(8,228)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>4,152</b>	<b>(2,650)</b>
<b>Unexpended and held as Restricted Assets</b>	<b>24,990</b>	<b>20,838</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	6,592	5,354
- Developer Contributions	18,398	15,484
	<b>24,990</b>	<b>20,838</b>

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		29,144	27,707
Travelling		496	475
Employee Leave Entitlements (ELE)		5,501	5,265
Superannuation		3,395	3,642
Workers' Compensation Insurance		715	1,223
Fringe Benefit Tax (FBT)		130	166
Payroll Tax		226	239
Training Costs (other than Salaries & Wages)		540	482
Other		160	264
<b>Total Employee Costs</b>		<b>40,307</b>	<b>39,463</b>
less: Capitalised Costs		(2,777)	(2,487)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>37,530</b>	<b>36,976</b>
Number of "Equivalent Full Time" Employees at year end		524	517
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		6,748	7,023
<b>Total Interest Bearing Liability Costs</b>		<b>6,748</b>	<b>7,023</b>
less: Capitalised Costs		-	(2,602)
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>6,748</b>	<b>4,421</b>
<b>(ii) Other Borrowing Costs</b>			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	562	550
<b>Total Other Borrowing Costs</b>		<b>562</b>	<b>550</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>7,310</b>	<b>4,971</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		23,065	20,193
Contractor & Consultancy Costs		6,303	5,199
Auditors Remuneration <sup>(1)</sup>		83	64
Legal Expenses:			
- Legal Expenses: Planning & Development		37	85
- Legal Expenses: Other		71	41
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>		1,130	960
Other		-	-
<b>Total Materials &amp; Contracts</b>		<b>30,689</b>	<b>26,542</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>30,689</b>	<b>26,542</b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		63	64
- Internal Auditors		20	-
<b>Total Auditor Remuneration</b>		<b>83</b>	<b>64</b>
<b>2. Operating Lease Payments are attributable to:</b>			
Buildings		467	420
Computers and photocopies		663	540
		<b>1,130</b>	<b>960</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		18	-	3,540	3,504
Office Equipment		-	-	68	40
Furniture & Fittings		-	-	399	392
Land Improvements (depreciable)		-	-	378	12
Buildings - Non Specialised		-	-	1,451	1,157
Buildings - Specialised		-	-	233	226
Other Structures		-	-	1,402	1,377
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	10,054	9,957
- Stormwater Drainage		-	-	1,188	1,173
- Water Supply Network		-	-	3,861	3,860
- Sewerage Network		-	-	6,538	2,866
Other Assets					
- Heritage Collections		-	-	1	1
- Library Books		-	-	256	265
- Other		-	-	104	89
Asset Reinstatement Costs	9 & 26	-	-	342	400
<b>Total Depreciation &amp; Impairment Costs</b>		<b>18</b>	<b>-</b>	<b>29,815</b>	<b>25,319</b>
less: Capitalised Costs		-	-	(361)	(254)
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>18</b>	<b>-</b>	<b>29,454</b>	<b>25,065</b>

\$ '000	Notes	Actual 2012	Actual 2011
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#### (e) Other Expenses

Other Expenses for the year include the following:

Advertising		432	189
Bad & Doubtful Debts		273	334
Contributions/Levies to Other Levels of Government		1,440	1,474
Councillor Expenses - Mayoral Fee		36	35
Councillor Expenses - Councillors' Fees		150	144
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		134	117
Donations, Contributions & Assistance to other organisations (Section 356)		310	354
Electricity & Heating		2,799	2,383
Insurance		1,526	1,440
Revaluation Decrements (Fair Valuation of Investment Properties)	14	25	50
Street Lighting		689	678
Sustainability Rebates		90	118
Telephone & Communications		556	542
Other		19	19
<b>Total Other Expenses</b>		<b>8,479</b>	<b>7,877</b>
<b>TOTAL OTHER EXPENSES</b>		<b>8,479</b>	<b>7,877</b>

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal - Property		33	11
less: Carrying Amount of Property Assets Sold / Written Off		-	(28)
<b>Net Gain/(Loss) on Disposal</b>		<b>33</b>	<b>(17)</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment *		1,021	2,049
less: Carrying Amount of P&E Assets Sold / Written Off		(2,747)	(1,928)
<b>Net Gain/(Loss) on Disposal</b>		<b>(1,726)</b>	<b>121</b>
<i>Includes transfer of Manellae Lodge assets to Health for nil proceeds</i>			
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(2,377)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>(2,377)</b>	<b>-</b>
<b>Real Estate Assets Held For Sale</b>			
Proceeds from Disposal - Real Estate Assets		297	231
less: Carrying Amount of Real Estate Assets Sold / Written Off		(220)	(62)
<b>Net Gain/(Loss) on Disposal</b>		<b>77</b>	<b>169</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		986	-
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(1,000)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>(14)</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(4,007)</b>	<b>273</b>
<b>* Financial Assets disposals / redemptions include:</b>			
- Net Gain/(Loss) from Financial Instruments designated "Held to Maturity"		(14)	-
<b>Net Gain/(Loss) on Disposal of Financial Instruments</b>		<b>(14)</b>	<b>-</b>

## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		9,845	-	9,410	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>9,845</b>	<b>-</b>	<b>9,410</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>					
- Long Term Deposits		94,700	-	85,200	-
- Bank Bills		4,025	-	-	4,054
- Equity Linked Notes		-	-	-	1,000
<b>Total Investment Securities</b>		<b>98,725</b>	<b>-</b>	<b>85,200</b>	<b>5,054</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>108,570</b>	<b>-</b>	<b>94,610</b>	<b>5,054</b>

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

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

#### **Cash & Cash Equivalents**

a. "At Fair Value through the Profit & Loss"		<b>9,845</b>	<b>-</b>	<b>9,410</b>	<b>-</b>
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#### **Investments**

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	-	-	-	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
a. "Held to Maturity"	6(b-ii)	98,725	-	85,200	5,054
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
<b>Investments</b>		<b>98,725</b>	<b>-</b>	<b>85,200</b>	<b>5,054</b>



# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 6b. Investments (continued)

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	-	-	1,000	-
Transfers from/(to) "Held to Maturity"	-	-	(1,000)	-
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	85,200	5,054	111,200	4,074
Amortisation of Premiums & Discounts	29	(29)	-	(20)
Additions	9,471	-	-	-
Disposals (sales & redemptions)	-	(1,000)	(26,000)	-
Transfers between Current/Non Current	4,025	(4,025)	-	-
Transfers from/(to) "At Fair Value"	-	-	-	1,000
<b>Balance at End of Year</b>	<b>98,725</b>	<b>-</b>	<b>85,200</b>	<b>5,054</b>
<b>Comprising:</b>				
- Long Term Deposits	94,700	-	85,200	-
- Bank Bills	4,025	-	-	4,054
- Equity Linked Notes	-	-	-	1,000
<b>Total</b>	<b>98,725</b>	<b>-</b>	<b>85,200</b>	<b>5,054</b>

## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investment Securities</b>	<b>108,570</b>	<b>-</b>	<b>94,610</b>	<b>5,054</b>
<b>attributable to:</b>				
External Restrictions (refer below)	83,085	-	67,094	5,054
Internal Restrictions (refer below)	22,179	-	25,836	-
Unrestricted	3,306	-	1,680	-
	<b>108,570</b>	<b>-</b>	<b>94,610</b>	<b>5,054</b>

2012 \$ '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)	894	1,500	(2,327)	67
Specific Purpose Unexpended Loans-Water (A)	2,976	-	(1,504)	1,472
Specific Purpose Unexpended Loans-Sewer (A)	2,465	-	-	2,465
<b>External Restrictions - Included in Liabilities</b>	<b>6,335</b>	<b>1,500</b>	<b>(3,831)</b>	<b>4,004</b>

##### External Restrictions - Other

Developer Contributions - General (D)	3,802	1,206	(779)	4,229
Developer Contributions - Water Fund (D)	7,238	2,866	(1,624)	8,480
Developer Contributions - Sewer Fund (D)	4,444	1,260	(15)	5,689
Specific Purpose Unexpended Grants (F)	4,616	4,223	(3,435)	5,387
Specific Purpose Unexpended Grants (F) - Water Fund	53	423	(50)	426
Specific Purpose Unexpended Grants (F) - Sewer Fund	685	331	(237)	779
Water Supplies (G)	16,130	4,555	-	20,685
Sewerage Services (G)	18,184	2,270	-	20,454
Domestic Waste Management (G)	8,954	11,166	(9,066)	11,054
Deposits, Retentions & Bonds	1,707	191	-	1,898
<b>External Restrictions - Other</b>	<b>65,813</b>	<b>28,491</b>	<b>(15,206)</b>	<b>79,081</b>
<b>Total External Restrictions</b>	<b>72,148</b>	<b>29,991</b>	<b>(19,037)</b>	<b>83,085</b>

**A** Loan moneys which must be applied for the purposes for which the loans were raised.

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

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

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

## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Acquatic Centre	214	-	(20)	194
After School Care	73	434	(473)	34
Airport	2,693	3,432	(4,130)	1,995
Art Gallery Acquisition	1	-	-	1
Australia Day	4	-	-	4
Barraba Land & Dwelling Improvements	6	-	(6)	-
Barraba Playground Equipment	10	-	-	10
Bushfire Emergency	10	-	-	10
Caravan Park	213	165	(131)	247
Central Business District	251	-	(1)	250
CMF Showcase Funding	1	-	(1)	-
Country Music Festival	114	-	(114)	-
Central Northern Regional Libraries	281	1,385	(1,395)	271
CNCC Distribution	4	-	(3)	1
Councillor Professional Development	41	-	(2)	39
Council Buildings	1,261	-	(481)	780
Cultural Development Officer Grant	115	-	(7)	108
Domestic Violence Funding	2	-	-	2
Drainage Levy	1,235	561	(4)	1,792
Employees Leave Entitlement	1,767	64	(119)	1,712
Equine Centre	337	-	(208)	129
FAGS General Purpose Component	1,612	1,658	-	3,270
Flood Mitigation	481	78	-	559
Incomplete Works	425	20	(239)	206
International Women's Day	1	-	-	1
Integrated Planning and Reporting	103	100	(172)	31
Information Technology Department	1,034	-	(160)	874
Laboratory Equipment	52	57	(58)	51
Livestock Marketing Centre	296	38	(240)	94
Local Works Reserve	2,972	140	(2,062)	1,050
Manilla - Flat Repairs	3	-	-	3
Norsure Insurance	244	-	-	244
Nundle Retirement Village	289	27	(43)	273
Nundle Commons	29	6	(32)	3
Organisational Development Projects	40	20	(40)	20
Parking Meters/Car Park	1,287	830	(1,255)	862
Plant & Vehicle Replacement	4,897	10,193	(8,660)	6,430
Property Acquisition and Development	947	318	(5,386)	(4,121)
Revotes - General Fund	352	35	-	387
Risk and Safety	26	-	(8)	18
Roadworks (FAG Roads Component)	1,474	4,682	(3,604)	2,552
RTA User Charges	434	4,363	(3,913)	884

continued on the next page...

# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions (continued)</b>				
RFS Equipment Donations	1	1	-	2
SIC Warranty	100	-	-	100
Sister City	4	-	-	4
Tamworth Sports Dome	7	12	(10)	9
Village Improvement Fund	74	37	(45)	66
Woolomin Flood Donations	19	-	-	19
Budget General 2012/2013	-	550	-	550
Events Development	-	471	(441)	30
Quarry Remediation	-	25	-	25
Tourism	-	269	(165)	104
<b>Total Internal Restrictions</b>	<b>25,836</b>	<b>29,971</b>	<b>(33,628)</b>	<b>22,179</b>
<b>TOTAL RESTRICTIONS</b>	<b>97,984</b>	<b>59,962</b>	<b>(52,665)</b>	<b>105,264</b>

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		3,352	356	3,381	340
Interest & Extra Charges		671	60	487	56
User Charges & Fees		9,234	-	8,945	-
Accrued Revenues					
- Interest on Investments		1,568	-	1,627	-
- Other Income Accruals		455	-	653	-
Contributions		42	-	37	-
Deferred Debtors		96	49	140	70
Government Grants & Subsidies		2,184	-	3,794	-
Net GST Receivable		685	-	414	-
Other Debtors		27	-	-	-
<b>Total</b>		<b>18,314</b>	<b>465</b>	<b>19,478</b>	<b>466</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(518)	-	(394)	-
Interest & Extra Charges		(126)	-	(86)	-
User Charges & Fees		(1,067)	-	(991)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(1,711)</b>	<b>-</b>	<b>(1,471)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>16,603</u></b>	<b><u>465</u></b>	<b><u>18,007</u></b>	<b><u>466</u></b>
<b>Externally Restricted Receivables</b>					
<b>Water Supply</b>					
- Specific Purpose Grants		70	-	262	-
- Rates & Availability Charges		2,269	-	3,279	-
- Other		13	-	14	-
<b>Sewerage Services</b>					
- Specific Purpose Grants		1,253	-	2,582	-
- Rates & Availability Charges		1,616	-	1,102	-
- Other		25	-	741	-
<b>Domestic Waste Management</b>		<b>908</b>	<b>-</b>	<b>777</b>	<b>-</b>
<b>Total External Restrictions</b>		<b>6,154</b>	<b>-</b>	<b>8,757</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>10,449</b>	<b>465</b>	<b>9,250</b>	<b>466</b>
<b>TOTAL NET RECEIVABLES</b>		<b>16,603</b>	<b>465</b>	<b>18,007</b>	<b>466</b>

#### Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).  
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 2012

### Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Real Estate for resale (refer below)		1,490	-	991	-
Stores & Materials		1,217	-	989	-
<b>Total Inventories</b>		<b>2,707</b>	<b>-</b>	<b>1,980</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		57	-	119	-
<b>Total Other Assets</b>		<b>57</b>	<b>-</b>	<b>119</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>2,764</b>	<b>-</b>	<b>2,099</b>	<b>-</b>

#### Externally Restricted Assets

There are no restrictions applicable to the above assets.

#### (i) Other Disclosures

##### (a) Details for Real Estate Development

Industrial/Commercial		1,490	-	991	-
<b>Total Real Estate for Resale</b>		<b>1,490</b>	<b>-</b>	<b>991</b>	<b>-</b>

(Valued at the lower of cost and net realisable value)

##### Represented by:

Acquisition Costs		707	-	698	-
Development Costs		783	-	293	-
<b>Total Costs</b>		<b>1,490</b>	<b>-</b>	<b>991</b>	<b>-</b>
less: Provision for Under Recovery		-	-	-	-
<b>Total Real Estate for Resale</b>		<b>1,490</b>	<b>-</b>	<b>991</b>	<b>-</b>

##### Movements:

Real Estate assets at beginning of the year		991	-	1,030	-
- Purchases and other costs		719	-	23	-
- WDV of Sales (exp)	5	(220)	-	(62)	-
<b>Total Real Estate for Resale</b>		<b>1,490</b>	<b>-</b>	<b>991</b>	<b>-</b>

Tamworth Regional Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period						as at 30/6/2012				
	At		Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At		Accumulated		Carrying Value
	Cost	Fair Value	Dep'n	Impairment								Cost	Fair Value	Dep'n	Impairment	
Capital Work in Progress	24,919	-	-	-	24,919	9,714	-	-	-	(13,397)	-	21,236	-	-	-	21,236
Plant & Equipment	-	37,004	16,354	-	20,650	3,945	(896)	(3,540)	(18)	495	-	-	39,596	18,960	-	20,636
Office Equipment	-	3,298	3,091	-	207	-	-	(68)	-	-	-	-	3,298	3,159	-	139
Furniture & Fittings	-	5,338	1,371	-	3,967	-	(28)	(399)	-	-	-	-	5,235	1,695	-	3,540
<b>Land:</b>																
- Operational Land	-	62,286	-	-	62,286	1,924	-	-	-	(82)	-	-	64,128	-	-	64,128
- Community Land	-	15,356	-	-	15,356	-	-	-	-	-	-	-	15,356	-	-	15,356
- Land under Roads (post 30/6/08)	-	61	-	-	61	120	-	-	-	17	-	-	198	-	-	198
Land Improvements - depreciable	-	1,291	379	-	912	467	-	(378)	-	10,215	-	-	16,780	5,564	-	11,216
Buildings - Non Specialised	-	97,192	34,069	-	63,123	684	(1,823)	(1,451)	-	960	-	-	96,442	34,949	-	61,493
Buildings - Specialised	-	19,527	619	-	18,908	-	-	(233)	-	-	-	-	19,527	852	-	18,675
Other Structures	-	84,073	28,032	-	56,041	1,053	-	(1,402)	-	(7,772)	-	-	65,271	17,351	-	47,920
<b>Infrastructure:</b>																
- Roads, Bridges, Footpaths	-	819,280	228,608	-	590,672	8,075	(1,985)	(10,054)	-	92	-	-	824,141	237,341	-	586,800
- Stormwater Drainage	-	103,430	41,601	-	61,829	2,343	-	(1,188)	-	-	-	-	105,774	42,790	-	62,984
- Water Supply Network	-	306,047	137,809	-	168,238	1,366	-	(3,861)	-	142	4,206	-	315,206	145,115	-	170,091
- Sewerage Network	-	296,124	101,867	-	194,257	3,765	(392)	(6,538)	-	10,711	4,847	-	315,944	109,294	-	206,650
<b>Other Assets:</b>																
- Heritage Collections	-	31	10	-	21	-	-	(1)	-	-	-	-	31	11	-	20
- Library Books	-	2,066	1,566	-	500	276	-	(256)	-	-	-	-	2,342	1,822	-	520
- Art Collection	-	1,781	-	-	1,781	31	-	-	-	-	-	-	1,812	-	-	1,812
- Other	-	5,183	455	-	4,728	-	-	(104)	-	10	-	-	5,198	564	-	4,634
<b>Reinstatement, Rehabilitation &amp; Restoration Assets (refer Note 26)</b>																
- Tip Asset	-	9,583	5,723	-	3,860	-	-	(332)	-	2,810	-	-	12,393	6,055	-	6,338
- Quarry Asset	-	182	86	-	96	-	-	(10)	-	21	-	-	203	96	-	107
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>24,919</b>	<b>1,869,133</b>	<b>601,640</b>	<b>-</b>	<b>1,292,412</b>	<b>33,763</b>	<b>(5,124)</b>	<b>(29,815)</b>	<b>(18)</b>	<b>4,222</b>	<b>9,053</b>	<b>21,236</b>	<b>1,908,875</b>	<b>625,618</b>	<b>-</b>	<b>1,304,493</b>

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$5,011) and New Assets (\$11,222).  
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).



## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Water Supply</b>								
WIP	12,420	-	-	<b>12,420</b>	8,367	-	-	<b>8,367</b>
Plant & Equipment	-	202	163	<b>39</b>	-	202	155	<b>47</b>
Office Equipment	-	42	32	<b>10</b>	-	43	31	<b>12</b>
Land								
- Operational Land	-	1,737	-	<b>1,737</b>	-	1,737	-	<b>1,737</b>
Buildings	-	211	-	<b>211</b>	-	-	-	<b>-</b>
Other Assets	-	627	13	<b>614</b>	-	627	13	<b>614</b>
Other Structures	-	553	276	<b>277</b>	-	499	256	<b>243</b>
Infrastructure	-	315,206	145,115	<b>170,091</b>	-	306,047	137,809	<b>168,238</b>
<b>Total Water Supply</b>	<b>12,420</b>	<b>318,578</b>	<b>145,599</b>	<b>185,399</b>	<b>8,367</b>	<b>309,155</b>	<b>138,264</b>	<b>179,258</b>
<b>Sewerage Services</b>								
WIP	700	-	-	<b>700</b>	11,239	-	-	<b>11,239</b>
Plant & Equipment	-	118	118	<b>-</b>	-	-	-	<b>-</b>
Office Equipment	-	33	25	<b>8</b>	-	33	24	<b>9</b>
Land								
- Operational Land	-	9,419	-	<b>9,419</b>	-	9,419	-	<b>9,419</b>
Buildings	-	1,120	67	<b>1,053</b>	-	1,120	50	<b>1,070</b>
Other Assets	-	232	-	<b>232</b>	-	232	-	<b>232</b>
Other Structures	-	313	268	<b>45</b>	-	313	239	<b>74</b>
Infrastructure	-	315,943	109,294	<b>206,649</b>	-	296,124	101,867	<b>194,257</b>
<b>Total Sewerage Services</b>	<b>700</b>	<b>327,178</b>	<b>109,772</b>	<b>218,106</b>	<b>11,239</b>	<b>307,241</b>	<b>102,180</b>	<b>216,300</b>
<b>Domestic Waste Management</b>								
WIP	1,260	-	-	<b>1,260</b>	930	-	-	<b>930</b>
Plant & Equipment	-	288	49	<b>239</b>	-	97	11	<b>86</b>
Land								
- Operational Land'	-	783	-	<b>783</b>	-	783	-	<b>783</b>
- Improvements - depreciable	-	3,497	741	<b>2,756</b>	-	783	151	<b>632</b>
Buildings	-	640	99	<b>541</b>	-	559	91	<b>468</b>
Other Structures	-	2,048	396	<b>1,652</b>	-	5,006	892	<b>4,114</b>
Roads, Bridges, Footpaths	-	267	85	<b>182</b>	-	267	85	<b>182</b>
Tip Remediation	-	9,583	6,055	<b>3,528</b>	-	9,583	5,723	<b>3,860</b>
Other Assets	-	394	90	<b>304</b>	-	378	72	<b>306</b>
<b>Total DWM</b>	<b>1,260</b>	<b>17,500</b>	<b>7,515</b>	<b>11,245</b>	<b>930</b>	<b>17,456</b>	<b>7,025</b>	<b>11,361</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>14,380</b>	<b>663,256</b>	<b>262,886</b>	<b>414,750</b>	<b>20,536</b>	<b>633,852</b>	<b>247,469</b>	<b>406,919</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
Impairment Losses recognised in the Income Statement include:			
Damage to Council excavator		(18)	-
<b>Total Impairment Losses</b>		<b>(18)</b>	<b>-</b>
<b>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</b>	4(d)	<b>(18)</b>	<b>-</b>

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

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		7,432	-	4,700	-
Payments Received In Advance		1,129	-	1,012	-
Accrued Expenses:					
- Borrowings		1,273	-	2,082	-
- Salaries & Wages		981	-	1,014	-
- Other Expenditure Accruals		222	-	111	-
Retirement Home Contributions *		600	-	36	832
Security Bonds, Deposits & Retentions		734	-	839	-
Ticket Monies Held		467	-	-	-
Other		786	-	703	-
<b>Total Payables</b>		<b>13,624</b>	<b>-</b>	<b>10,497</b>	<b>832</b>
* All Manellae contributions to be repaid July 2012					
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		3,782	87,043	3,804	89,364
<b>Total Borrowings</b>		<b>3,782</b>	<b>87,043</b>	<b>3,804</b>	<b>89,364</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		3,742	-	3,763	-
Long Service Leave		6,905	374	6,890	660
Sub Total - Aggregate Employee Benefits		10,647	374	10,653	660
Asset Remediation/Restoration (Future Works) <sup>26</sup>		-	15,672	-	12,316
<b>Total Provisions</b>		<b>10,647</b>	<b>16,046</b>	<b>10,653</b>	<b>12,976</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>28,053</b>	<b>103,089</b>	<b>24,954</b>	<b>103,172</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

(i) Liabilities relating to Restricted Assets	2012		2011	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Water	1,030	9,067	786	9,607
Sewer	3,484	48,918	4,577	50,549
Domestic Waste Management	26	12,420	39	12,062
<b>Liabilities relating to externally restricted assets</b>	<b>4,540</b>	<b>70,405</b>	<b>5,402</b>	<b>72,218</b>
<b>Internally Restricted Assets</b>				
Nil				
<b>Total Liabilities relating to restricted assets</b>	<b>4,540</b>	<b>70,405</b>	<b>5,402</b>	<b>72,218</b>

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

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

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

	2012	2011
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	9,396	10,224
Payables - Security Bonds, Deposits & Retentions	514	795
	<b>9,910</b>	<b>11,019</b>

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

Class of Provision	2011	2012				Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,763	2,271	(2,292)	-	-	3,742
Long Service Leave	7,550	1,009	(1,280)	-	-	7,279
Asset Remediation	12,316	3,394	(38)	-	-	15,672
<b>TOTAL</b>	<b>23,629</b>	<b>6,674</b>	<b>(3,610)</b>	<b>-</b>	<b>-</b>	<b>26,693</b>

