

# Financial Reports Period Ended June 30 2015

Tamworth  
Regional  
Council

437 Peel Street  
TAMWORTH  
NSW 2340

02 6767 5555

026767 5499



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

# Tamworth Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2015

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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 2015

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### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 29 October 2015. Council has the power to amend and reissue these financial statements.
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# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2015.

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

##### 1. The Income Statement

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

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

#### Who uses the Financial Statements ?

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

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

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

# Tamworth Regional Council

## General Purpose Financial Statements for the financial year ended 30 June 2015

### 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 08 September 2015.



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Col Murray  
MAYOR



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Russell Webb  
COUNCILLOR



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Paul Bennett  
GENERAL MANAGER



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Rick Sanderson  
RESPONSIBLE ACCOUNTING OFFICER

# Tamworth Regional Council

## Income Statement

for the financial year ended 30 June 2015

Budget <sup>1</sup> 2015	\$ '000	Notes	Actual 2015	Actual 2014
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
58,493	Rates & Annual Charges	3a	58,919	56,796
36,675	User Charges & Fees	3b	44,134	41,917
4,640	Interest & Investment Revenue	3c	4,966	5,308
2,226	Other Revenues	3d	2,937	2,133
18,440	Grants & Contributions provided for Operating Purposes	3e,f	19,416	15,134 <sup>2</sup>
5,276	Grants & Contributions provided for Capital Purposes	3e,f	17,262	21,497
<b>Other Income:</b>				
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	-	-
<u>125,750</u>	<b>Total Income from Continuing Operations</b>		<u>147,634</u>	<u>142,785</u>
<b>Expenses from Continuing Operations</b>				
44,068	Employee Benefits & On-Costs	4a	40,236	39,431
6,563	Borrowing Costs	4b	6,026	6,684
30,794	Materials & Contracts	4c	34,702	32,666
28,729	Depreciation & Amortisation	4d	28,241	27,723
-	Impairment	4d	19	-
9,867	Other Expenses <sup>3</sup>	4e	52,771	9,993
-	Net Losses from the Disposal of Assets	5	4,982	3,192
<u>120,021</u>	<b>Total Expenses from Continuing Operations</b>		<u>166,977</u>	<u>119,689</u>
<u>5,729</u>	<b>Operating Result from Continuing Operations</b>		<u>(19,343)</u>	<u>23,096</u>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>5,729</u>	<b>Net Operating Result for the Year</b>		<u>(19,343)</u>	<u>23,096</u>
5,729	Net Operating Result attributable to Council		(19,404)	23,055
-	Net Operating Result attributable to Non-controlling Interests		61	41
<u>453</u>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<u>(36,605)</u>	<u>1,599</u>

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

<sup>2</sup> Financial Assistance Grants for 13/14 were lower reflecting one off timing differences due to a change in how the grant was paid in prior years - refer Note 3 (e)

<sup>3</sup> Revaluation of councils transport assets resulted in a decrement greater than previous increments held in the revaluation reserve - refer to note 4e and note 27

## Tamworth Regional Council

### Statement of Comprehensive Income for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
<b>Net Operating Result for the year</b> (as per Income statement)		<b>(19,343)</b>	<b>23,096</b>
<b>Other Comprehensive Income:</b>			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(20,550)	12,451
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>(20,550)</b>	<b>12,451</b>
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
<b>Total Other Comprehensive Income for the year</b>		<b>(20,550)</b>	<b>12,451</b>
<b>Total Comprehensive Income for the Year</b>		<b>(39,893)</b>	<b>35,547</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>(39,954)</b>	<b>35,506</b>
<b>Total Comprehensive Income attributable to Non-controlling Interests</b>		<b>61</b>	<b>41</b>

# Tamworth Regional Council

## Statement of Financial Position

as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	6,313	8,595
Investments	6b	132,499	113,500
Receivables	7	12,440	14,522
Inventories	8	1,377	1,154
Other	8	57	127
Non-current assets classified as "held for sale"	22	2,515	1,752
<b>Total Current Assets</b>		<b>155,201</b>	<b>139,650</b>
<b>Non-Current Assets</b>			
Investments	6b	-	-
Receivables	7	392	384
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,343,001	1,401,261
Investments accounted for using the equity method	19	-	-
Investment Property	14	6,100	6,050
Intangible Assets	25	2,217	236
<b>Total Non-Current Assets</b>		<b>1,351,710</b>	<b>1,407,931</b>
<b>TOTAL ASSETS</b>		<b>1,506,911</b>	<b>1,547,581</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	9,942	10,382
Borrowings	10	5,002	4,773
Provisions	10	8,959	9,711
<b>Total Current Liabilities</b>		<b>23,903</b>	<b>24,866</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	81,198	81,525
Provisions	10	17,149	16,636
<b>Total Non-Current Liabilities</b>		<b>98,347</b>	<b>98,161</b>
<b>TOTAL LIABILITIES</b>		<b>122,250</b>	<b>123,027</b>
<b>Net Assets</b>		<b>1,384,661</b>	<b>1,424,554</b>
<b>EQUITY</b>			
Retained Earnings	20	994,546	1,013,950
Revaluation Reserves	20	389,646	410,196
Council Equity Interest		1,384,192	1,424,146
Non-controlling Equity Interests		469	408
<b>Total Equity</b>		<b>1,384,661</b>	<b>1,424,554</b>



## Tamworth Regional Council

### Statement of Changes in Equity for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2015</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		1,013,950	410,196	<b>1,424,146</b>	408	<b>1,424,554</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/14)		<b>1,013,950</b>	<b>410,196</b>	<b>1,424,146</b>	<b>408</b>	<b>1,424,554</b>
<b>c. Net Operating Result for the Year</b>		<b>(19,404)</b>	-	<b>(19,404)</b>	<b>61</b>	<b>(19,343)</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(20,550)	<b>(20,550)</b>	-	<b>(20,550)</b>
<b>Other Comprehensive Income</b>		-	<b>(20,550)</b>	<b>(20,550)</b>	-	<b>(20,550)</b>
<b>Total Comprehensive Income</b> (c&d)		<b>(19,404)</b>	<b>(20,550)</b>	<b>(39,954)</b>	<b>61</b>	<b>(39,893)</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>994,546</b>	<b>389,646</b>	<b>1,384,192</b>	<b>469</b>	<b>1,384,661</b>

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

# Tamworth Regional Council

## Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
58,492	Rates & Annual Charges		59,349	57,152
39,320	User Charges & Fees		48,524	49,681
4,640	Investment & Interest Revenue Received		5,115	5,741
24,704	Grants & Contributions		28,789	30,828
-	Bonds, Deposits & Retention amounts received		84	1,047
7,307	Other		7,018	6,732
<b>Payments:</b>				
(44,100)	Employee Benefits & On-Costs		(40,685)	(40,217)
(38,366)	Materials & Contracts		(42,378)	(43,648)
(6,000)	Borrowing Costs		(5,486)	(7,390)
-	Bonds, Deposits & Retention amounts refunded		(186)	(576)
(10,853)	Other		(14,973)	(10,906)
<b>35,144</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>45,171</b>	<b>48,444</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
5,000	Sale of Investment Securities		-	3,200
1,510	Sale of Infrastructure, Property, Plant & Equipment		4,625	2,729
11	Deferred Debtors Receipts		25	4
<b>Payments:</b>				
-	Purchase of Investment Securities		(18,999)	-
(44,926)	Purchase of Infrastructure, Property, Plant & Equipment		(33,006)	(49,115)
-	Purchase of Real Estate Assets		-	(904)
(119)	Deferred Debtors & Advances Made		-	-
<b>(38,524)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(47,355)</b>	<b>(44,086)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
2,000	Proceeds from Borrowings & Advances		4,750	439
<b>Payments:</b>				
(4,731)	Repayment of Borrowings & Advances		(4,848)	(4,814)
<b>(2,731)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(98)</b>	<b>(4,375)</b>
<b>(6,111)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(2,282)</b>	<b>(17)</b>
1,027	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	8,595	8,612
<b>(5,084)</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>6,313</b>	<b>8,595</b>
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	132,499	113,500
<b>Total Cash, Cash Equivalents &amp; Investments</b>			<b>138,812</b>	<b>122,095</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 2015

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n/a - not applicable

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

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

There were no accounting standards that became mandatory this year which materially impacted on Council's financial statements.

###### (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 2014.

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

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

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

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

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

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

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

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

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it and specific

criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

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

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

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

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

Control over granted assets is normally obtained upon their receipt (or 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 2015

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

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

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

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

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

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

#### User Charges, Fees and Other Income

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

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

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

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

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

#### Interest and Rents

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

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

#### Dividend Income

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

#### Other Income

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

#### (c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and (ii) all the related operating results (for the financial year ended the 30th June 2015).

Detailed information relating to the entities that Council Controls can be found at Note 19 (a).

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

#### (i) The Consolidated Fund

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

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

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

- *General Purpose Operations*
- *Water Supply*
- *Sewerage Service*
- *Domestic Waste Management*
- *Central Northern Regional Libraries*

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

- *Section 355 Committees*

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

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

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

<b>Total income from continuing operations</b>	\$20,000
<b>Total expenditure from continuing operations</b>	\$11,000
<b>Total net assets held (ie Equity)</b>	\$50,000

#### (ii) The Trust Fund

Council does not maintain a separate and distinct trust fund in accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended). Separate and distinct cash funded liability accounts are maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to these monies.

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

#### (iii) Joint Arrangements

Council has no interest in any Joint Arrangements.

#### (iv) Associates

Council has no interest in any Associates.

#### (v) County Councils

Council is not a member of any County Councils.

#### (d) Leases

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

#### Finance Leases

Council has no finance leases.

#### Operating Leases

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

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

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

#### (e) Cash and Cash Equivalents

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

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

During the financial year ending June 30, 2015 Council did not utilise any overdraft funds.

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

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

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

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date. As at June 30, Council did not hold any financial assets at fair value through profit or loss or available for sale financial assets.

##### **(i) Loans and receivables**

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

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

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

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

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

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

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

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

Tamworth Regional Council made no reclassifications during the financial year ending 30 June, 2015.

##### **Impairment**

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

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

As at June 30, 2015 Tamworth Regional Council held no impaired financial assets.

##### **(iii) Types of Investments**

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

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

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

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



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

##### (g) Fair value estimation

Council holds only financial assets classified as either "Cash" or "Held to Maturity". Given that none of these investments have a maturity date that exceeds 12 months the value of these financial assets has been recorded as the value of the invested amount.

The fair value of financial liabilities for disclosure purposes is 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 recognised at fair value 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. Provision for Doubtful Debts) 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.

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

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

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

##### (i) Inventories

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

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

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

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

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

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

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

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

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

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

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

###### Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

- **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**  
(External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (as approximated by depreciated historical cost)
- **Community Land** (External Valuation)
- **Land Improvements**  
(as approximated by depreciated historical cost)
- **Other Structures**  
(as approximated by depreciated historical cost)
- **Other Assets**  
(as approximated by depreciated historical cost)

##### Initial Recognition

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

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

##### Subsequent costs

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

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

##### Asset Revaluations (including Indexation)

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

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

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

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

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

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

##### Capitalisation Thresholds

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

##### Plant & Equipment

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

cost (net of residual values) over its estimated useful life.

Land is not depreciated.

##### Buildings & Land Improvements

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

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

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

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

##### Water & Sewer Assets

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

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

##### Stormwater Assets

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

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

##### Transport Assets

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

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

##### Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

Other Infrastructure	> \$10,000
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Estimated useful lives for Council's I,PP&E include:

##### Plant & Equipment

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

##### Other Equipment

- Playground equipment	5 to 20 years
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##### Buildings

- Buildings	20 to 150 years
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##### Stormwater Drainage

11 to 120 years

##### Transportation Assets

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

##### Water & Sewer Assets

5 to 100 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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- Swimming Pools	5 to 75 years
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- Other Open Space/ Recreational Assets	5 to 50 years
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- Other Infrastructure	5 to 50 years
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All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

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

#### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

##### Disposal and De-recognition

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

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

##### (k) Land

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

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

##### (l) Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

##### (m) Intangible Assets

Council recognises easements, water licences and IT Development and software as intangible assets.

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

Costs capitalised include external direct costs of materials and service, direct payroll and payroll

related costs of employees' time spent on the project.

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

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

##### (n) Crown Reserves

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

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

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

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

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

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

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

##### **(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 30/06/15.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

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

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

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

As a result there could be significant adjustments to the provision for 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 Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a

line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

Council has no discontinued operations.

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

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

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

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

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

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

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

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

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

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

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

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

Borrowings are recognised at historical cost.

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at

the rates paid or payable, and accordingly no Liability has been recognised in these reports.

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

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

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

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

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

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

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

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

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

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

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

The last valuation of the Scheme was performed by Mercer Consulting (Australia) and covers the period ended 30/06/2015.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2015 was \$ 1,065,687.00

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

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

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

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

#### **Defined Contribution Plans**

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

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

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/15.

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

Council does not self insure.

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

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



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

##### Exceptions

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

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

##### (aa) Taxes

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

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

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

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

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

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

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

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

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

are recoverable from or payable to the ATO are classified as operating cash flows.

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

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

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

##### Applicable to Local Government:

##### **AASB 9 - Financial Instruments** (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

##### **AASB 15 - Revenue from contracts with customers and associated amending standards**

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

#### **AASB 124 - Related Party Disclosures**

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

#### **(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 2015

#### 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 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Governance	-	155	5	-	3,828	4,807	-	(3,673)	(4,802)	150	5	-	-
A Spirit of Community	5,894	6,064	5,554	23,877	22,560	23,333	(17,983)	(16,496)	(17,779)	2,617	1,754	180,530	181,789
A Prosperous Region	3,225	3,440	6,668	7,193	6,664	6,992	(3,968)	(3,224)	(324)	-	3,201	80,951	76,228
An Accessible Region	19,769	33,393	26,960	34,252	83,912	37,793	(14,483)	(50,519)	(10,833)	3,462	3,613	656,506	713,380
A Region for the Future	54,109	61,959	67,133	54,699	50,013	46,764	(590)	11,946	20,369	2,511	6,997	588,924	576,184
<b>Total Functions &amp; Activities</b>	<b>82,997</b>	<b>105,011</b>	<b>106,320</b>	<b>120,021</b>	<b>166,977</b>	<b>119,689</b>	<b>(37,024)</b>	<b>(61,966)</b>	<b>(13,369)</b>	<b>8,740</b>	<b>15,570</b>	<b>1,506,911</b>	<b>1,547,581</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income <sup>1</sup>	42,753	42,623	36,465	-	-	-	42,753	42,623	36,465	10,649	5,456	-	-
<b>Operating Result from Continuing Operations</b>	<b>125,750</b>	<b>147,634</b>	<b>142,785</b>	<b>120,021</b>	<b>166,977</b>	<b>119,689</b>	<b>5,729</b>	<b>(19,343)</b>	<b>23,096</b>	<b>19,389</b>	<b>21,026</b>	<b>1,506,911</b>	<b>1,547,581</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 2015

#### 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.

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

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

##### **A PROSPEROUS REGION**

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

##### **AN ACCESSIBLE REGION**

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

##### **A REGION FOR THE FUTURE**

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		19,595	18,843
Farmland		5,282	5,188
Mining		16	16
Business		5,199	4,993
<b>Total Ordinary Rates</b>		<b>30,092</b>	<b>29,040</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		6,076	5,873
Stormwater Management Services		554	543
Water Supply Services		5,653	5,461
Sewerage Services		15,699	15,060
Waste Management Services (non-domestic)		845	819
<b>Total Annual Charges</b>		<b>28,827</b>	<b>27,756</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>58,919</b>	<b>56,796</b>

Council has used 2013 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 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Water Supply Services		8,919	11,219
Sewerage Services		2,085	1,918
<b>Total User Charges</b>		<b>11,004</b>	<b>13,137</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building Regulation		1,540	1,460
Private Works - Section 67		1,121	944
Regulatory/ Statutory Fees		386	329
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>3,047</b>	<b>2,733</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Aerodrome		4,068	4,195
Cemeteries		257	229
Community Centres		448	455
Country Music Festival		1,493	1,357
Hire Charge Council Facilities		2,255	2,119
Parking Fees		508	494
RMS (formerly RTA) Charges (State Roads not controlled by Council)		15,489	9,833
Sewerage Services		284	698
Sports Dome		273	242
Sporting Events		-	84
Sporting Facilities		162	150
Swimming Centres		370	411
Venue Ticket Sales		189	111
Waste/Recycling Depot		3,802	4,480
Other		485	1,189
<b>Total Fees &amp; Charges - Other</b>		<b>30,083</b>	<b>26,047</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>44,134</b>	<b>41,917</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		383	349
- Interest earned on Investments (interest & coupon payment income)		4,583	4,959
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<b>4,966</b>	<b>5,308</b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		383	349
General Council Cash & Investments		1,915	2,197
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		166	153
- Section 64		640	578
Water Fund Operations		1,041	1,041
Sewerage Fund Operations		821	990
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b>4,966</b>	<b>5,308</b>
<b>(d) Other Revenues</b>			
Fair Value Adjustments - Investment Properties	14	50	-
Rental Income - Investment Properties	14	475	374
Rental Income - Other Council Properties		676	571
Fines		399	455
Commissions & Agency Fees		200	207
Consultancy Services		303	154
Insurance Rebate		88	78
Sales - General		414	57
Sponsorship Income		27	64
Antenna Leases		49	-
Easement Compensation		20	-
Other		236	173
<b>TOTAL OTHER REVENUE</b>		<b>2,937</b>	<b>2,133</b>

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance	10,127	4,956	-	-
Pensioners' Rates Subsidies - General Component	522	500	-	-
<b>Total General Purpose</b>	<b>10,649</b>	<b>5,456</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

#### Specific Purpose

##### Pensioners' Rates Subsidies:

- Water	210	200	-	-
- Sewerage	193	184	-	-
- Domestic Waste Management	177	169	-	-
- Other	348	260	-	-
Water Supplies	-	40	603	5,134
Building Better Regional Cities	-	-	-	3,188
Bushfire & Emergency Services	439	493	18	50
Community Care	734	710	-	-
Digital Local Government Income	188	188	84	-
Disaster Mitigation & Rehabilitation	168	548	-	-
Environmental Protection	145	-	-	-
Heritage & Cultural	340	352	-	-
LIRS Subsidy	133	144	-	-
NBN Digital Hub	-	-	-	84
Noxious Weed Control	254	158	-	-
Street Lighting	169	169	-	-
Training	46	103	-	-
Transport (Roads to Recovery)	1,849	2,315	-	-
Transport (Other Roads & Bridges Funding)	-	-	1,013	-
Namoi Joint Organisation	150	-	-	-
Park Upgrades	-	-	1,130	-
Other	80	405	269	676
<b>Total Specific Purpose</b>	<b>5,623</b>	<b>6,438</b>	<b>3,117</b>	<b>9,132</b>
<b>Total Grants</b>	<b>16,272</b>	<b>11,894</b>	<b>3,117</b>	<b>9,132</b>

##### Grant Revenue is attributable to:

- Commonwealth Funding	12,866	8,209	547	5,349
- State Funding	3,369	3,603	2,565	3,783
- Other Funding	37	82	5	-
	<b>16,272</b>	<b>11,894</b>	<b>3,117</b>	<b>9,132</b>



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 93F - Contributions using Planning Agreements	-	-	29	-
S 94 - Contributions towards amenities/services	-	-	1,244	1,045
S 94A - Fixed Development Consent Levies	-	-	582	-
S 64 - Water Supply Contributions	-	-	2,316	1,762
S 64 - Sewerage Service Contributions	-	-	907	758
<b>Total Developer Contributions</b>	17 -	-	<b>5,078</b>	<b>3,565</b>
<b>Other Contributions:</b>				
Dedications (other than by S94)	-	-	8,995	8,154
Donations	-	359	-	-
Other Councils - Joint Works/Services	630	613	-	-
RMS Contributions (Regional Roads, Block Grant)	2,227	2,188	-	-
Sewerage (excl. Section 64 contributions)	247	24	7	-
Water Supplies (excl. Section 64 contributions)	-	-	2	2
Other Fund raising	24	-	-	-
Other	16	56	63	644
<b>Total Other Contributions</b>	<b>3,144</b>	<b>3,240</b>	<b>9,067</b>	<b>8,800</b>
<b>Total Contributions</b>	<b>3,144</b>	<b>3,240</b>	<b>14,145</b>	<b>12,365</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>19,416</b>	<b>15,134</b>	<b>17,262</b>	<b>21,497</b>

\$ '000	Actual 2015	Actual 2014
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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	33,222	31,438
add: Grants & contributions recognised in the current period but not yet spent:	8,152	9,842
less: Grants & contributions recognised in a previous reporting period now spent:	(10,907)	(8,058)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>(2,755)</b>	<b>1,784</b>
<b>Unexpended and held as Restricted Assets</b>	<b>30,467</b>	<b>33,222</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	4,512	11,233
- Developer Contributions	25,955	21,989
	<b>30,467</b>	<b>33,222</b>

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

### Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		31,656	30,948
Travelling		586	641
Employee Leave Entitlements (ELE)		5,545	5,721
Superannuation		3,795	3,759
Workers' Compensation Insurance		630	764
Fringe Benefit Tax (FBT)		143	150
Payroll Tax		316	286
Training Costs (other than Salaries & Wages)		427	400
Other		223	213
<b>Total Employee Costs</b>		<b>43,321</b>	<b>42,882</b>
less: Capitalised Costs		(3,085)	(3,451)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>40,236</b>	<b>39,431</b>
Number of "Equivalent Full Time" Employees at year end		496	520
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		5,563	6,231
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>5,563</b>	<b>6,231</b>
<b>(ii) Other Borrowing Costs</b>			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	463	453
<b>Total Other Borrowing Costs</b>		<b>463</b>	<b>453</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>6,026</b>	<b>6,684</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		26,888	25,106
Contractor & Consultancy Costs		6,701	6,457
Auditors Remuneration <sup>(1)</sup>		102	94
Legal Expenses:			
- Legal Expenses: Planning & Development		31	9
- Legal Expenses: Other		106	53
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payment <sup>(2)</sup>		874	947
<b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>		<b><u>34,702</u></b>	<b><u>32,666</u></b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by Council's internal and external auditors.			
<b>Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's External Auditor		66	64
-Other Assurance Services ... Internal Auditors		36	30
<b>Remuneration for audit and other assurance services</b>		<b><u>102</u></b>	<b><u>94</u></b>
<b>Total Auditor Remuneration</b>		<b><u>102</u></b>	<b><u>94</u></b>
<b>2. Operating Lease Payments are attributable to:</b>			
Buildings		519	468
Computers and photocopies		355	479
		<b><u>874</u></b>	<b><u>947</u></b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
Plant and Equipment		19	-	3,233	3,337
Office Equipment		-	-	53	43
Furniture & Fittings		-	-	418	424
Land Improvements (depreciable)		-	-	669	655
Buildings - Non Specialised		-	-	1,193	1,553
Buildings - Specialised		-	-	167	271
Other Structures		-	-	1,176	1,466
Infrastructure:					
- Roads		-	-	8,251	8,136
- Bridges		-	-	989	1,102
- Footpaths		-	-	277	299
- Stormwater Drainage		-	-	1,765	1,232
- Water Supply Network		-	-	4,184	3,826
- Sewerage Network		-	-	5,281	5,008
- Swimming Pools		-	-	202	212
Other Assets					
- Heritage Collections		-	-	-	1
- Library Books		-	-	295	286
- Other		-	-	108	100
Asset Reinstatement Costs	9 & 26	-	-	323	323
Intangible Assets	25	-	-	84	21
<b>Total Depreciation &amp; Impairment Costs</b>		<b>19</b>	<b>-</b>	<b>28,668</b>	<b>28,295</b>
less: Capitalised Costs		-	-	(427)	(572)
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>19</b>	<b>-</b>	<b>28,241</b>	<b>27,723</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		461	422
Bad & Doubtful Debts		838	467
Carbon Tax Expense		86	53
Contributions/Levies to Other Levels of Government		1,878	1,663
- Chaffey Dam Augmentation		3,300 <sup>1</sup>	-
Councillor Expenses - Mayoral Fee		38	38
Councillor Expenses - Councillors' Fees		161	157
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		120	138
Donations, Contributions & Assistance to other organisations (Section 356)		272	342
Electricity & Heating		3,164	3,522
Insurance		1,867	1,794
Public Liability Claim Payout		195	-
Revaluation Decrements (Fair Valuation of I,PP&E Assets)	9(a)	39,100 <sup>2</sup>	-
Revaluation Decrements (Fair Valuation of Investment Properties)	14	-	96
Street Lighting		665	682
Sustainability Rebates		21	93
Telephone & Communications		600	515
Other		5	11
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>52,771</u></b>	<b><u>9,993</u></b>

<sup>1</sup> Council was required to make a contribution to the upgrade of the Chaffey Dam which is a NSW State Government asset.