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 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	9,845	9,410
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>9,845</b>	<b>9,410</b>
 <b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>5,864</b>	<b>14,023</b>
<i>Adjust for non cash items:</i>			
Depreciation & Amortisation		29,454	25,065
Net Losses/(Gains) on Disposal of Assets		4,007	(273)
Non Cash Capital Grants and Contributions		(3,368)	(3,692)
Impairment Losses Recognition - I,PP&E		18	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		25	50
Unwinding of Discount Rates on Reinstatement Provisions		562	-
 <i>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</i>			
Decrease/(Increase) in Receivables		1,100	(1,805)
Increase/(Decrease) in Provision for Doubtful Debts		240	255
Decrease/(Increase) in Inventories		(228)	83
Decrease/(Increase) in Other Assets		62	(84)
Increase/(Decrease) in Payables		2,732	(1,494)
Increase/(Decrease) in accrued Interest Payable		(809)	684
Increase/(Decrease) in other accrued Expenses Payable		78	(1,042)
Increase/(Decrease) in Other Liabilities		294	1,059
Increase/(Decrease) in Employee Leave Entitlements		(292)	(247)
Increase/(Decrease) in Other Provisions		2,794	258
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>42,533</b>	<b>32,840</b>

# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Other Dedications		3,368	3,692
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>3,368</b>	<b>3,692</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		1,000	1,000
Credit Cards / Purchase Cards		120	120
<b>Total Financing Arrangements</b>		<b>1,120</b>	<b>1,120</b>
<b>Amounts utilised as at Balance Date:</b>			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
<b>Total Financing Arrangements Utilised</b>		<b>-</b>	<b>-</b>

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

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

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

# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Plant & Equipment		915	1,646
Water & Sewer Infrastructure		723	2,622
Bridge Construction		-	589
Land Acquisition		-	782
Waste Management		108	49
Other		240	-
<b>Total Commitments</b>		<b>1,986</b>	<b>5,688</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		1,986	5,688
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
<b>Total Payable</b>		<b>1,986</b>	<b>5,688</b>

#### (b) Finance Lease Commitments

Nil

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

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

Within the next year	510	376
Later than one year and not later than 5 years	600	421
Later than 5 years	8	-
<b>Total Non Cancellable Operating Lease Commitments</b>	<b>1,118</b>	<b>797</b>

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

Office Equipment

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

##### Conditions relating to Operating Leases:

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

#### (d) Investment Property Commitments

Nil

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011      2010	
<b>Local Government Industry Indicators</b>				
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<u>38,698</u>	<b>2.84 : 1</b>	4.55	4.17
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<u>13,603</u>			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<u>10,591</u>	<b>10.41%</b>	11.87%	9.30%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>101,696</u>			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<u>49,768</u>	<b>40.35%</b>	41.19%	37.77%
Income from Continuing Operations	<u>123,351</u>			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<u>3,795</u>	<b>7.03%</b>	7.43%	6.29%
Rates, Annual & Extra Charges Collectible	<u>53,991</u>			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup>	<u>5,011</u>	<b>21.48%</b>	60.52%	212.80%
Depreciation, Amortisation & Impairment	<u>23,325</u>			

#### Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

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

Asset Renewals include building and infrastructure assets only.



# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 13a(ii). Statement of Performance Measurement - Graphs (Consolidated)

<p><b>1. Unrestricted Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>3.3</td> </tr> <tr> <td>2010</td> <td>4.17</td> </tr> <tr> <td>2011</td> <td>4.55</td> </tr> <tr> <td>2012</td> <td>2.84</td> </tr> </tbody> </table>	Year	Ratio : 1	2009	3.3	2010	4.17	2011	4.55	2012	2.84	<p><b>Purpose of Unrestricted Current Ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 2.84 : 1</b></p> <p>Comparative information on NSW Council's states that "a ratio of 2.1 or better is generally viewed by the industry as good". The reduction of the ratio reflects the use of internal reserves (net \$3.6M) during the year and an increase in the allowance for current leave liability of (\$1.6M)</p>
Year	Ratio : 1											
2009	3.3											
2010	4.17											
2011	4.55											
2012	2.84											
<p><b>2. Debt Service Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>6.66%</td> </tr> <tr> <td>2010</td> <td>9.30%</td> </tr> <tr> <td>2011</td> <td>11.87%</td> </tr> <tr> <td>2012</td> <td>10.41%</td> </tr> </tbody> </table>	Year	Ratio %	2009	6.66%	2010	9.30%	2011	11.87%	2012	10.41%	<p><b>Purpose of Debt Service Ratio</b></p> <p>To assess the impact of loan principal &amp; interest repayments on the discretionary revenue of council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 10.41%</b></p> <p>The accepted benchmark for this ration (NSW Division for Local Government) is &lt;10% satisfactory and 10% to 20% fair. The ratio has reduced due to a number of General Fund loans expiring. Given the high level of loans in the Sewer Fund this is a reasonable consolidated result.</p>
Year	Ratio %											
2009	6.66%											
2010	9.30%											
2011	11.87%											
2012	10.41%											
<p><b>3. Rates &amp; Annual Charges Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>35.56%</td> </tr> <tr> <td>2010</td> <td>37.77%</td> </tr> <tr> <td>2011</td> <td>41.19%</td> </tr> <tr> <td>2012</td> <td>40.35%</td> </tr> </tbody> </table>	Year	Ratio %	2009	35.56%	2010	37.77%	2011	41.19%	2012	40.35%	<p><b>Purpose of Rates &amp; Annual Charges Coverage Ratio</b></p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 40.35%</b></p> <p>In NSW for 2009/2010 rates and annual charges on average made up 47% of revenue from continuing operations. The stability of this ratio shows that Tamworth Regional Council continues to have a lower reliance on rates and annual charges revenue than the NSW average.</p>
Year	Ratio %											
2009	35.56%											
2010	37.77%											
2011	41.19%											
2012	40.35%											
<p><b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>6.89%</td> </tr> <tr> <td>2010</td> <td>6.29%</td> </tr> <tr> <td>2011</td> <td>7.43%</td> </tr> <tr> <td>2012</td> <td>7.03%</td> </tr> </tbody> </table>	Year	Ratio %	2009	6.89%	2010	6.29%	2011	7.43%	2012	7.03%	<p><b>Purpose of Rates &amp; Annual Charges Outstanding Ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 7.03%</b></p> <p>An external debt recovery agency has been engaged since January 2012 which has helped to reduce the ratio from last year. It is expected that this will be further reduced with ongoing recovery action and arrangements, as well as an anticipated sale for unpaid rates.</p>
Year	Ratio %											
2009	6.89%											
2010	6.29%											
2011	7.43%											
2012	7.03%											
<p><b>5. Building &amp; Infrastructure Renewals Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>112.34%</td> </tr> <tr> <td>2010</td> <td>212.80%</td> </tr> <tr> <td>2011</td> <td>60.52%</td> </tr> <tr> <td>2012</td> <td>21.48%</td> </tr> </tbody> </table>	Year	Ratio %	2009	112.34%	2010	212.80%	2011	60.52%	2012	21.48%	<p><b>Purpose of Asset Renewals Ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on Result</b></p> <p><b>2011/12 Ratio 21.48%</b></p> <p>While this ratio should average close to 100% over time, the level of renewal works, especially major works, will vary from year to year. This goal is also only achievable if the Fund is recording an operating surplus before income for new capital works.</p>
Year	Ratio %											
2009	112.34%											
2010	212.80%											
2011	60.52%											
2012	21.48%											

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Water 2012	Sewer 2012	General <sup>1</sup> 2012
<b>Local Government Industry Indicators</b>			
<b>1. Unrestricted Current Ratio</b>			
<u>Current Assets less all External Restrictions<sup>(1)</sup></u>	<b>22.37 : 1</b>	<b>6.70 : 1</b>	<b>2.84 : 1</b>
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>			
prior period:	25.04:1	4.94:1	4.55:1
<b>2. Debt Service Ratio</b>			
<u>Debt Service Cost</u>	<b>7.12%</b>	<b>29.10%</b>	<b>5.87%</b>
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:	8.35%	16.69%	11.30%
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>			
<u>Rates &amp; Annual Charges</u>	<b>24.93%</b>	<b>70.85%</b>	<b>36.70%</b>
Income from Continuing Operations			
prior period:	28,01%	60.44%	38.36%
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
<u>Rates, Annual &amp; Extra Charges Outstanding</u>	<b>8.86%</b>	<b>9.17%</b>	<b>5.69%</b>
Rates, Annual & Extra Charges Collectible			
prior period:	9.29%	6.41%	7.61%
<b>5. Building &amp; Infrastructure Renewals Ratio</b>			
<u>Asset Renewals (Building &amp; Infrastructure assets)</u>	<b>11.53%</b>	<b>34.64%</b>	<b>17.80%</b>
Depreciation, Amortisation & Impairment			
prior period:	24.20%	201.85%	39.36%

#### Notes

<sup>(1)</sup> 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 2012

#### Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Investment Properties at Fair value</b>			
<b>Investment Properties on Hand</b>		<u>1,950</u>	<u>1,975</u>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		1,975	2,025
- Net Gain/(Loss) from Fair Value Adjustments		<u>(25)</u>	<u>(50)</u>
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<u><b>1,950</b></u>	<u><b>1,975</b></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 2012 revaluations were based on Independent Assessments made by:  
Sharrock Enterprises Pty Ltd registered valuers New South Wales and Queensland.

#### (c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

#### (d) Leasing Arrangements

Details of leased Investment Properties are as follows;

Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:

Within 1 year	65	61
Later than 1 year but less than 5 years	98	183
Later than 5 years	-	-
<b>Total Minimum Lease Payments Receivable</b>	<u><b>163</b></u>	<u><b>244</b></u>

#### (e) Investment Property Income & Expenditure - summary

##### Rental Income from Investment Properties:

- Minimum Lease Payments	65	85
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##### Direct Operating Expenses on Investment Properties:

- that generated rental income	<u>(20)</u>	<u>(37)</u>
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<b>Net Revenue Contribution from Investment Properties</b>	<u><b>45</b></u>	<u><b>48</b></u>
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plus:

<b>Fair Value Movement for year</b>	<u>(25)</u>	<u>(50)</u>
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<b>Total Income attributable to Investment Properties</b>	<u><b>20</b></u>	<u><b>(2)</b></u>
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## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

### 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	
	2012	2011	2012	2011
<b>Financial Assets</b>				
Cash and Cash Equivalents	9,845	9,410	9,378	9,410
Investments				
- "Held to Maturity"	98,725	90,254	98,725	90,254
Receivables	17,068	18,473	17,068	18,103
<b>Total Financial Assets</b>	<b>125,638</b>	<b>118,137</b>	<b>125,171</b>	<b>117,767</b>
<b>Financial Liabilities</b>				
Payables	12,495	10,317	12,028	10,317
Loans / Advances	90,825	93,168	90,825	93,168
<b>Total Financial Liabilities</b>	<b>103,320</b>	<b>103,485</b>	<b>102,853</b>	<b>103,485</b>

Fair Value is determined as follows:

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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

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

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

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

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

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2012</b>				
Possible impact of a 1% movement in Interest Rates	290	290	1,860	1,860
<b>2011</b>				
Possible impact of a 1% movement in Interest Rates	973	973	(1,460)	(1,460)

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

##### (b) Receivables

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

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

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

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

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

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

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

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

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

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	1,877	13,842	2,233	13,163
Overdue	1,831	1,229	1,488	3,060
	<b>3,708</b>	<b>15,071</b>	<b>3,721</b>	<b>16,223</b>

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

	2012	2011
Balance at the beginning of the year	1,471	1,216
+ new provisions recognised during the year	285	270
- amounts already provided for & written off this year	(32)	(15)
- amounts provided for but recovered during the year	(13)	-
<b>Balance at the end of the year</b>	<b>1,711</b>	<b>1,471</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### 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 Liquidity Table below:

\$ '000	Subject to no maturity		payable in:					Total Cash Outflows	Actual Carrying Values
			≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs		
<b>2012</b>									
Trade/Other Payables	734	11,294	-	-	-	-	-	12,028	<b>12,495</b>
Loans & Advances	-	160	126	219	385	604	89,331	90,825	<b>90,825</b>
<b>Total Financial Liabilities</b>	<b>734</b>	<b>11,454</b>	<b>126</b>	<b>219</b>	<b>385</b>	<b>604</b>	<b>89,331</b>	102,853	103,320
<b>2011</b>									
Trade/Other Payables	1,707	8,610	-	-	-	-	-	10,317	<b>10,317</b>
Loans & Advances	-	296	311	183	284	666	91,428	93,168	<b>93,168</b>
<b>Total Financial Liabilities</b>	<b>1,707</b>	<b>8,906</b>	<b>311</b>	<b>183</b>	<b>284</b>	<b>666</b>	<b>91,428</b>	103,485	103,485

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:

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	12,495	0.0%	10,317	0.0%
Loans & Advances - Fixed Interest Rate	64,494	7.4%	65,111	7.5%
Loans & Advances - Variable Interest Rate	26,331	7.0%	28,057	7.1%
	<u>103,320</u>		<u>103,485</u>	



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 14 June 2011.