<sup>2</sup> The revaluation of councils transport assets this year resulted in a net decrement of \$169M which was \$40M more than previous increments held in the Revaluation Reserve. See Note 27 for a full explanation of the revaluation.

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015	2014
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		1,345	2,056
less: Carrying Amount of P&E Assets Sold / Written Off		(1,492)	(1,846)
<b>Net Gain/(Loss) on Disposal</b>		<b>(147)</b>	<b>210</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(6,232)	(3,459)
<b>Net Gain/(Loss) on Disposal</b>		<b>(6,232)</b>	<b>(3,459)</b>
<b>Non Current Assets Classified as "Held for Sale"</b>			
Proceeds from Disposal - Non Current Assets "Held for Sale"		3,280	673
less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off		(1,883)	(616)
<b>Net Gain/(Loss) on Disposal</b>		<b>1,397</b>	<b>57</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(4,982)</u></b>	<b><u>(3,192)</u></b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		6,313	-	8,595	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>6,313</b>	<b>-</b>	<b>8,595</b>	<b>-</b>
<b>Investments (Note 6b)</b>					
- Long Term Deposits		132,499	-	113,500	-
<b>Total Investments</b>		<b>132,499</b>	<b>-</b>	<b>113,500</b>	<b>-</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>138,812</b>	<b>-</b>	<b>122,095</b>	<b>-</b>
 <b>Cash, Cash Equivalents &amp; Investments were classified at year end in accordance with AASB 139 as follows:</b>					
<b>Cash &amp; Cash Equivalents</b>					
a. "At Fair Value through the Profit & Loss"		6,313	-	8,595	-
<b>Investments</b>					
b. "Held to Maturity" Investments	6(b-i)	132,499	-	113,500	-
		<b>132,499</b>	<b>-</b>	<b>113,500</b>	<b>-</b>
 <b>Note 6(b-i)</b>					
<b>Reconciliation of Investments classified as "Held to Maturity"</b>					
Balance at the Beginning of the Year		113,500	-	116,700	-
Additions		18,999	-	-	-
Term Deposit Redemption		-	-	(3,200)	-
<b>Balance at End of Year</b>		<b>132,499</b>	<b>-</b>	<b>113,500</b>	<b>-</b>
 <b>Comprising:</b>					
- Long Term Deposits		136,181	-	113,500	-
- Other Long Term Financial Assets		(3,682)	-	-	-
<b>Total</b>		<b>132,499</b>	<b>-</b>	<b>113,500</b>	<b>-</b>

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investments</b>	<b>138,812</b>	<b>-</b>	<b>122,095</b>	<b>-</b>
<b>attributable to:</b>				
External Restrictions (refer below)	106,324	-	98,023	-
Internal Restrictions (refer below)	28,747	-	21,506	-
Unrestricted	3,741	-	2,566	-
	<b>138,812</b>	<b>-</b>	<b>122,095</b>	<b>-</b>

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

#### Details of Restrictions

##### External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	67	-	(67)	-
Specific Purpose Unexpended Loans-Water (A)	492	-	-	492
Specific Purpose Unexpended Loans-Sewer (A)	2,106	-	(66)	2,040
<b>External Restrictions - Included in Liabilities</b>	<b>2,665</b>	<b>-</b>	<b>(133)</b>	<b>2,532</b>

##### External Restrictions - Other

Developer Contributions - General (B)	4,526	3,269	(1,937)	5,858
Developer Contributions - Water Fund (B)	10,113	1,539	-	11,652
Developer Contributions - Sewer Fund (B)	7,350	1,095	-	8,445
Specific Purpose Unexpended Grants (C)	10,165	6,819	(13,133)	3,851
Specific Purpose Unexpended Grants-Water Fund (C)	514	-	(514)	-
Specific Purpose Unexpended Grants-Sewer Fund (C)	554	246	(139)	661
Water Supplies (D)	25,287	3,848	-	29,135
Sewerage Services (D)	19,744	5,632	-	25,376
Domestic Waste Management (D)	15,484	13,084	(11,165)	17,403
Deposits, Retentions & Bonds	1,621	-	(210)	1,411
<b>External Restrictions - Other</b>	<b>95,358</b>	<b>35,532</b>	<b>(27,098)</b>	<b>103,792</b>
<b>Total External Restrictions</b>	<b>98,023</b>	<b>35,532</b>	<b>(27,231)</b>	<b>106,324</b>

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

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

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

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



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	5,846	10,563	(10,444)	5,965
Employees Leave Entitlement	1,633	1,022	(1,022)	1,633
Civil Construction	-	250	-	250
Asset Renewal	-	500	-	500
Acquatic Centre	159	-	(159)	-
After School Care	89	557	(521)	125
Airport	2,217	4,637	(5,569)	1,285
Art Gallery Acquisition	1	-	-	1
Asset Revaluation	51	35	-	86
Australia Day	4	-	-	4
Barraba Playground Equipment	10	-	-	10
Best Mates Challenge	12	-	(1)	11
Bushfire Emergency	10	-	-	10
Caravan Park	460	178	(39)	599
Central Business District	163	1,000	-	1,163
Country Music Festival	37	-	(36)	1
Central Northern Regional Libraries	427	1,594	(1,538)	483
Cemetery	1	20	(19)	2
Councillor Professional Development	31	-	-	31
Council Buildings	327	-	(36)	291
Cultural Development Officer Grant	34	-	(34)	-
Floor Recovery Sports Facilities	-	65	-	65
Drainage Levy	465	586	(96)	955
Economic Development	68	-	(27)	41
Election	65	65	-	130
Electricity/Light Bulb Repair	4	3	-	7
Equine Centre	69	-	(34)	35
Fibre Textiles - Council Cont	17	-	(8)	9
Flood Mitigation	250	115	(16)	349
Health and Well Being Projects	10	-	-	10
Human Services - Risk and Safety	16	-	(8)	8
Incomplete Works	9	258	-	267
International Women's Day	1	-	-	1
Integrated Planning and Reporting	31	-	(31)	-
Information Technology Department	512	309	(238)	583
Laboratory Equipment	53	50	(6)	97
Livestock Marketing Centre	37	-	-	37
Local Works Reserve	690	862	(391)	1,161
Pools Asset Renewals	-	33	(10)	23
Norsure Insurance	1,006	-	(862)	144
Nundle Retirement Village	243	18	(9)	252
Nundle Commons	6	5	(5)	6

(continued on the next page...)

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions (continued)</b>				
Onsite Sewerage Management	40	40	(52)	28
Organisational Development Projects	38	30	-	68
Parks & Horticulture - Asset Renewal	11	91	(14)	88
Parking Meters/Car Park	1,302	944	(509)	1,737
Property Acquisition and Development	939	3,432	(2,737)	1,634
Quarry Remediation & Renewal	69	256	-	325
Revotes - General Fund	117	220	(93)	244
Risk and Safety	36	44	(8)	72
Roads - Asset Renewal	200	-	-	200
Roadworks (FAG Roads Component)	423	4,038	(3,451)	1,010
RTA User Charges	1,172	15,640	(13,735)	3,077
RFS Equipment Donations	3	-	-	3
Sister City	12	-	(2)	10
Section 94 Plan - Council Cont	250	250	-	500
Sports Venues - Asset Renewal	173	200	(19)	354
SRV - Transport	594	1,804	(1,516)	882
SRV - Drainage	236	268	(302)	202
SRV - Buildings	349	679	(442)	586
SRV - Sports and Entertainment Venues	371	206	(66)	511
SRV - Parks and Recreation	3	57	(6)	54
Tamworth Sports Dome	23	13	(18)	18
Village Improvement Fund	62	15	(26)	51
Woolomin Flood Donations	19	-	-	19
Waiving of Fees and Charges	-	2	-	2
Water Billing Equipment	-	82	-	82
Aquatic & Sport	-	144	(84)	60
Asset Management Projects	-	300	-	300
<b>Total Internal Restrictions</b>	<b>21,506</b>	<b>51,480</b>	<b>(44,239)</b>	<b>28,747</b>
<b>TOTAL RESTRICTIONS</b>	<b>119,529</b>	<b>87,012</b>	<b>(71,470)</b>	<b>135,071</b>

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

### Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		3,323	392	3,389	384
Interest & Extra Charges		819	-	735	-
User Charges & Fees		7,184	-	8,608	-
Accrued Revenues					
- Interest on Investments		1,177	-	1,312	-
- Other Income Accruals		66	-	-	-
Contributions		38	-	23	-
Deferred Debtors		69	-	94	-
Government Grants & Subsidies		1,060	-	975	-
Insurance claim		451	-	-	-
Net GST Receivable		414	-	576	-
Other Debtors		37	-	62	-
<b>Total</b>		<b>14,638</b>	<b>392</b>	<b>15,774</b>	<b>384</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(877)	-	(505)	-
Interest & Extra Charges		(291)	-	(193)	-
User Charges & Fees		(1,030)	-	(554)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(2,198)</b>	<b>-</b>	<b>(1,252)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>12,440</u></b>	<b><u>392</u></b>	<b><u>14,522</u></b>	<b><u>384</u></b>
<b>Externally Restricted Receivables</b>					
<b>Water Supply</b>					
- Specific Purpose Grants		18	-	250	-
- Rates & Availability Charges		494	-	460	-
- Other		1,097	-	1,791	-
<b>Sewerage Services</b>					
- Rates & Availability Charges		1,010	-	1,128	-
- Other		285	-	314	-
<b>Domestic Waste Management</b>					
		920	-	1,239	-
<b>Total External Restrictions</b>		<b>3,824</b>	<b>-</b>	<b>5,182</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
RMS User Charges		1,540	-	3,602	-
Airport		768	-	516	-
<b>Internally Restricted Receivables</b>		<b>2,308</b>	<b>-</b>	<b>4,118</b>	<b>-</b>
<b>Unrestricted Receivables</b>		<b>6,308</b>	<b>392</b>	<b>5,222</b>	<b>384</b>
<b>TOTAL NET RECEIVABLES</b>		<b>12,440</b>	<b>392</b>	<b>14,522</b>	<b>384</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 8.50% (2014 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 2015

#### Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		1,377	-	1,154	-
<b>Total Inventories</b>		<b>1,377</b>	<b>-</b>	<b>1,154</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		57	-	127	-
<b>Total Other Assets</b>		<b>57</b>	<b>-</b>	<b>127</b>	<b>-</b>
<b>TOTAL INVENTORIES/OTHER ASSETS</b>		<b>1,434</b>	<b>-</b>	<b>1,281</b>	<b>-</b>

#### Externally Restricted Assets

There are no restrictions applicable to the above assets.

#### Other Disclosures

#### Inventory Write Downs

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

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

## Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 9a. Infrastructure, Property, Plant &amp; Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period									as at 30/6/2015				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	Adjustments & Transfers	Tfrs from/(to) "Held for Sale" category	Revaluation Decrements to P&L	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment													Dep'n	Impairment	
Capital Work in Progress	27,989	-	-	-	27,989	12,613	-	-	-	(3,509)	-	-	-	-	37,093	-	-	-	37,093
Plant & Equipment	-	43,459	20,457	-	23,002	4,154	(1,492)	(3,233)	(19)	9	-	-	-	-	-	41,460	19,020	19	22,421
Office Equipment	-	3,451	3,262	-	189	-	-	(53)	-	-	-	-	-	-	-	280	144	-	136
Furniture & Fittings	-	5,634	2,502	-	3,132	30	-	(418)	-	-	-	-	-	-	-	5,262	2,518	-	2,744
<b>Land:</b>																			
- Operational Land	-	68,711	-	-	68,711	1,871	-	-	-	-	(2,118)	-	-	-	-	68,464	-	-	68,464
- Community Land	-	15,834	-	-	15,834	-	-	-	-	-	-	-	-	-	-	15,834	-	-	15,834
- Land under Roads (post 30/6/08)	-	522	-	-	522	206	-	-	-	-	-	-	-	-	-	728	-	-	728
Land Improvements - depreciable	-	19,183	6,676	-	12,507	608	-	(669)	-	308	-	-	-	-	-	20,068	7,314	-	12,754
Buildings - Non Specialised	-	111,594	36,806	-	74,788	1,821	-	(1,193)	-	(228)	(76)	-	-	-	-	110,588	35,476	-	75,112
Buildings - Specialised	-	21,868	1,631	-	20,237	-	-	(167)	-	-	-	-	-	-	-	21,868	1,798	-	20,070
Other Structures	-	63,594	20,407	-	43,187	269	-	(1,176)	-	(4,369)	(386)	-	-	-	-	50,510	12,985	-	37,525
<b>Infrastructure:</b>																			
- Roads <sup>1</sup>	-	694,326	195,775	-	498,551	8,316	(4,056)	(8,251)	-	(7,411)	-	(39,100)	(119,956)	-	-	429,075	100,982	-	328,093
- Bridges	-	108,381	42,397	-	65,984	1,071	(1,200)	(989)	-	1,382	-	-	-	1,886	-	96,164	28,030	-	68,134
- Footpaths	-	27,581	8,088	-	19,493	20	-	(277)	-	55	-	-	(10,995)	-	-	16,625	8,329	-	8,296
- Stormwater Drainage	-	110,551	45,146	-	65,405	3,069	(180)	(1,765)	-	13,783	-	-	-	102,125	-	267,677	85,240	-	182,437
- Water Supply Network	-	349,725	144,188	-	205,537	5,879	(229)	(4,184)	-	-	-	-	-	2,981	-	364,536	154,552	-	209,984
- Sewerage Network	-	287,766	54,029	-	233,737	1,918	(569)	(5,281)	-	-	-	-	-	3,409	-	294,516	61,302	-	233,214
- Swimming Pools	-	6,293	-	-	6,293	-	-	(202)	-	-	-	-	-	-	-	15,198	9,107	-	6,091
<b>Other Assets:</b>																			
- Heritage Collections	-	31	12	-	19	-	-	-	-	-	-	-	-	-	-	32	13	-	19
- Library Books	-	2,983	2,376	-	607	313	-	(295)	-	-	-	-	-	-	-	3,296	2,671	-	625
- Art Collection	-	3,369	-	-	3,369	13	-	-	-	-	-	-	-	-	-	3,382	-	-	3,382
- Other	-	7,237	769	-	6,468	56	-	(108)	-	(1,948)	-	-	-	-	-	5,345	877	-	4,468
<b>Reinstatement, Rehabilitation &amp; Restoration Assets</b> (refer Note 26):																			
- Tip Assets	-	12,393	6,784	-	5,609	-	-	(319)	-	-	-	-	-	-	-	12,393	7,103	-	5,290
- Quarry Assets	-	203	112	-	91	-	-	(4)	-	-	-	-	-	-	-	204	117	-	87
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>27,989</b>	<b>1,964,689</b>	<b>591,417</b>	<b>-</b>	<b>1,401,261</b>	<b>42,227</b>	<b>(7,726)</b>	<b>(28,584)</b>	<b>(19)</b>	<b>(1,928)</b>	<b>(2,580)</b>	<b>(39,100)</b>	<b>(130,951)</b>	<b>110,401</b>	<b>37,093</b>	<b>1,843,505</b>	<b>537,578</b>	<b>19</b>	<b>1,343,001</b>

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$11,424) and New Assets (\$10,670).

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

<sup>1</sup> The significant reduction in the fair value for roads was mainly due to an improvement in valuation techniques as explained in Note 27.

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Actual 2015				Actual 2014			
	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	15,373	-	-	<b>15,373</b>	14,642	-	-	<b>14,642</b>
Plant & Equipment	-	72	55	<b>17</b>	-	202	177	<b>25</b>
Office Equipment	-	34	27	<b>7</b>	-	43	35	<b>8</b>
Furniture & Fittings	-	-	-	<b>-</b>	-	3	3	<b>-</b>
Land								
- Operational Land	-	2,318	-	<b>2,318</b>	-	2,318	-	<b>2,318</b>
Other Structures	-	553	348	<b>205</b>	-	553	318	<b>235</b>
Infrastructure	-	364,536	154,552	<b>209,984</b>	-	353,763	148,225	<b>205,538</b>
Other Assets	-	-	-	<b>-</b>	-	627	13	<b>614</b>
<b>Total Water Supply</b>	<b>15,373</b>	<b>367,513</b>	<b>154,982</b>	<b>227,904</b>	<b>14,642</b>	<b>357,509</b>	<b>148,771</b>	<b>223,380</b>
<b>Sewerage Services</b>								
WIP	3,889	-	-	<b>3,889</b>	3,455	-	-	<b>3,455</b>
Plant & Equipment	-	-	-	<b>-</b>	-	118	118	<b>-</b>
Office Equipment	-	53	29	<b>24</b>	-	61	27	<b>34</b>
Furniture & Fittings	-	-	-	<b>-</b>	-	6	6	<b>-</b>
Land								
- Operational Land	-	10,256	-	<b>10,256</b>	-	10,256	-	<b>10,256</b>
Buildings	-	1,183	70	<b>1,113</b>	-	1,183	31	<b>1,152</b>
Other Structures	-	440	273	<b>167</b>	-	367	269	<b>98</b>
Infrastructure	-	294,516	61,302	<b>233,214</b>	-	289,278	55,542	<b>233,736</b>
Other Assets	-	-	-	<b>-</b>	-	1,177	-	<b>1,177</b>
<b>Total Sewerage Services</b>	<b>3,889</b>	<b>306,448</b>	<b>61,674</b>	<b>248,663</b>	<b>3,455</b>	<b>302,446</b>	<b>55,993</b>	<b>249,908</b>
<b>Domestic Waste Management</b>								
WIP	478	-	-	<b>478</b>	1,018	-	-	<b>1,018</b>
Plant & Equipment	-	288	95	<b>193</b>	-	288	80	<b>208</b>
Office Equipment	-	-	-	<b>-</b>	-	7	7	<b>-</b>
Land								
- Operational Land	-	859	-	<b>859</b>	-	859	-	<b>859</b>
- Improvements - depreciable	-	4,469	1,066	<b>3,403</b>	-	4,214	954	<b>3,260</b>
Buildings	-	730	117	<b>613</b>	-	647	113	<b>534</b>
Other Structures	-	2,088	613	<b>1,475</b>	-	2,088	538	<b>1,550</b>
Roads, Bridges, Footpaths	-	369	135	<b>234</b>	-	343	85	<b>258</b>
Tip Remediation	-	12,393	7,103	<b>5,290</b>	-	12,393	6,785	<b>5,608</b>
Other Assets	-	1,441	131	<b>1,310</b>	-	1,421	115	<b>1,306</b>
<b>Total DWM</b>	<b>478</b>	<b>22,637</b>	<b>9,260</b>	<b>13,855</b>	<b>1,018</b>	<b>22,260</b>	<b>8,677</b>	<b>14,601</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>19,740</b>	<b>696,598</b>	<b>225,916</b>	<b>490,422</b>	<b>19,115</b>	<b>682,215</b>	<b>213,441</b>	<b>487,889</b>

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>Impairment Losses recognised in the Income Statement:</b>			
Damage to motor vehicles just prior to June 30		(19)	-
<b>Total Impairment Losses</b>		<b>(19)</b>	<b>-</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		5,383	-	6,392	-
Payments Received In Advance		530	-	247	-
Accrued Expenses:					
- Borrowings		199	-	122	-
- Salaries & Wages		1,541	-	1,198	-
- Other Expenditure Accruals		127	-	143	-
Security Bonds, Deposits & Retentions		1,230	-	1,332	-
ATO - Net GST Payable		180	-	-	-
Ticket Monies Held		181	-	289	-
Other		571	-	659	-
<b>Total Payables</b>		<b>9,942</b>	<b>-</b>	<b>10,382</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		5,002	81,198	4,773	81,525
<b>Total Borrowings</b>		<b>5,002</b>	<b>81,198</b>	<b>4,773</b>	<b>81,525</b>
<b>Provisions</b>					
<b>Employee Benefits:</b>					
Annual Leave		3,545	-	3,649	-
Long Service Leave		5,414	306	6,062	283
<b>Sub Total - Aggregate Employee Benefits</b>		<b>8,959</b>	<b>306</b>	<b>9,711</b>	<b>283</b>
Asset Remediation/Restoration (Future Works) <sup>26</sup>		-	16,843	-	16,353
<b>Total Provisions</b>		<b>8,959</b>	<b>17,149</b>	<b>9,711</b>	<b>16,636</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>23,903</b>	<b>98,347</b>	<b>24,866</b>	<b>98,161</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2015		2014	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Water		1,268	12,170	1,216	8,151
Sewer		2,837	42,461	2,775	44,599
Liabilities relating to externally restricted assets		4,105	54,631	3,991	52,750
<b>Total Liabilities relating to restricted assets</b>		<b>4,105</b>	<b>54,631</b>	<b>3,991</b>	<b>52,750</b>
<b>Total Liabilities relating to Unrestricted Assets</b>		<b>19,798</b>	<b>43,716</b>	<b>20,875</b>	<b>45,411</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>		<b>23,903</b>	<b>98,347</b>	<b>24,866</b>	<b>98,161</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.

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Actual 2015	Actual 2014
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	7,167	7,246
Payables - Security Bonds, Deposits & Retentions	861	932
	<u>8,028</u>	<u>8,178</u>

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

Class of Provision	2014		2015			
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	3,649	2,399	(2,556)	53	-	3,545
Long Service Leave	6,345	1,465	(1,540)	(550)	-	5,720
Asset Remediation	16,353	-	(28)	518	-	16,843
<b>TOTAL</b>	<b>26,347</b>	<b>3,864</b>	<b>(4,124)</b>	<b>21</b>	<b>-</b>	<b>26,108</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 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	6,313	8,595
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>6,313</b>	<b>8,595</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>(19,343)</b>	<b>23,096</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		28,241	27,723
Net Losses/(Gains) on Disposal of Assets		4,982	3,192
Non Cash Capital Grants and Contributions		(8,995)	(8,154)
Impairment Losses Recognition - I,PP&E		19	-
<b>Losses/(Gains) recognised on Fair Value Re-measurements through the P&amp;L:</b>			
- Investment Properties		(50)	96
- Write Offs relating to the Fair Valuation of I,PP&E		39,100	-
Unwinding of Discount Rates on Reinstatement Provisions		463	453
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		1,103	6,990
Increase/(Decrease) in Provision for Doubtful Debts		946	22
Decrease/(Increase) in Inventories		(223)	97
Decrease/(Increase) in Other Assets		70	114
Increase/(Decrease) in Payables		(1,009)	(3,610)
Increase/(Decrease) in accrued Interest Payable		77	(1,159)
Increase/(Decrease) in other accrued Expenses Payable		327	(257)
Increase/(Decrease) in Other Liabilities		165	392
Increase/(Decrease) in Employee Leave Entitlements		(729)	(380)
Increase/(Decrease) in Other Provisions		27	(171)
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>45,171</b>	<b>48,444</b>

# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Other Dedications		8,995	8,154
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>8,995</b>	<b>8,154</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>

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 2015

#### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		96	2,380
Plant & Equipment		60	365
Water & Sewer Infrastructure		75	1,900
Bridge Construction		220	41
Road Construction		622	1,268
Waste Infrastructure		276	200
Parks and Recreation		1,635	-
Footpaths		58	-
Information Technology		49	-
Airport		68	-
Other		-	133
<b>Total Commitments</b>		<b>3,159</b>	<b>6,287</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		3,159	6,287
<b>Total Payable</b>		<b>3,159</b>	<b>6,287</b>
<b>(b) Finance Lease Commitments</b>			
Nil			
<b>(c) Operating Lease Commitments (Non Cancellable)</b>			
<b>Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:</b>			
Within the next year		112	271
Later than one year and not later than 5 years		108	233
Later than 5 years		-	-
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>220</b>	<b>504</b>