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	2012 Budget	2012 Actual	2012 ----- Variance* -----		
<b>REVENUES</b>					
Rates & Annual Charges	49,607	49,768	161	0%	<b>F</b>
User Charges & Fees	28,592	30,188	1,596	6%	<b>F</b>
Interest & Investment Revenue	5,144	6,410	1,266	25%	<b>F</b>
The favourable 25% increase in investment revenue was due to better than anticipated interest rates on term deposits combined with improved cash flows.					
Other Revenues	1,902	2,223	321	17%	<b>F</b>
The favourable increase is primarily due to revenues from the newly opened Indoor Sports Centre (\$200k F) and tourism operations previously run by a separate organisation (\$370k F). This was offset by reductions in revenue from building rents (\$80k U) and sponsorships (\$165k U).					
Operating Grants & Contributions	16,988	24,631	7,643	45%	<b>F</b>
The favourable increase was partly due to some grants treated as Capital in the budget being reclassified to Operating (\$2.1M F). Other increases include an advance payment of the 2012-13 Financial Assistance Grant (\$2.8M F) and revotes from 2010-11 for Flood Damage (\$2.7M F)					
Capital Grants & Contributions	6,039	10,131	4,092	68%	<b>F</b>
The favourable increase was primarily due to the value of assets transferred from private subdivisions for which there is no budget (\$4.0M F) and increases in Developer Contributions (\$2.2M F). This was offset by the reclassification of some grants to operating (\$2.1M U).					

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
<b>EXPENSES</b>					
Employee Benefits & On-Costs	39,379	37,530	1,849	5%	F
Borrowing Costs	7,177	7,310	(133)	(2%)	U
Materials & Contracts	27,201	30,689	(3,488)	(13%)	U
The unfavourable variance is mainly affected by the following adjustments; Flood damage works carried forward from 2010-11 (\$1.4M U), additional ordered works for State Roads (\$1.0M U), works classed as capital in the budget but expensed (\$1.2M U) and expenses in relation to tourism operations previously run by a separate organisation (\$400k U).					
Depreciation & Amortisation	24,072	29,454	(5,382)	(22%)	U
The increase is mainly due to depreciation on new assets in relation to Sewer Treatment and Mains (\$4.0M U) and the Indoor Sports Centre (\$500k U).					
Impairment Expenses	-	18	(18)	0%	U
Other Expenses	8,514	8,479	35	0%	F
Net Losses from Disposal of Assets	-	4,007	(4,007)	0%	U
There was no budget allowed for net costs of disposals. The unfavourable result was primarily due to the transfer of the Aged Care facility "Manellae Lodge" to Hunter New England Health (\$1.8M U) and the write off of replaced transport infrastructure (\$2.4M U).					
<b>Budget Variations relating to Council's Cash Flow Statement include:</b>					
Cash Flows from Operating Activities	27,203	42,533	15,330	56.4%	F
Cash inflows were above estimates in a number of areas as outlined above including: Investments (\$1.2M F), Grants (\$8.5M F) and Developer Contributions (\$2.2M F). Grant debtors also reduced (\$1.8M F) largely due to receipt of grant monies for the Tamworth Sewerage Augmentation Scheme.					
Cash Flows from Investing Activities	(24,255)	(39,755)	(15,500)	63.9%	U
As a result of the improved operating cashflows (\$16M F) and reduced asset acquisitions (\$3M F), investment balances increased by \$9M instead of reducing by \$11M as estimated.					
Cash Flows from Financing Activities	(2,258)	(2,343)	(85)	3.8%	U

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### 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	948	394	-	58	(231)	-	1,169	1,122	(2,289)	2	-
Parking	49	-	-	3	-	-	52	3	(55)	-	-
Open Space	1,205	274	-	72	(361)	-	1,190	776	(1,947)	19	-
Community Facilities	243	122	-	15	(68)	-	312	287	(599)	-	-
Rural Fire Service	169	20	-	9	(4)	-	194	57	(251)	-	-
Studies	73	30	-	4	(24)	-	83	71	(154)	-	-
Garbage Disposal	3	-	-	-	-	-	3	-	(3)	-	-
Mines & Extractive Industry	884	104	-	53	(91)	-	950	314	(1,264)	-	-
Rural Traffic Generating	40	27	-	2	-	-	69	87	(156)	-	-
Cycleways	85	8	-	5	-	-	98	5	(103)	-	-
<b>S94 Contributions - under a Plan</b>	<b>3,699</b>	<b>979</b>	<b>-</b>	<b>221</b>	<b>(779)</b>	<b>-</b>	<b>4,120</b>	<b>2,722</b>	<b>(6,821)</b>	<b>21</b>	<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>3,699</b>	<b>979</b>	<b>-</b>	<b>221</b>	<b>(779)</b>	<b>-</b>	<b>4,120</b>				<b>-</b>
S94 not under Plans	103	-	-	6	-	-	109	-	-	-	-
S64 Contributions	11,682	3,430	-	696	-	(1,639)	14,169				
<b>Total Contributions</b>	<b>15,484</b>	<b>4,409</b>	<b>-</b>	<b>923</b>	<b>(779)</b>	<b>(1,639)</b>	<b>18,398</b>	<b>2,722</b>	<b>(6,821)</b>	<b>21</b>	<b>-</b>

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### 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	1	58	-	-	(55)	-	4	35	(39)	-	-
Roads - Manilla	11	-	-	1	-	-	12	1	(13)	-	-
Roads - Parry	401	63	-	24	(111)	-	377	174	(551)	-	-
Roads - Tamworth Urban	535	273	-	33	(65)	-	776	912	(1,686)	2	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking - Tamworth	49	-	-	3	-	-	52	3	(55)	-	-
Open Space - Barraba	6	-	-	-	-	-	6	-	(6)	-	-
Open Space - Manilla - Active	12	-	-	1	-	-	13	1	(14)	-	-
Open Space - Manilla - Passive	2	-	-	-	-	-	2	-	(2)	-	-
Open Space - Tamworth	676	58	-	40	-	-	774	40	(797)	17	-
Open Space - Tamworth Urban	509	216	-	31	(361)	-	395	735	(1,128)	2	-
Community Facilities - Hills Plain	53	13	-	3	-	-	69	5	(74)	-	-
Community Facilities - Tamworth	42	25	-	3	(16)	-	54	3	(57)	-	-
Community Facilities - Tamworth Urban	148	84	-	9	(52)	-	189	279	(468)	-	-
Rural Fire Service - Barraba	18	-	-	1	-	-	19	1	(20)	-	-
Rural Fire Service - Manilla	4	-	-	-	-	-	4	-	(4)	-	-
Rural Fire Service - Nundle	7	-	-	-	-	-	7	-	(7)	-	-
Rural Fire Service - Parry	140	20	-	8	(4)	-	164	56	(220)	-	-
Studies - Hills Plain East	41	10	-	2	(14)	-	39	5	(44)	-	-
Studies - Tamworth Urban	32	20	-	2	(10)	-	44	66	(110)	-	-
Garbage Disposal - Nundle	3	-	-	-	-	-	3	-	(3)	-	-
Mines & Extractive Industry - Parry	884	104	-	53	(91)	-	950	314	(1,264)	-	-
Rural Traffic Generating - Parry	5	-	-	-	-	-	5	-	(5)	-	-
Tamworth Urban Cycleway	35	27	-	2	-	-	64	87	(151)	-	-
Cycleways - Tamworth	85	8	-	5	-	-	98	5	(103)	-	-
<b>Total</b>	<b>3,699</b>	<b>979</b>	<b>-</b>	<b>221</b>	<b>(779)</b>	<b>-</b>	<b>4,120</b>	<b>2,722</b>	<b>(6,821)</b>	<b>21</b>	<b>-</b>

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

#### 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	50	-	-	3	-	-	53	-	-	-	-
Roads	30	-	-	2	-	-	32	-	-	-	-
Subdivision Works	23	-	-	1	-	-	24	-	-	-	-
<b>Total</b>	<b>103</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 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	7,238	2,434	-	431	-	(1,624)	8,479	-	-	-	-
Sewer	4,444	996	-	265	-	(15)	5,690	-	-	-	-
<b>Total</b>	<b>11,682</b>	<b>3,430</b>	<b>-</b>	<b>696</b>	<b>-</b>	<b>(1,639)</b>	<b>14,169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, 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 from 2009/10 & beyond.

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 Gymnastics Club Inc. Drawn 23/2/2000 for \$100,000. Balance as at 30/06/2012 \$34,223.00

Tamworth Hockey Association. Drawn for \$300,000 on the 1/4/2010 balance as at 30/6/2012 \$80,882.59.

Tamworth Rugby Club Inc. Drawn February 2008, for \$300,000. Balance as at 30/6/2011 \$278,670.00. Council's guarantee on this loan is limited to \$260,000.

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

###### (iii) Other Guarantees

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

##### 2. Other Liabilities

###### (i) Third Party Claims

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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

##### 2. Other Liabilities (continued)

##### (ii) Public Liability

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

##### (iii) Dungowan Pipeline

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

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

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

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

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

##### (iv) Statewide Limited

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

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

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



# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

#### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other Liabilities

##### (vi) S94 Plans

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

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

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

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

#### ASSETS NOT RECOGNISED:

##### (i) Land Under Roads

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

##### (ii) Infringement Notices/Fines

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

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

Accordingly, at Year End, there is a potential asset due to Council not reflecting issued but unpaid Infringement Notices.

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

# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

#### 19(a) 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	
			2012	2011
<b>Central Northern Regional Libraries</b>	<i>Provision of library resources &amp; services for its member Councils</i>	N	62%	62%

Current Year Financial Movements in Total Operation/Entity		Gross Financial Summary of Subsidiary	
Opening Equity Balance	784	Assets	803
New Capital Contributions	-	Liabilities	-
Operating Result	19	<b>Net Equity</b>	<b>803</b>
Adjustment to Equity Share	-		
Distributions Paid	-	Revenues	1,386
<b>Closing Equity Balance</b>	<b>803</b>	<b>Net Profit</b>	<b>19</b>
Minority Interest Share	305	Minority Interest Share	8

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		960,702	940,824
a. Correction of Prior Period Errors	20 (c)	2,018	5,873
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		5,856	14,005
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
<b>Balance at End of the Reporting Period</b>		<b>968,576</b>	<b>960,702</b>
<b>b. Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		334,822	325,498
- "Available for Sale" Financial Investments Revaluation Reserve		-	-
<b>Total</b>		<b>334,822</b>	<b>325,498</b>
<b>(ii). Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		325,498	279,319
- Revaluations for the year	9(a)	9,053	46,791
- Correction of Prior Period Errors	20(c)	271	(612)
<b>- Balance at End of Year</b>		<b>334,822</b>	<b>325,498</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>334,822</b>	<b>325,498</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>c. Correction of Error/s relating to a Previous Reporting Period</b>			
<b>Correction of errors disclosed in this year's financial statements:</b>			
In performing the calculation for fair valuation of Other Structures - Car Parks, the figures for the accumulated depreciation and written down value were transposed.			
The impact of these correctios on individual line ietms are:			
- Other Structures Car Parks Accumulated Dep'n		(2,289)	
- Retained Earnings		2,018	
- Reserves		<u>271</u>	
<b>Correction of errors as disclosed in last year's financial statements:</b>			
The historical cost of two completed bridges was not included in the fair valuation determination for Roads, Bridges and Drainage in 2009/2010. In addition the depreciated replacement cost of two additional bridges in the revaluation process was shown to be zero in the fair valuation determination when this in fact was not the case.			
- Roads, Bridges and Drainage Fair Value			(975)
- Roads, Bridges and Drainage Accumulated Dep'n			<u>363</u>
			(612)
Council reviewed and brought to account Fair Values during 10/11.			
As a result, Council adjusted the accumulated depreciation for the following asset classes as at 30/6/10 to reflect the correct value of accumulated depreciation;			
- Other Structures decrease to accumulated depreciation			5,874
- Land Improvements (increase) to accumulated depreciation			3
- Other Assets (increase) to accumulated depreciation			<u>(4)</u>
			5,873