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014    2013	
<b>Local Government Industry Indicators - Consolidated</b>				
<b>1. Operating Performance Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>	<u>7,427</u>	<b>5.70%</b>	4.03%	-0.28%
Total continuing operating revenue <sup>(1)</sup>	<b>130,322</b>			
(excl. Capital Grants & Contributions)				
<b>2. Own Source Operating Revenue Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(excl. ALL Grants &amp; Contributions)</u>	<u>110,906</u>	<b>75.15%</b>	74.35%	71.42%
Total continuing operating revenue <sup>(1)</sup>	<b>147,584</b>			
(excl. Capital Grants & Contributions)				
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(2)</sup>	<u>45,053</u>	<b>3.83x</b>	2.87	3.49
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	<u>11,770</u>			
<b>4. Debt Service Cover Ratio</b>				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation	<u>41,713</u>	<b>3.84x</b>	3.42	3.23
Principal Repayments (from the Statement of Cash Flows)	<u>10,874</u>			
+ Borrowing Costs (from the Income Statement)				
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual and Extra Charges Outstanding	<u>3,366</u>	<b>5.33%</b>	6.21%	7.22%
Rates, Annual and Extra Charges Collectible	<u>63,112</u>			
<b>6. Cash Expense Cover Ratio</b>				
Current Year's Cash and Cash Equivalents				
<u>+ All Term Deposits</u>	<u>138,812</u>	<b>15.34</b>	13.62	14.96
Payments from cash flow of operating and financing activities	<u>9,046</u>	<b>mths</b>		

#### Notes

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

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

Also excludes any real estate & land for resale not expected to be sold in the next 12 months

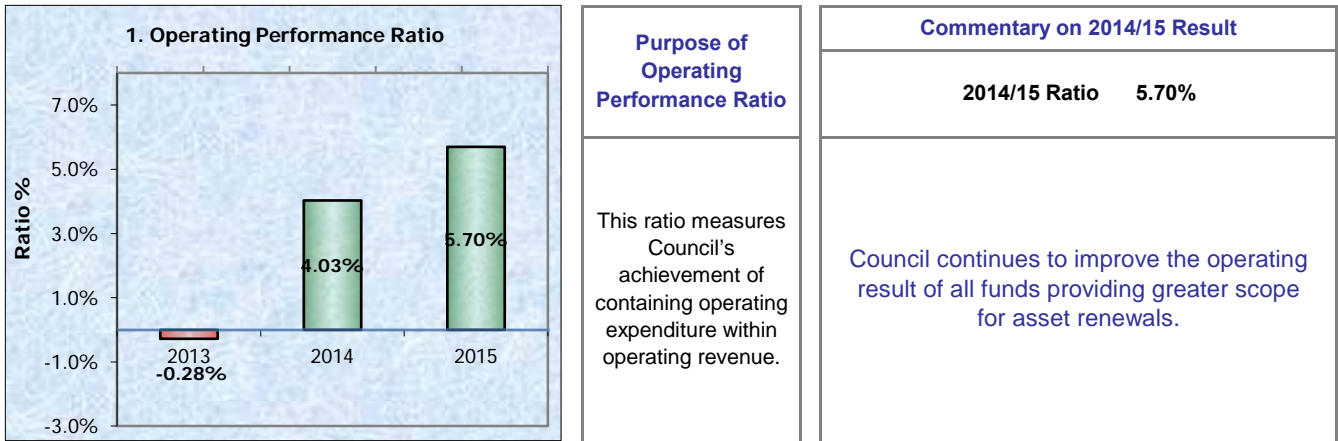
<sup>(3)</sup> Refer to Note 10(a).

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

# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2015

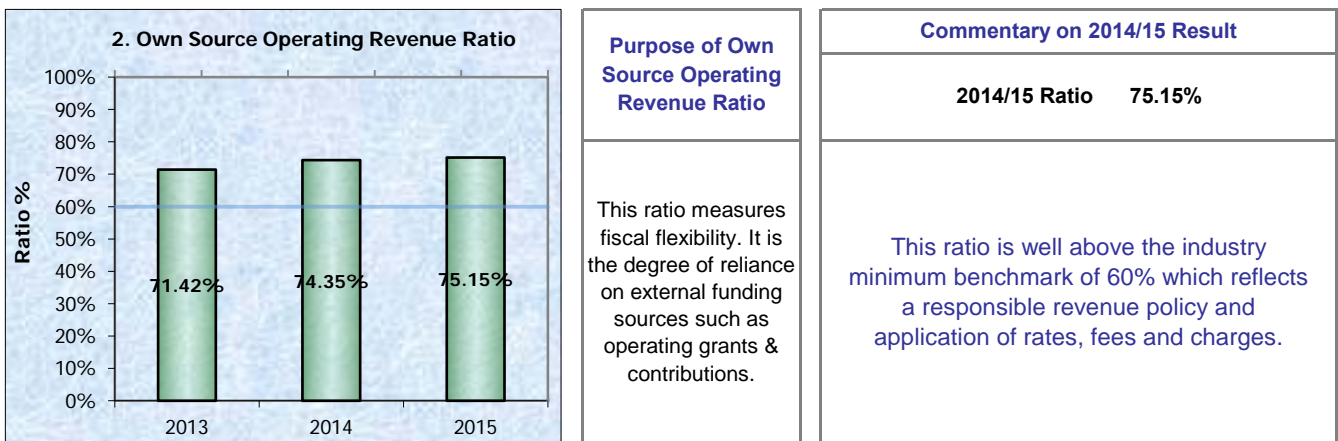
### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Benchmark: Minimum  $\geq 0.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

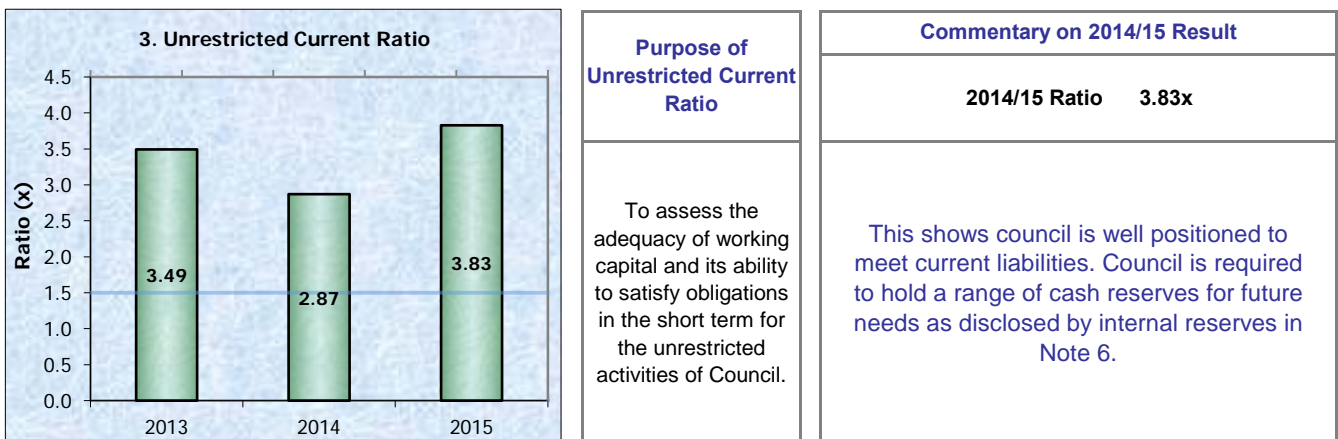
Ratio is within Benchmark  
 Ratio is outside Benchmark



Benchmark: Minimum  $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark  
 Ratio is outside Benchmark



Benchmark: Minimum  $\geq 1.50$

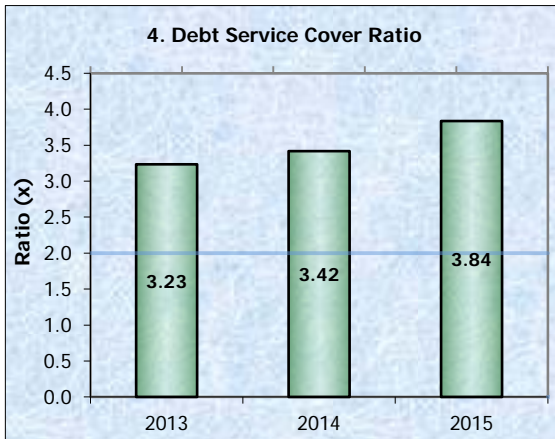
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark  
 Ratio is outside Benchmark

# Tamworth Regional Council

## Notes to the Financial Statements for the financial year ended 30 June 2015

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



**Purpose of Debt Service Cover Ratio**

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

**Commentary on 2014/15 Result**

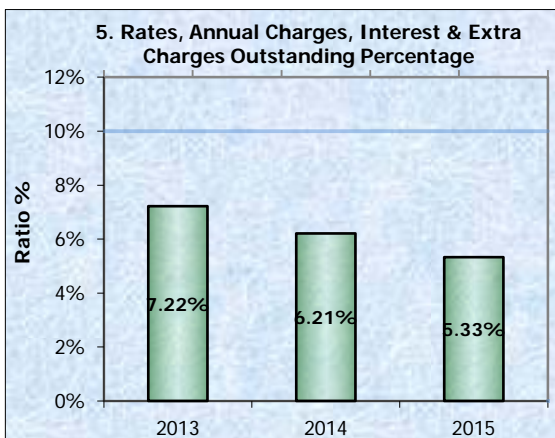
**2014/15 Ratio 3.84x**

Councils ratio shows the cost of funding new capital works is being fairly distributed through borrowing programs while keeping within financing capacity.

Benchmark: ——— Minimum  $\geq 2.00$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark  
 Ratio is outside Benchmark



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

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

**Commentary on 2014/15 Result**

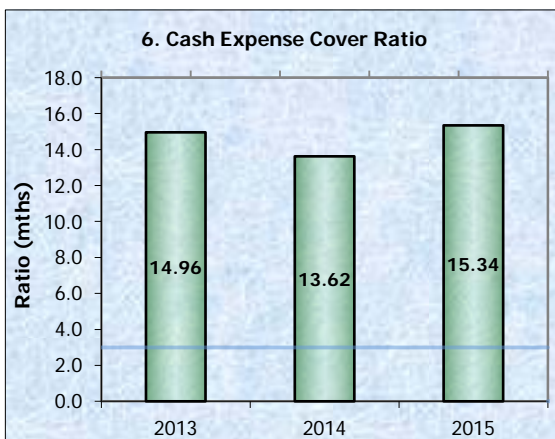
**2014/15 Ratio 5.33%**

Council is continuing to assist ratepayers and debtors to manage account balances through our debt recovery and hardship policies.

Benchmark: ——— Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of Cash Expense Cover Ratio**

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

**Commentary on 2014/15 Result**

**2014/15 Ratio 15.34 mths**

Council continues to be in a sound position for cash flows. As shown in Note 6, most of Council's cash reserves are externally restricted for designated future needs.

Benchmark: ——— Minimum  $\geq 3.00$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark  
 Ratio is outside Benchmark

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Water 2015	Sewer 2015	General <sup>5</sup> 2015
<b>Local Government Industry Indicators - by Fund</b>			
<b>1. Operating Performance Ratio</b>			
Total continuing operating revenue <sup>(1)</sup>			
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses<sup>6</sup></u>	<b>-10.27%</b>	<b>12.03%</b>	<b>7.46%</b>
Total continuing operating revenue <sup>(1)</sup>			
(excl. Capital Grants & Contributions)	prior period: 19.64%	7.55%	-0.64%
<b>2. Own Source Operating Revenue Ratio</b>			
Total continuing operating revenue <sup>(1)</sup>			
<u>(excl. ALL Grants &amp; Contributions)</u>	<b>81.08%</b>	<b>86.12%</b>	<b>71.47%</b>
Total continuing operating revenue <sup>(1)</sup>			
	prior period: 68.11%	88.59%	72.96%
<b>3. Unrestricted Current Ratio</b>			
<u>Current Assets less all External Restrictions<sup>(2)</sup></u>	<b>24.25x</b>	<b>9.40x</b>	<b>3.83x</b>
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>			
	prior period: 22.85	7.63	2.87
<b>4. Debt Service Cover Ratio</b>			
<u>Operating Result<sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation</u>	<b>2.40x</b>	<b>2.10x</b>	<b>6.12x</b>
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)			
	prior period: 8.90	1.71	4.39
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
<u>Rates, Annual and Extra Charges Outstanding</u>	<b>8.03%</b>	<b>6.37%</b>	<b>4.53%</b>
Rates, Annual and Extra Charges Collectible			
	prior period: 7.75%	7.41%	5.52%
<b>6. Cash Expense Cover Ratio</b>			
Current Year's Cash and Cash Equivalents <u>+ All Term Deposits</u>	<b>30.37</b>	<b>31.11</b>	<b>9.37</b>
Payments from cash flow of operating and financing activities	<b>mths</b>	<b>mths</b>	<b>mths</b>
	prior period: 34.82	23.96	8.38

#### Notes

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

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

(6) The ratio for Water Fund excluding the one off capital contribution to NSW Water would have been 7.6%

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 14. Investment Properties

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Investment Properties at Fair value</b>			
<u>Investment Properties on Hand</u>		<u>6,100</u>	<u>6,050</u>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		6,050	6,146
- Net Gain/(Loss) from Fair Value Adjustments		50	(96)
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b><u>6,100</u></b>	<b><u>6,050</u></b>
<b>(b) Valuation Basis</b>			
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.			
<b>(c) Contractual Obligations at Reporting Date</b>			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
<b>(d) Leasing Arrangements</b>			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are receivable as follows:			
Within 1 year		431	390
Later than 1 year but less than 5 years		652	536
Later than 5 years		-	-
<b>Total Minimum Lease Payments Receivable</b>		<b><u>1,083</u></b>	<b><u>926</u></b>
<b>(e) Investment Property Income &amp; Expenditure - summary</b>			
<b>Rental Income from Investment Properties:</b>			
- Minimum Lease Payments		475	374
<b>Direct Operating Expenses on Investment Properties:</b>			
- that generated rental income		(282)	(204)
<b>Net Revenue Contribution from Investment Properties</b>		<b><u>193</u></b>	<b><u>170</u></b>
plus:			
<b>Fair Value Movement for year</b>		<b><u>50</u></b>	<b><u>(96)</u></b>
<b>Total Income attributable to Investment Properties</b>		<b><u>243</u></b>	<b><u>74</u></b>

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



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### 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	
	2015	2014	2015	2014
<b>Financial Assets</b>				
Cash and Cash Equivalents	6,313	8,595	2,632	2,649
Investments				
- "Held to Maturity"	132,499	113,500	136,180	119,446
Receivables	12,832	14,906	12,832	14,909
<b>Total Financial Assets</b>	<b>151,644</b>	<b>137,001</b>	<b>151,644</b>	<b>137,004</b>
<b>Financial Liabilities</b>				
Payables	9,412	10,135	9,412	10,135
Loans / Advances	86,200	86,298	86,200	86,298
<b>Total Financial Liabilities</b>	<b>95,612</b>	<b>96,433</b>	<b>95,612</b>	<b>96,433</b>

Fair Value is determined as follows:

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### 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. As at June 30, 2015 no external advisers were engaged as all funds were held in term deposits or cash at bank with ADI's.

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

The risks associated with the investments held are:

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

Council manages these risks (amongst other measures) by diversifying its portfolio across different financial institutions 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>2015</b>				
Possible impact of a 1% movement in Interest Rates	1,248	1,248	1,249	1,249
<b>2014</b>				
Possible impact of a 1% movement in Interest Rates	910	910	1,452	1,452

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

##### (b) Receivables

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

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

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

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

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

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

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

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

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

		2015	2015	2014	2014
		Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables - %</b>					
Current (not yet overdue)		49%	79%	49%	70%
Overdue		51%	21%	51%	30%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of Receivables - value</b>					
<b>Rates &amp; Annual Charges</b>	<b>Other Receivables</b>	<b>Rates &amp; Annual Charges</b>	<b>Other Receivables</b>	<b>Rates &amp; Annual Charges</b>	<b>Other Receivables</b>
Current	Current	1,821	8,939	1,849	8,669
< 1 year overdue	0 - 30 days overdue	1,894	2,376	1,924	3,716
		<b>3,715</b>	<b>11,315</b>	<b>3,773</b>	<b>12,385</b>
<b>(iii) Movement in Provision for Impairment of Receivables</b>					
				2015	2014
Balance at the beginning of the year				1,252	1,230
+ new provisions recognised during the year				947	465
- amounts already provided for & written off this year				(1)	(443)
<b>Balance at the end of the year</b>				<b>2,198</b>	<b>1,252</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

##### (c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2015</b>									
Trade/Other Payables	1,230	8,182	-	-	-	-	-	9,412	9,412
Loans & Advances	-	5,003	5,307	5,335	5,467	5,772	59,316	86,200	86,200
<b>Total Financial Liabilities</b>	<b>1,230</b>	<b>13,185</b>	<b>5,307</b>	<b>5,335</b>	<b>5,467</b>	<b>5,772</b>	<b>59,316</b>	<b>95,612</b>	<b>95,612</b>
<b>2014</b>									
Trade/Other Payables	1,332	8,803	-	-	-	-	-	10,135	10,135
Loans & Advances	-	4,773	4,842	5,139	5,156	5,281	61,107	86,298	86,298
<b>Total Financial Liabilities</b>	<b>1,332</b>	<b>13,576</b>	<b>4,842</b>	<b>5,139</b>	<b>5,156</b>	<b>5,281</b>	<b>61,107</b>	<b>96,433</b>	<b>96,433</b>

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:

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	9,412	0.0%	10,135	0.0%
Loans & Advances - Fixed Interest Rate	66,122	6.3%	28,882	6.9%
Loans & Advances - Variable Interest Rate	20,078	6.2%	57,416	6.1%
	<u>95,612</u>		<u>96,433</u>	

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 24 June 2014.

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	2015 Budget	2015 Actual	2015 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>58,493</b>	<b>58,919</b>	<b>426</b>	1%	<b>F</b>
<b>User Charges &amp; Fees</b>	<b>36,675</b>	<b>44,134</b>	<b>7,459</b>	20%	<b>F</b>
Favourable increases were mainly due to; Ordered Works from the RMS (\$6.5M F), other State Government works (\$0.5M F), and Water usage charges(\$0.7M F), This was offset by a change in category for some income items to Other Revenue (\$0.5M U).					
<b>Interest &amp; Investment Revenue</b>	<b>4,640</b>	<b>4,966</b>	<b>326</b>	7%	<b>F</b>
<b>Other Revenues</b>	<b>2,226</b>	<b>2,937</b>	<b>711</b>	32%	<b>F</b>
The favourable increase relates mainly to; Fair Value adjustments for which there was no budget (\$50k F), new managed services (\$150k F) and income items coded as Fees in the budget (\$480k F).					
<b>Operating Grants &amp; Contributions</b>	<b>18,440</b>	<b>19,416</b>	<b>976</b>	5%	<b>F</b>
<b>Capital Grants &amp; Contributions</b>	<b>5,276</b>	<b>17,262</b>	<b>11,986</b>	227%	<b>F</b>
The favourable increase came from; Subdivision dedications for which there is no budget (\$9M F), new and carried forward grant works (\$1.5M F) and revenue from Developer Contribution plans (\$1.5M F).					

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>44,068</b>	<b>40,236</b>	<b>3,832</b>	9%	<b>F</b>
<b>Borrowing Costs</b>	<b>6,563</b>	<b>6,026</b>	<b>537</b>	8%	<b>F</b>
<b>Materials &amp; Contracts</b>	<b>30,794</b>	<b>34,702</b>	<b>(3,908)</b>	(13%)	<b>U</b>
The increase in budgeted expenses was mainly in relation to the additional State Government private works (\$3.5M U).					
<b>Depreciation &amp; Amortisation</b>	<b>28,729</b>	<b>28,241</b>	<b>488</b>	2%	<b>F</b>
<b>Impairment Expenses</b>	-	<b>19</b>	<b>(19)</b>	0%	<b>U</b>
Council does not budget for impairment expenses.					
<b>Other Expenses</b>	<b>9,867</b>	<b>52,771</b>	<b>(42,904)</b>	(435%)	<b>U</b>
Unfavourable increases related to; a decrement in the valuation of transport assets in excess of previous increments (\$39.0M U), an allowance for doubtful debts (\$0.8M U), a contribution to the Chaffey Dam upgrade (\$3.3M U) and an increase to water licence costs (\$0.3M U). These were offset by a decrease to electricity costs (\$0.7M F).					
<b>Net Losses from Disposal of Assets</b>	-	<b>4,982</b>	<b>(4,982)</b>	0%	<b>U</b>
Council does not budget for losses on disposal of assets.					

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

<b>Cash Flows from Operating Activities</b>	<b>35,144</b>	<b>45,171</b>	<b>10,027</b>	28.5%	<b>F</b>
Favourable net cash flows were mainly from; Rates income (\$1.0M F), User fees (net of expense increases) (\$5.5M F), Grants & Contributions (\$4.0M F) and reduced employee costs (\$3.5M F). These were offset by capital budgets that were expensed (\$4.0M U).					
<b>Cash Flows from Investing Activities</b>	<b>(38,524)</b>	<b>(47,355)</b>	<b>(8,831)</b>	22.9%	<b>U</b>
Favourable cash flows included; unbudgeted proceeds from sale of plant (\$1.3M F) and property (\$1.8M F), as well as capital budgets expensed (\$4.0M F) or not completed (\$8.0M F). The overall favourable cash result meant that investments had a net increase rather than the budgeted decrease (\$24.0M U).					
<b>Cash Flows from Financing Activities</b>	<b>(2,731)</b>	<b>(98)</b>	<b>2,633</b>	(96.4%)	<b>F</b>
The favourable increase was due to loan funds received in 2014-15 which were budgeted for in 2013-14 (\$2.7M).					

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### 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	982	489	-	40	(229)	-	1,282	9,950	(13,618)	(2,386)	-
Parking	56	-	-	2	-	-	58	-	(58)	-	-
Open Space	1,325	197	-	48	(155)	-	1,415	543	(1,958)	-	-
Community Facilities	264	63	-	9	(44)	-	292	53	(345)	-	-
Rural Fire Service	208	9	-	6	(1)	-	222	93	(315)	-	-
Studies	92	20	-	4	-	-	116	20	(136)	-	-
Garbage Disposal	3	1	-	-	-	-	4	-	(4)	-	-
Mines & Extractive Industry	946	132	-	35	(276)	-	837	974	(1,811)	-	-
Rural Traffic Generating	5	-	-	-	(2)	-	3	-	(3)	-	-
Cycleways	233	29	-	9	-	-	271	30	(301)	-	-
Tamworth Regional S94 Direct Plan	139	275	-	4	-	-	418	9,398	(9,732)	84	-
Tamworth Regional S94 Indirect Plan	143	594	-	5	-	-	742	3,810	(4,552)	-	-
<b>S94 Contributions - under a Plan</b>	<b>4,396</b>	<b>1,809</b>	-	<b>162</b>	<b>(707)</b>	-	<b>5,660</b>	<b>24,871</b>	<b>(32,833)</b>	<b>(2,302)</b>	-
<b>Total S94 Revenue Under Plans</b>	<b>4,396</b>	<b>1,809</b>	-	<b>162</b>	<b>(707)</b>	-	<b>5,660</b>				-
S94 not under Plans	130	36	-	4	-	-	170	-	(170)	-	-
S93F Planning Agreements	-	29	-	-	-	-	29				
S64 Contributions	17,463	3,223	-	640	(1,230)	-	20,096				
<b>Total Contributions</b>	<b>21,989</b>	<b>5,097</b>	-	<b>806</b>	<b>(1,937)</b>	-	<b>25,955</b>	<b>24,871</b>	<b>(33,003)</b>	<b>(2,302)</b>	-