#### 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 2012

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

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
<b><u>Continuing Operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from Continuing Operations</b>			
Rates & Annual Charges	5,214	14,444	31,196
User Charges & Fees	9,890	2,839	18,531
Interest & Investment Revenue	1,651	1,540	3,219
Other Revenues	1	16	2,192
Grants & Contributions provided for Operating Purposes	437	517	24,555
Grants & Contributions provided for Capital Purposes	3,721	1,031	5,872
<b>Total Income from Continuing Operations</b>	<b>20,914</b>	<b>20,387</b>	<b>85,565</b>
<b>Expenses from Continuing Operations</b>			
Employee Benefits & on-costs	1,698	1,615	34,225
Borrowing Costs	752	3,859	2,699
Materials & Contracts	7,352	5,268	21,597
Depreciation & Amortisation	3,890	6,586	18,979
Impairment	-	-	18
Other Expenses	1,528	906	6,023
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	-	392	3,615
<b>Total Expenses from Continuing Operations</b>	<b>15,220</b>	<b>18,626</b>	<b>87,156</b>
<b>Operating Result from Continuing Operations</b>	<b>5,694</b>	<b>1,761</b>	<b>(1,591)</b>
<b><u>Discontinued Operations</u></b>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
<b>Net Operating Result for the Year</b>	<b>5,694</b>	<b>1,761</b>	<b>(1,591)</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>5,694</b>	<b>1,761</b>	<b>(1,599)</b>
<b>Net Operating Result attributable to Minority Interests</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>1,973</b>	<b>730</b>	<b>(7,463)</b>

<sup>1</sup> 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 2012

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

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>			
Cash & Cash Equivalents	-	-	9,845
Investments	31,063	29,387	38,275
Receivables	2,352	2,894	11,357
Inventories	-	-	2,707
Other	-	-	57
<b>Total Current Assets</b>	<b>33,415</b>	<b>32,281</b>	<b>62,241</b>
<b>Non-Current Assets</b>			
Investments	-	-	-
Receivables	-	-	465
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	185,399	218,106	900,988
Investment Property	-	-	1,950
<b>Total Non-Current Assets</b>	<b>185,399</b>	<b>218,106</b>	<b>903,403</b>
<b>TOTAL ASSETS</b>	<b>218,814</b>	<b>250,387</b>	<b>965,644</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	611	1,770	11,243
Borrowings	419	1,714	1,649
Provisions	-	-	10,647
<b>Total Current Liabilities</b>	<b>1,030</b>	<b>3,484</b>	<b>23,539</b>
<b>Non-Current Liabilities</b>			
Payables	-	-	-
Borrowings	9,067	48,918	29,058
Provisions	-	-	16,046
<b>Total Non-Current Liabilities</b>	<b>9,067</b>	<b>48,918</b>	<b>45,104</b>
<b>TOTAL LIABILITIES</b>	<b>10,097</b>	<b>52,402</b>	<b>68,643</b>
<b>Net Assets</b>	<b>208,717</b>	<b>197,985</b>	<b>897,001</b>
<b>EQUITY</b>			
Retained Earnings	140,994	148,951	678,631
Revaluation Reserves	67,723	49,034	218,065
Council Equity Interest	208,717	197,985	896,696
Minority Interests	-	-	305
<b>Total Equity</b>	<b>208,717</b>	<b>197,985</b>	<b>897,001</b>

<sup>1</sup> 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 2012

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

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\$ '000

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

#### Note 23. Events occurring after Balance Sheet Date

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Events that occur after the reporting date of 30 June 2012, up to and including 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 appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 25/09/12.

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

##### **(i) Events that have provided evidence of conditions that existed at the Reporting Date**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

##### **(ii) Events that have provided evidence of conditions that arose after the Reporting Date**

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

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

#### Note 24. Discontinued Operations

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

## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 25. Intangible Assets

\$ '000

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

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

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

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2012	2011
Quarry & Tip Rehabilitation		15,672	12,316
<b>Balance at End of the Reporting Period</b>	10(a)	<b>15,672</b>	<b>12,316</b>

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	12,316	12,058
Amounts capitalised to new or existing assets:		
Landfill Assets	2,811	-
Quarry Assets	21	-
Amortisation of discount (expensed to borrowing costs)	562	550
Expenditure incurred attributable to Provisions	(38)	(292)
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>15,672</b>	<b>12,316</b>

#### Amount of Expected Reimbursements

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



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

**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 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by Councillors and Management in the approved form as required by Section 413(2) of the *Local Government Act 1993*.

**Councillors' Responsibility for the Financial Report**

The Councillors of the Council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the councillors, as well as evaluating the overall presentation of the financial report.

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

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**INDEPENDENT AUDITOR'S REPORT  
TO TAMWORTH REGIONAL COUNCIL  
S417(2) REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENT(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 2012, 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 2012 included on Tamworth Regional Council's website. The Council's councillors are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

**PROSPERITY AUDIT SERVICES**



**LUKE MALONE**  
Partner

30 October 2012  
Sydney

30 October 2012

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 2012**

We have completed the audit of the financial report for Tamworth Regional Council for the year ended 30 June 2012 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.

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

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

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

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

## 1. Income Statement

The net operating result before capital grants and contributions for the year ended 30 June 2012 was a deficit of \$4.3 million compared with a surplus of \$3.7 million for the year ended 30 June 2011.

The decrease compared to the prior year is as a result of an overall increase in the expenses by \$16.05m primarily driven by increase in:

- a. Borrowing costs by \$2.34m;
- b. Material & contracts by \$4.14m;
- c. Depreciation & amortisation by \$4.4m;
- d. Net loss on disposal of assets by \$4m; and
- e. Net increase in other expense, impairment and employee costs by \$1.17m.

The above decrease was partially offset by an overall increase in revenues by \$7.9m, primarily driven by increase in:

- a. Rates & annual charges by \$2.2m;
- b. User charges & fees by \$2.8m; and
- c. Grants & contributions by \$3.4m.

The increase in the above revenue streams were marginally offset by a net decrease in the other and investment revenue and gain on disposal of assets by \$0.5m.

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

	Not e	2012 \$'000	2011 \$'000	Variance \$'000	Variance %
<b>INCOME</b>					
Rates & annual charges	(i)	49,768	47,554	2,214	5%
User charges & fees	(ii)	30,188	27,335	2,853	10%
Investment revenue	(iii)	6,410	6,959	(549)	(8%)
Other revenues		2,223	1,985	238	12%
Grants & contributions - operating	(iv)	24,631	21,040	3,591	17%
Grants & contributions - capital		10,131	10,308	(177)	(2%)
Gain on disposal of assets			273	(273)	(100%)
		<b>123,351</b>	<b>115,454</b>	<b>7,897</b>	
<b>EXPENSES</b>					
Employee costs	(v)	37,530	36,976	554	1%
Borrowing costs	(vi)	7,310	4,971	2,339	47%
Materials & contracts	(vii)	30,689	26,542	4,147	16%
Depreciation & amortisation	(viii)	29,454	25,065	4,389	18%
Other expenses	(ix)	8,479	7,877	602	8%
Impairment		18	-	18	100%
Net loss on disposal of assets	(x)	4,007	-	4,007	100%
		<b>117,487</b>	<b>101,431</b>	<b>16,056</b>	<b>5%</b>
<b>Net operating result</b>		<b>5,864</b>	<b>14,023</b>	<b>(8,159)</b>	<b>(37%)</b>

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

**(i) Rates & Annual Charges**

Rates and annual charges increased by 5% from the prior year. This increase was largely attributable to the Council's standard annual rate increases as determined in the Council's 2010 - 2013 Management Plan.

**(ii) User Charges & Fees**

User charges and fees increased by \$2.8m, representing a 10% increase over 30 June 2011. The increase is primarily due to:

- Water and sewerage user charges increased by approximately \$1.8m, representing an increase of approximately 20% over 30 June 2011. The increase was primarily attributable to the increase in water rates of 9% and with the restrictions on water usage being lifted, water consumption in general has increased compared to 30 June 2011.
- Other user charges increased by approximately \$1 million, representing an increase of approximately 5% over 30 June 2011. The increase was mainly attributable to an increase in the revenue from the country music festival of approximately \$595k and an increase in the RTA fee of \$740k, with an increase in road works performed for the RTA during the current year.

***(iii) Interest & Investment Revenue***

The decrease in investment revenue was mainly attributable to a decrease in the weighted average interest rate across the investment portfolio.

***(iv) Grants & Contributions Provided for Operating Purposes***

Grants & contributions provided for operating purposes have increased by 17% mainly due to increase in the developer contributions received by the Council in the year.

***(vi) Employee Costs***

Employee costs have remained fairly constant over the year. This is primarily due to the relatively stable number of employee year on year.

***(vii) Borrowing Costs***

The increase in borrowing costs is mainly attributable the fact that in the previous year, the interest on the construction of the sewer augmentation scheme was capitalised as the asset was under construction. In the current there are no such interest costs capitalised and as a result of the expenses are reflective of the interest on a long term borrowings held.

***(viii) Materials & Contracts Expense***

The increase in materials and contracts maintenance expense by \$4.1m is primarily attributable to higher consumption of raw materials and consumables and contracts and consultancy costs for the various flood repair works, RTA contract work and other works that were carried out as planned in the budget.

***(ix) Depreciation and amortisation***

Depreciation and amortisation for the year increased by \$4.3 million. This was due to additional depreciation charge on assets capitalised in the year amounting to \$33 million and the full year impact of the depreciation on the sewer augmentation scheme which was capitalised out of work in progress to fixed assets in the previous year.



## 2. Statement of Comprehensive Income

	2012	2011	Variance	Variance
	\$'000	\$'000	\$'000	%
Net operating result	5,864	14,023	(8,159)	(58%)
Gain on revaluation of I,PP&E	9,053	46,791	(37,738)	(81%)
<b>Total comprehensive income</b>	<b>14,917</b>	<b>60,814</b>	<b>(45,897)</b>	<b>(75%)</b>

Total comprehensive income have decreased by \$45 million (75% over 30 June 2011). This is largely contributed by a decrease in the gain on revaluation of infrastructure, property, plant and equipment. This is due to the fact that the Council had fair valued all its assets at 30 June 2011 that resulted in a higher gain on revaluation of infrastructure, property, plant & equipment.

In 2012, the only revaluation to infrastructure, property, plant & equipment was the uplift in the water and sewerage assets as a result of the upward movement in the index mandated by the NSW Office of Water. This resulted in a gain of \$9.053 in 2012.

Accordingly the gain on revaluation in the current year is lower at 30 June 2012.

### 3. Balance Sheet

The net asset position of the Council for the year ended 30 June 2012 was \$1,303 million compared with \$1,286 million in the prior year.