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### CONTRIBUTION PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads - Hills Plain East	4	40	-	-	-	-	44	-	(44)	-	-
Roads - Manilla	13	-	-	-	-	-	13	-	(13)	-	-
Roads - Parry	340	131	-	12	(60)	-	423	63	(486)	-	-
Roads - Tamworth Urban	625	212	-	28	(169)	-	696	2,800	(3,672)	(176)	-
Parking - Tamworth	56	-	-	2	-	-	58	-	(58)	-	-
Drainage Hills Plains	-	5	-	-	-	-	5	-	(5)	-	-
Open Space - Barraba	7	-	-	-	-	-	7	-	(7)	-	-
Open Space - Manilla - Active	10	1	-	-	-	-	11	-	(11)	-	-
Open Space - Tamworth	841	3	-	31	(30)	-	845	-	(845)	-	-
Open Space - Tamworth Urban	467	181	-	17	(125)	-	540	100	(640)	-	-
Hills Plains Open Space & Recreation	-	7	-	-	-	-	7	443	(450)	-	-
Community Facilities - Hills Plain	36	9	-	1	-	-	46	-	(46)	-	-
Community Facilities - Tamworth	83	11	-	3	(36)	-	61	-	(61)	-	-
Community Facilities - Tamworth Urban	145	43	-	5	(8)	-	185	53	(238)	-	-
Rural Fire Service - Barraba	17	1	-	-	-	-	18	-	(18)	-	-
Rural Fire Service - Manilla	6	-	-	-	-	-	6	-	(6)	-	-
Rural Fire Service - Nundle	9	-	-	-	-	-	9	-	(9)	-	-
Rural Fire Service - Parry	176	8	-	6	(1)	-	189	93	(282)	-	-
Studies - Hills Plain East	21	8	-	1	-	-	30	-	(30)	-	-
Studies - Tamworth Urban	71	12	-	3	-	-	86	20	(106)	-	-
Garbage Disposal - Nundle	3	1	-	-	-	-	4	-	(4)	-	-

(continued on the next page...)



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN (continued from previous page)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Mines & Extractive Industry - Parry	946	132	-	35	(276)	-	837	974	(1,811)	-	-
Rural Traffic Generating - Parry	5	-	-	-	(2)	-	3	-	(3)	-	-
Tamworth Urban Cycleway	111	24	-	4	-	-	139	30	(169)	-	-
Cycleways - Tamworth	122	5	-	5	-	-	132	-	(132)	-	-
Tamworth Regional (Roads)	101	159	-	3	-	-	263	6,790	(6,969)	84	-
Hills Plains Roads	-	106	-	-	-	-	106	7,087	(9,403)	(2,210)	-
Tamworth Regional (Open Space & Rec)	36	103	-	1	-	-	140	2,028	(2,168)	-	-
Tamworth Regional (Plan Preparation)	2	13	-	-	-	-	15	580	(595)	-	-
Tamworth S94A (Indirect Plan)	143	594	-	5	-	-	742	3,810	(4,552)	-	-
S93 Planning Agreements	-	29	-	-	-	-	29	-	(29)	-	-
<b>Total</b>	<b>4,396</b>	<b>1,838</b>	<b>-</b>	<b>162</b>	<b>(707)</b>	<b>-</b>	<b>5,689</b>	<b>24,871</b>	<b>(32,862)</b>	<b>(2,302)</b>	<b>-</b>

#### 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	54	-	-	2	-	-	56	-	(56)	-	-
Roads	49	36	-	1	-	-	86	-	(86)	-	-
Subdivision Works	27	-	-	1	-	-	28	-	(28)	-	-
<b>Total</b>	<b>130</b>	<b>36</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>170</b>	<b>-</b>	<b>(170)</b>	<b>-</b>	<b>-</b>

## Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

## S64 LEVIES - UNDER A PLAN

## S64 Contributions

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Water	10,113	2,316	-	371	(1,149)	-	11,651	-	-		-
Sewer	7,350	907	-	269	(81)	-	8,445	-	-		-
<b>Total</b>	<b>17,463</b>	<b>3,223</b>	<b>-</b>	<b>640</b>	<b>(1,230)</b>	<b>-</b>	<b>20,096</b>				<b>-</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

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

### LIABILITIES NOT RECOGNISED:

#### 1. Guarantees

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

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

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

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

The Schemes most recent full actuarial review indicated that additional contributions are estimated to remain in place until 30 June 2016 and that the Trustee is considering extending the additional contribution period in order to build up a satisfactory surplus to allow the transition to a less risky portfolio.

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

##### (ii) Bank Guarantees

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

Tamworth Rugby Club Inc. Drawn February 2008, for \$300,000. Balance as at 30/6/2015 \$220,000. Council's guarantee on this loan is limited to \$240,000.

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

##### (iii) Other Guarantees

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

#### 2. Other Liabilities

##### (i) Third Party Claims

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

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

##### (ii) Public Liability

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

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

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

##### (ii) Public Liability (continued)

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

##### (iii) Dungowan Pipeline

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

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

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

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

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

##### (iv) Statewide Limited

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

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

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

##### (v) S94 Plans

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

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

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

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

## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

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\$ '000

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

###### **(vi) Native Title Determination**

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

##### **ASSETS NOT RECOGNISED:**

###### **(i) Land Under Roads**

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

###### **(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 2015

#### Note 19. Interests in Other Entities

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\$ '000

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Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

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#### **Controlled Entities (Subsidiaries)**

**Note 19(a)**

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

#### **Joint Ventures & Associates**

**Note 19(b)**

Joint Ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

#### **Joint Operations**

**Note 19(c)**

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

#### **Unconsolidated Structured Entities**

**Note 19(d)**

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

#### **Subsidiaries, Joint Arrangements and Associates not recognised**

**Note 19(e)**

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## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 19. Interests in Other Entities (continued)

\$ '000

##### (a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities & results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(c).

Name of Operation/Entity	Principal Activity	Ownership		Voting Rights	
		2015	2014	2015	2014
<b>Central Northern Regional Libraries</b>	Provision of library resources & services for its member Councils				
<b>Interests in Subsidiary</b>					
Council's Interest in Subsidiary		62%	62%	62%	62%
Non-Controlling Interest in Subsidiary		38%	38%	38%	38%

##### The nature and extent of significant restrictions relating to the Subsidiary

All of subsidiary funds are held in Councils bank account, use of these funds is governed by a budget set annually. Assets are predominantly library resources which are distributed and exchanged between members as and when required. No dividends or distributions are paid.

##### The nature of risks associated with Council's interests in the Subsidiary

Withdrawal of government grant funding would expose Council to a loss, however it is to be expected that member Councils would be notified in a timely manner to prevent this from happening.

##### Other disclosures

Councils financial support of the subsidiary will continue indefinitely into the future. The level of financial support is linked to the Councils average population numbers and available grant funding.

##### Summarised Financial Information for the Subsidiary

Summarised Statement of Comprehensive Income	2015	2014
Revenue	1,606	1,554
Expenses	(1,449)	(1,445)
<b>Profit for the Period</b>	<b>157</b>	<b>109</b>
<sup>(1)</sup> Non-controlling Interest Share	61	41
<b>Summarised Statement of Financial Position</b>	<b>2015</b>	<b>2014</b>
Current Assets	499	431
Non Current Assets	734	645
<b>Total Assets</b>	<b>1,233</b>	<b>1,076</b>
<b>Net Assets</b> <sup>(2)</sup>	<b>1,233</b>	<b>1,076</b>
<sup>(2)</sup> Non-controlling Interest Share	469	408

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 19. Interests in Other Entities (continued)

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\$ '000

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##### (b) Joint Ventures and Associates

Council has no interest in any Joint Ventures or Associates.

##### (c) Joint Operations

Council has no interest in any Joint Operations.

##### (d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities

##### (e) Subsidiaries, Joint Arrangements & Associates not recognised

All Subsidiaries, Joint Arrangements and Associates have been recognised in this Financial Report.



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		1,013,950	990,895
a. Net Operating Result for the Year		<u>(19,404)</u>	<u>23,055</u>
<b>Balance at End of the Reporting Period</b>		<b><u>994,546</u></b>	<b><u>1,013,950</u></b>
<b>(b) Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		<u>389,646</u>	<u>410,196</u>
<b>Total</b>		<b><u>389,646</u></b>	<b><u>410,196</u></b>
<b>(ii) Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		410,196	397,745
- Revaluations for the year	9(a)	<u>(20,550)</u>	<u>12,451</u>
<b>- Balance at End of Year</b>		<b><u>389,646</u></b>	<b><u>410,196</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>389,646</u></b>	<b><u>410,196</u></b>

#### (iii) Nature & Purpose of Reserves

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

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

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

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

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

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

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

Income Statement by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
<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	6,074	15,844	37,001
User Charges & Fees	10,112	2,491	31,531
Interest & Investment Revenue	1,412	1,090	2,464
Other Revenues	212	53	2,672
Grants & Contributions provided for Operating Purposes	210	439	18,767
Grants & Contributions provided for Capital Purposes	4,028	2,700	10,534
<b>Other Income</b>			
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
<b>Total Income from Continuing Operations</b>	<b>22,048</b>	<b>22,617</b>	<b>102,969</b>
<b>Expenses from Continuing Operations</b>			
Employee Benefits & on-costs	2,440	2,060	35,736
Borrowing Costs	717	2,984	2,325
Materials & Contracts	7,025	5,251	22,426
Depreciation & Amortisation	4,212	5,330	18,699
Impairment	-	-	19
Other Expenses	5,292	1,144	46,335
Net Losses from the Disposal of Assets	229	570	4,183
<b>Total Expenses from Continuing Operations</b>	<b>19,915</b>	<b>17,339</b>	<b>129,723</b>
<b>Operating Result from Continuing Operations</b>	<b>2,133</b>	<b>5,278</b>	<b>(26,754)</b>
<b><u>Discontinued Operations</u></b>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
<b>Net Operating Result for the Year</b>	<b>2,133</b>	<b>5,278</b>	<b>(26,754)</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>2,133</b>	<b>5,278</b>	<b>(26,815)</b>
<b>Net Operating Result attributable to Non-controlling Interests</b>	<b>-</b>	<b>-</b>	<b>61</b>
 <b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	 <b>(1,895)</b>	 <b>2,578</b>	 <b>(37,288)</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 2015

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

Statement of Financial Position by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>			
Cash & Cash Equivalents	-	-	6,313
Investments	41,279	36,522	54,698
Receivables	1,609	1,295	9,536
Inventories	-	-	1,377
Other	-	-	57
Non-current assets classified as 'held for sale'	-	-	2,515
<b>Total Current Assets</b>	<b>42,888</b>	<b>37,817</b>	<b>74,496</b>
<b>Non-Current Assets</b>			
Investments	-	-	-
Receivables	-	-	392
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	227,904	248,663	866,434
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	6,100
Intangible Assets	666	1,177	374
<b>Total Non-Current Assets</b>	<b>228,570</b>	<b>249,840</b>	<b>873,300</b>
<b>TOTAL ASSETS</b>	<b>271,458</b>	<b>287,657</b>	<b>947,796</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	613	699	8,630
Borrowings	655	2,138	2,209
Provisions	-	-	8,959
<b>Total Current Liabilities</b>	<b>1,268</b>	<b>2,837</b>	<b>19,798</b>
<b>Non-Current Liabilities</b>			
Payables	-	-	-
Borrowings	12,170	42,461	26,567
Provisions	-	-	17,149
<b>Total Non-Current Liabilities</b>	<b>12,170</b>	<b>42,461</b>	<b>43,716</b>
<b>TOTAL LIABILITIES</b>	<b>13,438</b>	<b>45,298</b>	<b>63,514</b>
<b>Net Assets</b>	<b>258,020</b>	<b>242,359</b>	<b>884,282</b>
<b>EQUITY</b>			
Retained Earnings	164,585	160,139	669,822
Revaluation Reserves	93,435	82,220	213,991
<b>Council Equity Interest</b>	<b>258,020</b>	<b>242,359</b>	<b>883,813</b>
<b>Non-controlling Interests</b>	<b>-</b>	<b>-</b>	<b>469</b>
<b>Total Equity</b>	<b>258,020</b>	<b>242,359</b>	<b>884,282</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 2015