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

	Note	2012 \$'000	2011 \$'000	Variance \$'000	Variance %
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash & Cash Equivalents	(i)	9,845	9,410	435	5%
Investments	(ii)	98,725	85,200	13,525	16%
Receivables	(iii)	16,603	18,007	(1,404)	(8%)
Inventories	(iv)	2,707	1,980	727	37%
Other		57	119	(62)	(52%)
<b>Total Current Assets</b>		<b>127,937</b>	<b>114,716</b>	<b>13,221</b>	
<b>Non-Current Assets</b>					
Investments	(ii)	-	5,054	(5,054)	(100%)
Receivables		465	466	(1)	(0%)
Infrastructure, Property, Plant & Equipment	(v)	1,304,493	1,292,412	12,081	1%
Investment Property		1,950	1,975	(25)	(1%)
<b>Total Non-Current Assets</b>		<b>1,306,908</b>	<b>1,299,907</b>	<b>7,001</b>	
<b>TOTAL ASSETS</b>		<b>1,434,845</b>	<b>1,414,623</b>	<b>20,222</b>	
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Payables	(vi)	13,624	10,497	3,127	30%
Borrowings	(vii)	3,782	3,804	(22)	(1%)
Provisions	(viii)	10,647	10,653	(6)	(0%)
<b>Total Current Liabilities</b>		<b>28,053</b>	<b>24,954</b>	<b>3,099</b>	
<b>Non-Current Liabilities</b>					
Payables	(vi)	-	832	(832)	(100%)
Borrowings	(vii)	87,043	89,364	(2,321)	(3%)
Provisions	(ix)	16,046	12,976	3,070	24%
<b>Total Non-Current Liabilities</b>		<b>103,089</b>	<b>103,172</b>	<b>(83)</b>	
<b>TOTAL LIABILITIES</b>		<b>131,142</b>	<b>128,126</b>	<b>3,016</b>	
<b>Net Assets</b>		<b>1,303,968</b>	<b>1,286,497</b>	<b>17,206</b>	
<b>EQUITY</b>					
Retained Earnings		968,576	960,702	7,874	1%
Revaluation Reserves		334,822	325,498	9,324	3%
<b>Council Equity Interest</b>		<b>1,303,663</b>	<b>1,286,200</b>	<b>17,198</b>	
Minority Equity Interest		305	297	8	
<b>Total Equity</b>		<b>1,303,968</b>	<b>1,286,497</b>	<b>17,206</b>	



The following comments are made in respect of the balance sheet:

***(i) Cash & Cash Equivalents***

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

***(ii) Investments***

The combined value of investments (current plus non-current) has increased by \$8.4 million (9%) to \$98.7 million. This was primarily due to additional investment made in the year.

***(iii) Receivables***

The balance of receivables (including current and non-current) has decreased by \$1.4 million (8%) This is primarily attributable to a lower amount of government grants due at year end (due to timing of the grants received in 2012 as compared to 2011).

***(iv) Infrastructure, Property, Plant & Equipment***

Infrastructure, property, plant & equipment have increased by \$12m. The increase is attributable to:

- a. Additions and other adjustments in the year amounting to \$37.9 million; and
- b. Upward revaluation adjustment to water and sewerage assets by \$9 million.

The above increase is offset by the following:

- a. Depreciation charge for the year amounting to \$29.8 million; and
- b. Disposal of assets amount to \$5.1 million.

***(v) Payables***

The balance of payables (including current and non-current) increased by \$2.3 million (20%) primarily due to increased procurement near year end and timing of cash payments at year end.

***(vi) Borrowings***

Total interest bearing liabilities (including current and non-current) have decreased by \$2.3 million (3%) due to repayment of borrowings during the year.

***(vii) Provisions***

Current and non-current provisions increased by \$3 million attributable to the increase in provision for the tip and quarry asset remediation.

#### 4. Statement of Cash Flows

The movement in cash is attributable to the following movements:

	2012 \$'000	2011 \$'000	Variance \$'000	Variance %
<b>Cash at the beginning of the year</b>	9,410	5,249		
Cash provided by operating activities	42,533	32,840	9,693	30%
Cash used in investing activities	(39,755)	(24,486)	(15,269)	62%
Cash provided by financing activities	(2,343)	(4,193)	1,850	(44%)
<b>Cash at the end of the year</b>	<b>9,845</b>	<b>9,410</b>		

##### 4.1 Cash flows from operating activities

Net cash inflows from operating activities totalled \$42.5 million, representing an increase of \$9.7 million (30%) as compared with the prior year. This increase was attributable to an increase in receipts from:

- rates and annual charges of \$3 million;
- user charges and fees of \$4.3 million ;
- grants and contributions of \$5.2 million; and
- net other receipts and payments of \$1 million.

The above increase was partially offset by an increase in payment of borrowing costs by \$3.3 million

##### 4.2 Cash flows from investing activities

Net cash outflows from investing activities of \$39.7 million represented an increase of \$15.2 million (62%) as compared with the prior year.

The increase in cash outflows attributable to:

- Decrease in proceeds received from the sale of investments of \$25 million;
- Decrease in proceeds received from sale of infrastructure, property, plant and equipment of \$1 million;
- Increase in purchase of real estate assets of \$700K; and
- Increase in purchase of investment securities of \$ 9.4 million.

The above increase in cash outflow is offset by a decrease in payment for purchase of infrastructure, property, plant and equipment by \$21 million.

##### 4.3 Cash flows from financing activities

Net cash outflows from financing activities were \$2.3 million representing net repayment of borrowings in the 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

	2012 \$'000	2011 \$'000
Current assets	127,937	114,716
Current liabilities	28,053	24,954
<b>Current ratio</b>	<b>4.56</b>	<b>4.60</b>

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 its 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:

	2012 \$'000	2011 \$'000
Total cash and investments	108,570	94,610
Less: externally restricted items	(83,085)	(67,094)
	25,485	27,516
Less: internally restricted items	(22,179)	(25,836)
<b>Unrestricted cash and investments</b>	<b>3,306</b>	<b>1,680</b>

As Council's cash and investments (and the income generated by them) are a fundamental component of the 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.

### 5.2 Debt Service Ratio

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

	2012 \$'000	2011 \$'000
Net debt service cost	10,591	11,216
Operating revenue	101,696	94,502
<b>Debt Service Ratio</b>	<b>10.41%</b>	<b>11.87%</b>

The debt servicing ratio has decreased primarily due to the lower levels of interest and principal repayments and higher operating revenue in the current financial year as compared to the previous year.

### 5.3 Rates and Annual Charge Coverage Ratio

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

	2012 \$'000	2011 \$'000
Rates and annual charge revenue	49,768	47,554
Total revenue	123,351	115,454
<b>Rates &amp; annual charge coverage ratio</b>	<b>40.35%</b>	<b>37.77%</b>

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

### 5.4 Rates and Annual Charges Outstanding

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

	2012 \$'000	2011 \$'000
Rates & annual charges outstanding	3,795	3,784
Rates & annual charges collectible	53,991	50,949
<b>Percentage of outstanding rates</b>	<b>7.03%</b>	<b>7.43%</b>

The decrease in the percentage of rates and annual charges outstanding implies that the Council has improved its debt recovery process. Currently however, the ratio is higher than the acceptable benchmark of the Local Government Division of 5% and we recommend the Council actively monitor timely collection of these balances.

### 5.5 Building & Infrastructure Renewals Ratio

The building and infrastructure renewals ratio is a comparison of the rate at which assets are being renewed against the rate at which they are depreciating. The ratio was introduced by the Department of Local Government in 2008.

	2012 \$'000	2011 \$'000
Asset renewals	5,011	11,644
Depreciation & amortisation	23,325	25,065
<b>Building renewals ratio</b>	<b>21.48%</b>	<b>60.52%</b>

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 decrease in the current year ratio was due to the completion of a number of projects which has reduced the renewal expenditure in the current financial year.

## **6. Key Financial Statement Issues**

### **6.1 Internally Restricted Assets**

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

At year end Council had internally restricted assets totalling \$22.2 million as against the prior year restrictions of \$25.8 million.

### **6.2 Asset Remediation liability**

An asset remediation liability has been recognised in the financial statements at 30 June 2012 to a value of \$15.6 million. This liability will fall due at the end of the useful lives of the tips and quarries, which ranges from 2013 to 2029.

The increase in liability by \$3m in 2012 is as a result of a 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 Department of Local Government, the Council revalued community land, land improvements, other structures and other assets to fair value at 30 June 2011.

In 2012, as mandated by the NSW Office of Water, the Council had recognised the upward change in the index on its water and sewerage assets resulting in an increase in these assets by \$9m.

### **6.4 Prior period error**

The Council has recognised a gain on the fair value of certain assets amounting to \$2.28 million as a prior period error. We understand that the error was of a clerical nature that was detected by management subsequent to the authorisation of the 30 June 2011 financial statements.

We note that the error has no impact on the operating surplus / loss of the Council in the current or prior years. We are satisfied with the treatment adopted by management in recognising this amount as a prior period error.

## 6.5 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 2012.

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. Management Letter

A management letter highlighting matters arising from our audit is in the process of being finalised for issue to management.

## 8. Other Matters

- a. We have not had any disagreements with management during the course of our audit procedures;
- b. We have not become aware of any fraud or non-compliance with governing legislation; and
- c. Accounting policies and accounting treatments appear to have been applied in a materially consistent manner to the prior year.

This auditor’s report relates to the financial report of Tamworth Regional Council (the Council) for the year ended 30 June 2012 included on Tamworth Regional Council’s web site. The Council’s councillors are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor’s report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

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

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

Yours faithfully

**PROSPERITY AUDIT SERVICES**



**LUKE MALONE**  
Partner

# Tamworth Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

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





# Tamworth Regional Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2012

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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).

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## Tamworth Regional Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2012

### 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 25 September 2012.**



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 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	5,214	4,734	4,216
User charges	9,890	8,644	9,644
Fees	-	-	-
Interest	1,651	1,545	1,229
Grants and contributions provided for non capital purposes	437	305	734
Profit from the sale of assets	-	-	-
Other income	1	1	1
<b>Total income from continuing operations</b>	<b>17,193</b>	<b>15,229</b>	<b>15,824</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,698	1,844	1,450
Borrowing costs	752	781	663
Materials and contracts	7,352	5,916	6,058
Depreciation and impairment	3,890	3,897	3,467
Water purchase charges	-	-	-
Loss on sale of assets	-	-	-
Calculated taxation equivalents	22	20	17
Debt guarantee fee (if applicable)	48	51	45
Other expenses	1,528	1,563	1,929
<b>Total expenses from continuing operations</b>	<b>15,290</b>	<b>14,072</b>	<b>13,629</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>1,903</b>	<b>1,157</b>	<b>2,195</b>
Grants and contributions provided for capital purposes	3,721	1,673	1,210
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>5,624</b>	<b>2,830</b>	<b>3,405</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>5,624</b>	<b>2,830</b>	<b>3,405</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(571)	(347)	(659)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>5,053</b>	<b>2,483</b>	<b>2,747</b>
plus Opening Retained Profits	135,300	133,020	130,172
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	22	20	17
- Debt guarantee fees	48	51	45
- Corporate taxation equivalent	571	347	659
less:			
- Tax Equivalent Dividend paid	-	(52)	(62)
- Surplus dividend paid	-	(569)	(557)
<b>Closing Retained Profits</b>	<b>140,994</b>	<b>135,300</b>	<b>133,020</b>
<b>Return on Capital %</b>	<b>1.4%</b>	<b>1.1%</b>	<b>1.7%</b>
<b>Subsidy from Council</b>	<b>2,963</b>	<b>7,401</b>	<b>5,971</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	5,053	2,483	2,747
less: Capital grants and contributions (excluding developer contributions)	(3,037)	(915)	(786)
<b>Surplus for dividend calculation purposes</b>	<b>2,016</b>	<b>1,568</b>	<b>1,961</b>
<b>Potential Dividend calculated from surplus</b>	<b>1,008</b>	<b>784</b>	<b>980</b>

## Tamworth Regional Council

### Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	14,444	13,721	12,909
User charges	2,053	1,542	1,771
Liquid Trade Waste charges	710	615	-
Fees	76	61	-
Interest	1,540	2,167	2,057
Grants and contributions provided for non capital purposes	517	206	789
Profit from the sale of assets	-	-	-
Other income	16	33	46
<b>Total income from continuing operations</b>	<b>19,356</b>	<b>18,345</b>	<b>17,572</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,615	1,523	1,262
Borrowing costs	3,859	1,574	371
Materials and contracts	5,268	4,199	4,599
Depreciation and impairment	6,586	2,920	2,693
Loss on sale of assets	392	-	-
Calculated taxation equivalents	172	172	166
Debt guarantee fee (if applicable)	257	265	188
Other expenses	906	691	476
<b>Total expenses from continuing operations</b>	<b>19,055</b>	<b>11,344</b>	<b>9,755</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>301</b>	<b>7,001</b>	<b>7,817</b>
Grants and contributions provided for capital purposes	1,031	4,357	5,710
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>1,332</b>	<b>11,358</b>	<b>13,527</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>1,332</b>	<b>11,358</b>	<b>13,527</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(90)	(2,100)	(2,345)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,242</b>	<b>9,258</b>	<b>11,182</b>
plus Opening Retained Profits	147,190	135,957	122,634
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	172	172	166
- Debt guarantee fees	257	265	188
- Corporate taxation equivalent	90	2,100	2,345
less:			
- Tax Equivalent Dividend paid	-	(56)	(56)
- Surplus dividend paid	-	(506)	(502)
<b>Closing Retained Profits</b>	<b>148,951</b>	<b>147,190</b>	<b>135,957</b>
<b>Return on Capital %</b>	<b>1.9%</b>	<b>4.0%</b>	<b>4.3%</b>
<b>Subsidy from Council</b>	<b>2,449</b>	<b>2,694</b>	<b>1,491</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	1,242	9,258	11,182
less: Capital grants and contributions (excluding developer contributions)	(1,025)	(3,536)	(5,214)
<b>Surplus for dividend calculation purposes</b>	<b>217</b>	<b>5,722</b>	<b>5,968</b>
<b>Potential Dividend calculated from surplus</b>	<b>108</b>	<b>2,861</b>	<b>2,984</b>

## Tamworth Regional Council

### Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>Income from continuing operations</b>				
Access charges	-	-	6,156	5,857
User charges	3,357	3,484	3,227	3,174
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	480	523
Profit from the sale of assets	-	-	-	-
Other income	75	77	-	-
<b>Total income from continuing operations</b>	<b>3,432</b>	<b>3,561</b>	<b>9,863</b>	<b>9,554</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	581	370	1,054	915
Borrowing costs	10	23	551	539
Materials and contracts	1,477	1,248	6,088	6,198
Depreciation and impairment	411	647	527	594
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	140	191	8	8
Debt guarantee fee (if applicable)	4	1	-	-
Other expenses	197	189	29	45
<b>Total expenses from continuing operations</b>	<b>2,820</b>	<b>2,669</b>	<b>8,257</b>	<b>8,299</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>612</b>	<b>892</b>	<b>1,606</b>	<b>1,255</b>
Grants and contributions provided for capital purposes	665	145	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>1,277</b>	<b>1,037</b>	<b>1,606</b>	<b>1,255</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>1,277</b>	<b>1,037</b>	<b>1,606</b>	<b>1,255</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(184)	(268)	(482)	(377)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,093</b>	<b>769</b>	<b>1,124</b>	<b>879</b>
plus Opening Retained Profits	20,667	13,729	8,183	6,200
plus/less: Prior Period Adjustments	224	5,709	-	720
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	140	191	8	8
- Debt guarantee fees	4	1	-	-
- Corporate taxation equivalent	184	268	482	377
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>22,312</b>	<b>20,667</b>	<b>9,797</b>	<b>8,183</b>
Return on Capital %	1.7%	2.9%	15.3%	15.8%
Subsidy from Council	458	740	-	-

## Tamworth Regional Council

### Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	31,063	26,397
Receivables	2,352	3,555
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>33,415</b>	<b>29,952</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	185,399	179,258
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>185,399</b>	<b>179,258</b>
<b>TOTAL ASSETS</b>	<b>218,814</b>	<b>209,210</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	611	527
Interest bearing liabilities	419	259
Provisions	-	-
<b>Total Current Liabilities</b>	<b>1,030</b>	<b>786</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	9,067	9,607
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>9,067</b>	<b>9,607</b>
<b>TOTAL LIABILITIES</b>	<b>10,097</b>	<b>10,393</b>
<b>NET ASSETS</b>	<b>208,717</b>	<b>198,817</b>
<b>EQUITY</b>		
Retained earnings	140,994	135,300
Revaluation reserves	67,723	63,517
Council equity interest	208,717	198,817
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>208,717</b>	<b>198,817</b>

## Tamworth Regional Council

### Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	29,387	25,778
Receivables	2,894	4,425
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>32,281</b>	<b>30,203</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	218,106	216,300
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>218,106</b>	<b>216,300</b>
<b>TOTAL ASSETS</b>	<b>250,387</b>	<b>246,503</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	1,770	2,772
Interest bearing liabilities	1,714	1,805
Provisions	-	-
<b>Total Current Liabilities</b>	<b>3,484</b>	<b>4,577</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	48,918	50,549
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>48,918</b>	<b>50,549</b>
<b>TOTAL LIABILITIES</b>	<b>52,402</b>	<b>55,126</b>
<b>NET ASSETS</b>	<b>197,985</b>	<b>191,377</b>
<b>EQUITY</b>		
Retained earnings	148,951	147,190
Revaluation reserves	49,034	44,187
Council equity interest	197,985	191,377
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>197,985</b>	<b>191,377</b>

# Tamworth Regional Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2012

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	2,670	2,383	430	475
Investments	2,693	2,693	11,516	9,372
Receivables	502	437	908	778
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>5,865</b>	<b>5,513</b>	<b>12,854</b>	<b>10,625</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	35,635	31,771	14,056	11,361
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>35,635</b>	<b>31,771</b>	<b>14,056</b>	<b>11,361</b>
<b>TOTAL ASSETS</b>	<b>41,500</b>	<b>37,284</b>	<b>26,910</b>	<b>21,986</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	1,150	64	26	39
Interest bearing liabilities	38	196	-	-
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,188</b>	<b>260</b>	<b>26</b>	<b>39</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	1,462	-	-	-
Provisions	-	-	15,385	12,062
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>1,462</b>	<b>-</b>	<b>15,385</b>	<b>12,062</b>
<b>TOTAL LIABILITIES</b>	<b>2,650</b>	<b>260</b>	<b>15,411</b>	<b>12,101</b>
<b>NET ASSETS</b>	<b>38,850</b>	<b>37,024</b>	<b>11,499</b>	<b>9,885</b>
<b>EQUITY</b>				
Retained earnings	22,312	20,667	9,797	8,183
Revaluation reserves	16,538	16,357	1,702	1,702
Council equity interest	<b>38,850</b>	<b>37,024</b>	<b>11,499</b>	<b>9,885</b>
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>38,850</b>	<b>37,024</b>	<b>11,499</b>	<b>9,885</b>

# Tamworth Regional Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2012

### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	13
3	Sewerage Business Best Practice Management disclosure requirements	15



## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- 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. They are based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

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

#### National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements.

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

#### Declared Business Activities

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

#### Category 1

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

##### a. Tamworth Regional Council Combined Water Supplies

Water supply systems servicing the area of Tamworth Regional Council.

##### b. Tamworth Regional Council Combined Sewerage Service

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

##### c. Tamworth Regional Airport

Tamworth Regional Airport Facility.

##### d. Tamworth Regional Council Waste Management

Tamworth Regional Council Waste Management Facilities.

#### Category 2

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

#### None

Management and assets of Manellae Lodge Aged Care Facility were handed to Hunter New England Area Health on June 30, 2012.

#### 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

## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies (continued)

Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some 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 **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, 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 the business.

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 GPFS.

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.

## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Significant Accounting Policies (continued)

##### Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face “true” commercial borrowing costs in line with private sector competitors.

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

##### (ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of Business Activities.

##### (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 3.03% at 30/6/12.

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 2012 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 its payment.

## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

#### Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2012

#### 1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	70,000
(ii)	No of assessments multiplied by \$3/assessment	62,916
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	62,916
(iv)	Amounts actually paid for Tax Equivalents	-

#### 2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	1,008,050												
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	566,244												
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	4,418,500												
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">2012 Surplus</td> <td style="width: 15%; text-align: center;">2,016,100</td> <td style="width: 25%;">2011 Surplus</td> <td style="width: 15%; text-align: center;">1,567,900</td> <td style="width: 20%;">2010 Surplus</td> <td style="width: 20%; text-align: center;">1,960,500</td> </tr> <tr> <td></td> <td></td> <td>2011 Dividend</td> <td style="text-align: center;">569,000</td> <td>2010 Dividend</td> <td style="text-align: center;">557,000</td> </tr> </table>			2012 Surplus	2,016,100	2011 Surplus	1,567,900	2010 Surplus	1,960,500			2011 Dividend	569,000	2010 Dividend	557,000
2012 Surplus	2,016,100	2011 Surplus	1,567,900	2010 Surplus	1,960,500									
		2011 Dividend	569,000	2010 Dividend	557,000									
(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	566,244												
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-												

#### 3. Required outcomes for 6 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- 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 2012

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

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

2012

#### National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	18,688
<b>NWI F4</b>	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	58.37%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	170,091
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	10,577
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	6,160
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	2.28%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	650

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

## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

#### Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2012

#### 1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	429,000
(ii)	No of assessments multiplied by \$3/assessment	56,709
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	56,709
(iv)	Amounts actually paid for Tax Equivalents	-

#### 2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	108,350
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	510,381
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	10,898,300

2012 Surplus	216,700	2011 Surplus	5,721,700	2010 Surplus	5,967,900
		2011 Dividend	506,000	2010 Dividend	502,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	108,350
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

#### 3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges (a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES



## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012

##### National Water Initiative (NWI) Financial Performance Indicators

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	18,847
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	206,649
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	7,728
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	3,937
<b>NWI F18</b>	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)]	%	2.08%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

<b>NWI F3</b>	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	37,143
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.04%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	10,097
<b>NWI F19</b>	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)]	%	2.17%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

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

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

2012

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

<b>NWI F22</b>	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)]	%	-0.08%
<b>NWI F23</b>	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)		6
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	6,805
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	387

- 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, which comprises the balance sheet as at 30 June 2012, and the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the Statement by Councillors and Management.

### Responsibility of the Councillors for the Financial Report

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report.

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

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

**Independence**

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

**Auditor's Opinion**

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

**Emphasis of Matter - Basis of Accounting**

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

**Matters relating to the electronic presentation of the audited financial report**

This auditor's report relates to the financial report of Tamworth Regional Council (the Council) for the year ended 30 June 2012 included on Tamworth Regional Council's web site. The Council's councillors are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

**PROSPERITY AUDIT SERVICES**



**LUKE MALONE**  
Partner

30 October 2012  
Sydney

# Tamworth Regional Council

SPECIAL SCHEDULES  
for the year ended 30 June 2012

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



# Tamworth Regional Council

## Special Schedules

for the financial year ended 30 June 2012

Contents		Page
<b>Special Schedules<sup>1</sup></b>		
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- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
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<sup>1</sup> Special Purpose Schedules are not audited.

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### Background

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

# Tamworth Regional Council

## Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	-	-	-	-
<b>Administration</b>	<b>5,799</b>	<b>412</b>	<b>170</b>	<b>(5,217)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	1,396	564	22	(810)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	135	14	-	(121)
Animal Control	260	23	-	(237)
Other	3	-	-	(3)
<b>Total Public Order &amp; Safety</b>	<b>1,794</b>	<b>601</b>	<b>22</b>	<b>(1,171)</b>
<b>Health</b>	<b>702</b>	<b>89</b>	-	<b>(613)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	448	165	-	(283)
Other Environmental Protection	54	57	-	3
Solid Waste Management	7,531	9,662	-	2,131
Street Cleaning	640	-	-	(640)
Drainage	1,709	561	-	(1,148)
Stormwater Management	786	465	-	(321)
<b>Total Environment</b>	<b>11,168</b>	<b>10,910</b>	-	<b>(258)</b>
<b>Community Services and Education</b>				
Administration & Education	320	-	-	(320)
Social Protection (Welfare)	102	125	38	61
Aged Persons and Disabled	3,935	1,609	-	(2,326)
Children's Services	825	551	-	(274)
<b>Total Community Services &amp; Education</b>	<b>5,182</b>	<b>2,285</b>	<b>38</b>	<b>(2,859)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	387	207	-	(180)
Public Conveniences	280	-	-	(280)
Street Lighting	690	165	-	(525)
Town Planning	859	1,023	30	194
Other Community Amenities	45	2	-	(43)
<b>Total Housing and Community Amenities</b>	<b>2,261</b>	<b>1,397</b>	<b>30</b>	<b>(834)</b>
<b>Water Supplies</b>	<b>14,061</b>	<b>16,379</b>	<b>3,721</b>	<b>6,039</b>
<b>Sewerage Services</b>	<b>17,347</b>	<b>19,356</b>	<b>1,031</b>	<b>3,040</b>

# Tamworth Regional Council

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

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	2,777	794	11	(1,972)
Museums	97	16	-	(81)
Art Galleries	1,221	281	-	(940)
Community Centres and Halls	794	113	-	(681)
Performing Arts Venues	1,425	308	-	(1,117)
Other Performing Arts	-	-	-	-
Other Cultural Services	4	-	-	(4)
Sporting Grounds and Venues	3,452	494	81	(2,877)
Swimming Pools	1,639	423	-	(1,216)
Parks & Gardens (Lakes)	2,782	73	286	(2,423)
Other Sport and Recreation	470	254	320	104
<b>Total Recreation and Culture</b>	<b>14,661</b>	<b>2,756</b>	<b>698</b>	<b>(11,207)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	2,036	223	-	(1,813)
Other Mining, Manufacturing & Construction	-	-	104	104
<b>Total Mining, Manufacturing and Const.</b>	<b>2,036</b>	<b>223</b>	<b>104</b>	<b>(1,709)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	15,443	1,346	3,236	(10,861)
Urban Roads - Regional	299	220	-	(79)
Sealed Rural Roads (SRR) - Local	3,466	2,221	134	(1,111)
Sealed Rural Roads (SRR) - Regional	1,306	1,813	249	756
Unsealed Rural Roads (URR) - Local	4,314	433	66	(3,815)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	1,425	-	(101)	(1,526)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	330	820	-	490
Footpaths	371	-	38	(333)
Aerodromes	2,520	3,431	665	1,576
Other Transport & Communication	4,001	4,367	30	396
<b>Total Transport and Communication</b>	<b>33,475</b>	<b>14,651</b>	<b>4,317</b>	<b>(14,507)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	71	166	-	95
Other Economic Affairs	8,930	4,619	-	(4,311)
<b>Total Economic Affairs</b>	<b>9,001</b>	<b>4,785</b>	-	<b>(4,216)</b>
<b>Totals – Functions</b>	<b>117,487</b>	<b>73,844</b>	<b>10,131</b>	<b>(33,512)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>		<b>39,376</b>		<b>39,376</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	-		-
<b>NET OPERATING RESULT <sup>(1)</sup></b>	<b>117,487</b>	<b>113,220</b>	<b>10,131</b>	<b>5,864</b>

(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)

# Tamworth Regional Council

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

for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	131	1,041	<b>1,172</b>	-	131	-	-	-	131	910	<b>1,041</b>
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	3,662	88,302	<b>91,964</b>	1,500	3,701	-	-	6,747	3,639	86,124	<b>89,763</b>
Other	11	21	<b>32</b>	-	11	-	-	1	12	9	<b>21</b>
<b>Total Loans</b>	<b>3,804</b>	<b>89,364</b>	<b>93,168</b>	<b>1,500</b>	<b>3,843</b>	-	-	<b>6,748</b>	<b>3,782</b>	<b>87,043</b>	<b>90,825</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Debt</b>	<b>3,804</b>	<b>89,364</b>	<b>93,168</b>	<b>1,500</b>	<b>3,843</b>	<b>-</b>	<b>-</b>	<b>6,748</b>	<b>3,782</b>	<b>87,043</b>	<b>90,825</b>

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

# 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 2012

\$'000	Actuals 2012	Actuals 2011
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,392	642
b. Engineering and Supervision	2,382	2,244
<b>2. Operation and Maintenance expenses</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	489	507
b. Maintenance expenses	563	283
<b>- Mains</b>		
c. Operation expenses	274	313
d. Maintenance expenses	1,343	1,836
<b>- Reservoirs</b>		
e. Operation expenses	111	105
f. Maintenance expenses	108	72
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	87	44
h. Energy costs	84	76
i. Maintenance expenses	96	109
<b>- Treatment</b>		
j. Operation expenses (excluding chemical costs)	1,726	1,607
k. Chemical costs	291	312
l. Maintenance expenses	1,184	569
<b>- Other</b>		
m. Operation expenses	1	-
n. Maintenance expenses	47	30
o. Purchase of water	399	415
<b>3. Depreciation expenses</b>		
a. System assets	3,861	3,859
b. Plant and equipment	29	38
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	752	781
b. Revaluation Decrements	-	158
c. Other expenses	1	-
d. Tax Equivalent Dividends (actually paid)	-	53
<b>5. Total expenses</b>	<b>15,220</b>	<b>14,053</b>



## 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 2012

\$'000	Actuals 2012	Actuals 2011
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	3,884	3,516
b. Usage charges	5,446	4,772
<b>7. Non-residential charges</b>		
a. Access (including rates)	1,329	1,219
b. Usage charges	4,168	3,642
<b>8. Extra charges</b>	75	59
<b>9. Interest income</b>	1,576	1,486
<b>10. Other income</b>	277	231
<b>11. Grants</b>		
a. Grants for acquisition of assets	650	116
b. Grants for pensioner rebates	201	197
c. Other grants	189	260
<b>12. Contributions</b>		
a. Developer charges	2,435	639
b. Developer provided assets	684	758
c. Other contributions	-	7
<b>13. Total income</b>	<b>20,914</b>	<b>16,902</b>
<b>14. Gain (or loss) on disposal of assets</b>	-	-
<b>15. Operating Result</b>	<b>5,694</b>	<b>2,849</b>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	5,044	2,733

## 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 2012

\$'000	Actuals 2012	Actuals 2011
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	5,476	3,891
b. New Assets for Growth	684	555
c. Renewals	-	-
d. Plant and equipment	-	-
<b>17. Repayment of debt</b>		
a. Loans	381	465
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<b>6,541</b>	<b>4,911</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	-	-
<b>21. Borrowing utilised</b>		
a. Loans	1,504	892
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	<b>1,504</b>	<b>892</b>
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	17,877	17,411
b. Residential (unoccupied, ie. vacant lot)	976	1,266
c. Non-residential (occupied)	1,765	1,708
d. Non-residential (unoccupied, ie. vacant lot)	354	348
<b>25. Number of ETs for which developer charges were received</b>	477 ET	157 ET
<b>26. Total amount of pensioner rebates (actual dollars)</b>	\$ 364,446	\$ 363,758

# Tamworth Regional Council

## Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
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 <b>land value</b> from access charges (ie rates)?			
	<input type="checkbox" value="YES"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 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 <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
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 2011/12 (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.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>			<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 Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	8,480	-	8,480
b. Special purpose grants	426	-	426
c. Accrued leave	-	-	-
d. Unexpended loans	1,472	-	1,472
e. Sinking fund	-	-	-
f. Other	20,685	-	20,685
<b>31. Receivables</b>			
a. Specific purpose grants	70	-	70
b. Rates and Availability Charges	2,269	-	2,269
c. Other (including User Charges)	13	-	13
<b>32. Inventories</b>	-	-	-
<b>33. Property, plant and equipment</b>			
a. System assets	-	170,091	170,091
b. Plant and equipment	-	15,308	15,308
<b>34. Other assets</b>	-	-	-
<b>35. Total assets</b>	<b>33,415</b>	<b>185,399</b>	<b>218,814</b>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	611	-	611
<b>38. Borrowings</b>			
a. Loans	419	9,067	9,486
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>40. Total liabilities</b>	<b>1,030</b>	<b>9,067</b>	<b>10,097</b>
<b>41. NET ASSETS COMMITTED</b>	<b>32,385</b>	<b>176,332</b>	<b>208,717</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			140,994
<b>43. Asset revaluation reserve</b>			67,723
<b>44. TOTAL EQUITY</b>			<b>208,717</b>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			315,206
<b>46. Accumulated current cost</b> depreciation of system assets			(145,115)
<b>47. Written down current cost</b> of system assets			<b>170,091</b>

## Tamworth Regional Council

### Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	952	234
b. Engineering and Supervision	2,378	1,665
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	362	321
b. Maintenance expenses	862	1,200
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	155	123
d. Energy costs	99	83
e. Maintenance expenses	200	270
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,150	1,273
g. Chemical costs	68	171
h. Energy costs	594	359
i. Effluent Management	12	11
j. Biosolids Management	365	253
k. Maintenance expenses	524	394
<b>- Other</b>		
l. Operation expenses	-	-
m. Maintenance expenses	7	-
<b>3. Depreciation expenses</b>		
a. System assets	6,538	2,866
b. Plant and equipment	48	55
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	3,859	1,574
b. Revaluation Decrements	-	-
c. Other expenses	61	55
d. Tax Equivalents Dividends (actually paid)	-	56
<b>5. Total expenses</b>	<b>18,234</b>	<b>10,963</b>

## 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 2012

\$'000	Actuals 2012	Actuals 2011
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	12,680	12,133
<b>7. Non-residential charges</b>		
a. Access (including rates)	1,706	1,532
b. Usage charges	1,810	1,343
<b>8. Trade Waste Charges</b>		
a. Annual Fees	61	57
b. Usage charges	392	335
c. Excess mass charges	557	478
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	-	-
<b>10. Interest income</b>	1,540	2,167
<b>11. Other income</b>	92	93
<b>12. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	186	183
c. Other grants	21	3,099
<b>13. Contributions</b>		
a. Developer charges	996	437
b. Developer provided assets	6	821
c. Other contributions	340	24
<b>14. Total income</b>	<b>20,387</b>	<b>22,702</b>
<b>15. Gain (or loss) on disposal of assets</b>	(392)	-
<b>16. Operating Result</b>	<b>1,761</b>	<b>11,739</b>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	1,761	11,739

## 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 2012

\$'000	Actuals 2012	Actuals 2011
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	3,931	25,086
b. New Assets for Growth	6	770
c. Renewals	-	-
d. Plant and equipment	-	-
<b>18. Repayment of debt</b>		
a. Loans	1,722	1,453
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<b>5,659</b>	<b>27,309</b>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	-	-
<b>22. Borrowing utilised</b>		
a. Loans	-	6,459
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<b>-</b>	<b>6,459</b>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	16,556	16,434
b. Residential (unoccupied, ie. vacant lot)	711	662
c. Non-residential (occupied)	1,557	1,565
d. Non-residential (unoccupied, ie. vacant lot)	79	73
<b>26. Number of ETs for which developer charges were received</b>	568 ET	252 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 336,127	\$ 337,254

# Tamworth Regional Council

## Special Schedule No. 5 - Sewerage Cross Subsidies for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2011/12 (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.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<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 Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	5,689	-	5,689
b. Special purpose grants	779	-	779
c. Accrued leave	-	-	-
d. Unexpended loans	2,465	-	2,465
e. Sinking fund	-	-	-
f. Other	20,454	-	20,454
<b>32. Receivables</b>			
a. Specific purpose grants	1,253	-	1,253
b. Rates and Availability Charges	1,616	-	1,616
c. Other (including User Charges)	25	-	25
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	206,649	206,649
b. Plant and equipment	-	11,457	11,457
<b>35. Other assets</b>	-	-	-
<b>36. Total Assets</b>	<b>32,281</b>	<b>218,106</b>	<b>250,387</b>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	1,770	-	1,770
<b>39. Borrowings</b>			
a. Loans	1,714	48,918	50,632
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>41. Total Liabilities</b>	<b>3,484</b>	<b>48,918</b>	<b>52,402</b>
<b>42. NET ASSETS COMMITTED</b>	<b>28,797</b>	<b>169,188</b>	<b>197,985</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			148,951
<b>44. Asset revaluation reserve</b>			49,034
<b>45. TOTAL EQUITY</b>			<b>197,985</b>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			315,943
<b>47. Accumulated current cost</b> depreciation of system assets			(109,294)
<b>48. Written down current cost</b> of system assets			<b>206,649</b>

# Tamworth Regional Council

## Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2012

### Administration <sup>(1)</sup>

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

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

### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

### Notes:

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

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







# Tamworth Regional Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual <sup>(1)</sup> 11/12	Forecast 12/13	Forecast 13/14	Forecast <sup>(3)</sup> 14/15
<b>(i) OPERATING BUDGET</b>				
Income from continuing operations	123,351	119,565	125,709	119,386
Expenses from continuing operations	117,487	112,914	112,561	114,348
<b>Operating Result from Continuing Operations</b>	<b>5,864</b>	<b>6,651</b>	<b>13,148</b>	<b>5,038</b>
<b>(ii) CAPITAL BUDGET</b>				
New Capital Works <sup>(2)</sup>	2,535	7,811	15,900	4,950
Replacement/Refurbishment of Existing Assets	-	-	-	-
<b>Total Capital Budget</b>	<b>2,535</b>	<b>7,811</b>	<b>15,900</b>	<b>4,950</b>
<b>Funded by:</b>				
- Loans	2,100	2,100	5,240	1,652
- Asset sales	-	-	-	-
- Reserves	225	1,027	2,344	3,298
- Grants/Contributions	210	4,684	8,316	-
- Recurrent revenue	-	-	-	-
- Other	-	-	-	-
	<b>2,535</b>	<b>7,811</b>	<b>15,900</b>	<b>4,950</b>

### Notes:

- (1) From 11/12 Income Statement.
- (2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.
- (3) If Council has only adopted 3 years of projections then only show 3 years.
- (4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.