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

\$ '000	2015 Current	2015 Non Current	2014 Current	2014 Non Current
<b>(i) Non Current Assets &amp; Disposal Group Assets</b>				
<b>Non Current Assets "Held for Sale"</b>				
Land	2,515	-	1,752	-
<b>Total Non Current Assets "Held for Sale"</b>	<b>2,515</b>	<b>-</b>	<b>1,752</b>	<b>-</b>
<b>Disposal Group Assets "Held for Sale"</b>				
None				
<b><u>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</u></b>	<b><u>2,515</u></b>	<b><u>-</u></b>	<b><u>1,752</u></b>	<b><u>-</u></b>

#### (ii) Details of Assets & Disposal Groups

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

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

Events that occur between the end of the reporting period (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 29/10/15.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 24. Discontinued Operations

\$ '000

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

#### Note 25. Intangible Assets

\$ '000	Actual 2015	Actual 2014
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
<b>Opening Values:</b>		
Gross Book Value (1/7)	263	51
Accumulated Amortisation (1/7)	(27)	-
Accumulated Impairment (1/7)	-	-
<b>Net Book Value - Opening Balance</b>	<b>236</b>	<b>51</b>
<b>Movements for the year</b>		
- Purchases	116	212
- Other Capitalised Costs	1,949	-
- Amortisation charges	(84)	(27)
<b>Closing Values:</b>		
Gross Book Value (30/6)	2,328	263
Accumulated Amortisation (30/6)	(111)	(27)
Accumulated Impairment (30/6)	-	-
<b>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE <sup>1</sup></b>	<b>2,217</b>	<b>236</b>

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

- Software	2,136	155
- Property Easements	51	51
- eBooks	30	30
	<b>2,217</b>	<b>236</b>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2015	2014
Quarry & Tip Rehabilitation		16,843	16,353
<b>Balance at End of the Reporting Period</b>	10(a)	<u>16,843</u>	<u>16,353</u>

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

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

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

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

Balance at beginning of year	16,353	16,071
Amounts capitalised to new or existing assets:		
- reversal of excess expenditure to provision	27	-
Amortisation of discount (expensed to borrowing costs)	463	453
Expenditure incurred attributable to Provisions	-	(171)
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<u>16,843</u>	<u>16,353</u>

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

### Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Investment Property

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

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

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

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

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

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

2015	Fair Value Measurement Hierarchy			Total	
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs		
<b>Recurring Fair Value Measurements</b>					
<b>Investment Properties</b>					
468 -472 Peel Street	30/6/15	-	4,000	-	4,000
474 Peel Street	30/6/15	-	1,300	-	1,300
561 Peel Street	30/6/15	-	800	-	800
<b>Total Investment Properties</b>		<b>-</b>	<b>6,100</b>	<b>-</b>	<b>6,100</b>
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Plant and Equipment	30/6/14	-	-	22,421	22,421
Office Equipment	30/6/14	-	-	136	136
Furniture & Fittings	30/6/14	-	-	2,744	2,744
Land - Operational	30/6/13	-	-	68,464	68,464
Land under Roads (Post 30/6/08)		-	-	728	728
Land Improvements - depreciable	30/6/14	-	-	12,755	12,755
Buildings	30/6/13	-	-	95,182	95,182
Other Structures	30/6/11	-	-	43,616	43,616
Road & Footpath Infrastructure	30/6/15	-	-	404,523	404,523
Stormwater Drainage	30/6/15	-	-	182,438	182,438
Water Supply Network	30/6/13	-	-	209,984	209,984
Sewerage Network	30/6/13	-	-	233,215	233,215
Heritage Assets	30/6/14	-	-	18	18
Library Books	30/6/14	-	-	625	625
Art Collection	30/6/14	-	-	3,382	3,382
Other Assets	30/6/14	-	-	4,468	4,468
Land - Community	30/6/13	-	-	15,834	15,834
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>-</b>	<b>-</b>	<b>1,300,533</b>	<b>1,300,533</b>
<b>Non-recurring Fair Value Measurements</b>					
<b>Non Current Assets classified as "Held for Sale"</b>					
Land	30/6/13	-	-	2,515	2,515
<b>Total NCA's classified as "Held for Sale"</b>		<b>-</b>	<b>-</b>	<b>2,515</b>	<b>2,515</b>

# Tamworth Regional Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

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

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



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

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

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

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

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

##### **Investment Properties**

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

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

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##### **Infrastructure, Property, Plant & Equipment**

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

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

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

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##### **Operational Land**

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

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

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

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## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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##### Community Land

Community land is valued in accordance with the Local government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 22, Appendix I; as such community land has been valued using the NSW Valuer General's valuations. For this reason Council is unable to provide neither observable nor unobservable valuation techniques and valuation is being reported at Level 3.

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

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

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##### Land Under Roads

Councils recognised land under roads have had Fair Value derived using the Englobo methodology. Using this method there are no observable inputs and the only unobservable input is that of the average site value for each council on a \$ per m<sup>2</sup>. This average site value is determined using values from NSW Valuer General Valuations.

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

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

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##### Buildings – Specialised and Non Specialised

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

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

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##### Other Structures

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

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

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##### Roads, Bridges, Footpaths and Stormwater Drainage

Council's transport infrastructure assets are grouped into various classes, and where necessary further broken down into components. For example roads are broken down into various components including kerb and gutter, wearing course, structure and earthworks. All valuations for these asset classes were undertaken using Council engineers and industry consultants. Valuations were derived using unit rates. These unit rates were calculated for the various asset components using costs from recent works carried out across the Tamworth Regional Council area where possible and Rawlinson's Construction Handbook Edition 32 2014 where recent local costs were not available. Sampling was conducted in various locations to assess asset condition and this

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

information was then extrapolated to determine the fair value of asset components using the depreciated cost method. Fair value was determined using Level 3 valuation inputs for this asset class.

The valuation process has changed during the reporting period in line with current best practices as described below.

##### *Residual Values*

In previous periods, Residual Values were recorded for components of an asset that were expected to be recycled at the time of replacement. A recent review of the Australian Accounting Standards confirmed that residual values should only be recorded where a monetary amount is expected to be received from the disposal of the asset at the end of its useful life.

Accordingly the above situation is now handled by componentisation rather than residual values.

##### *Sealed Road Pavements Replacement Techniques*

There has been a significant change in the way that sealed road pavements are now managed by Council. This change has been reflected in the revaluation of those assets. The "base" component of the road pavement structure is generally able to be stabilised as a renewal process at the end of its life, negating the need to dig out the full pavement depth and replace it. The rate for doing stabilising work is typically 50% of the cost of a conventional full pavement depth replacement, and in some cases, depending on the road hierarchy, can be as low as 25%. At some point, though, the pavement below the stabilised section, the "sub-base", will also fail, and the road will require full depth reconstruction (at the associated higher rate).

This is recognised financially through the separation of the sealed road pavement into two components – base, and sub-base. The base has a much lower CRC than the rate for full reconstruction, to reflect the stabilising option. The sub-base is given a much longer life, to reflect the fact that it will survive a full cycle of base stabilising, before it will eventually have to be dug up and replaced. The use of this revaluation technique has been confirmed by our consultants, JRA, as reflecting current best practice. Similarly, the rates used were based on Council extensive experience in doing this type of work, but were also cross checked against industry best practice by JRA to ensure their validity, before being incorporated into the report.

Under the previous valuation, this concept was recognised to some extent, however it was done by assigning a CRC equal to the full cost of a full depth pavement reconstruction, with a residual value typically in the order of 40% of the CRC.

In the recent revaluation, the separation of these layers has reduced the CRC significantly, as the replacement cost is now effectively the cost of stabilising, instead of "green field" full depth reconstruction, for much of our sealed pavement assets. At the same time, these assets are no longer recognised as having a residual, as this concept is dealt with through a sub-base that has a life that is longer than the base.

The impact of this change has been to reduce the CRC from approximately \$466 million, to \$216 million for these assets, a reduction in CRC of \$250 million. However, when the previous residual is recognised, the Depreciable Amount has reduced from \$258 million to \$216 million, a reduction of \$42 million (or around 20%).

##### *Guardrails and Medians*

These components had previously been omitted from the valuation of transport assets. Their inclusion has added around \$10 million to the total CRC value.

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

Council's transport infrastructure was where necessary broken down into components. For example roads are broken down into various components including kerb and gutter, wearing course, structure and earthworks. All valuations for these asset classes were undertaken in-house using Council engineers. Valuations were derived using unit rates. These unit rates were calculated for the various asset components using costs from recent works carried out across the Tamworth Regional Council area. Sampling was conducted in various locations to assess asset condition and this information was then extrapolated to determine the fair value of asset components using the depreciated cost method. Fair value was determined using Level 3 valuation inputs for this asset class.

#### Water and Sewer Networks

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

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

#### Art Collection

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

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

#### Other Open Space/Recreational Assets

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

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

##### a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Level 3 Asset Class
<b>Opening Balance - 1/7/13</b>	1,325,863
Transfers from/(to) another asset class	18,107
Purchases (GBV)	46,754
Disposals (WDV)	(5,902)
Depreciation & Impairment	(27,949)
FV Gains - Other Comprehensive Income	12,451
<b>Closing Balance - 30/6/14</b>	<b><u>1,369,324</u></b>
Transfers from/(to) another asset class	1,593
Purchases (GBV)	29,614
Disposals (WDV)	(9,555)
Depreciation & Impairment	(28,280)
FV Gains - Other Comprehensive Income	(59,648)
<b>Closing Balance - 30/6/15</b>	<b><u>1,303,048</u></b>

##### b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

Nil

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

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

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

##### I,PP&E

Class	Fair Value (30/6/15) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment		Historical Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Residual Value</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 50 years</li> <li>0% to 50%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Office Equipment		Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 10 years</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Furniture & Fittings		Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>10 to 20 years</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

<b>Class</b>	<b>Fair Value</b> (30/6/15) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Buildings Specialised		External Valuation	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 – 101 years</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement. Changes in land zoning would also impact on fair value.
Buildings Non-specialised		External Valuation	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Residual Value</li> <li>Sale of Comparable Properties</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 – 101 years</li> <li>0% to 95%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement. Changes in land zoning would also impact on fair value.
Other Structures		Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Residual Value</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 270 years</li> <li>0% -91%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.



## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

<b>Class</b>	<b>Fair Value</b> (30/6/15) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Roads, Bridges, Footpaths		Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 100 years</li> <li>0 to 100%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Stormwater Drainage		Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 120 years</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Water Network		Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 100 years</li> <li>0 – 32%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.

## Tamworth Regional Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

Class	Fair Value (30/6/15) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Sewer Network		Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 84 years</li> <li>0 to 92%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Heritage Collections		Historical Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>Indefinite</li> </ul>	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Art Collections		External Valuation	<ul style="list-style-type: none"> <li>Insurance valuation</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> </ul>	Significant changes in external markets for similar pieces will result in significant changes to fair value measurement.
Library Books		Depreciated Replacement Cost	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>		Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.

#### (5). Highest and best use

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

## Tamworth Regional Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 28. Council Information & Contact Details

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**Principal Place of Business:**

Ray Walsh House  
437 Peel Street  
TAMWORTH NSW 2340

**Contact Details****Mailing Address:**

PO Box 555  
TAMWORTH NSW 2340

**Opening Hours:****Council Office Hours**

8.30am to 5.00pm - Monday to Friday

**Branch Office Hours**

Monday to Friday (except Public Holidays)

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

**Manilla:** 8.30am to 4.30pm

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

**Telephone:** 02 6767 5555

**Facsimile:** 02 6767 5499

**Internet:** <http://www.tamworth.nsw.gov.au>

**Email:** [trc@tamworth.nsw.gov.au](mailto:trc@tamworth.nsw.gov.au)

**Other Information**

**ABN:** 52 631 074 450

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

**Report on the Financial Report**

We have audited the accompanying financial report of Tamworth Regional Council ("the Council"), which comprises the statement of financial position as at 30 June 2015, 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. 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 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.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows, 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.

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

**Sydney**

Level 1  
130 Elizabeth Street  
Sydney NSW 2000  
PO Box 20726  
World Square NSW 2002  
T 02 8262 8700  
F 02 8026 8377

**Newcastle**

Hunter Mall Chambers  
2<sup>nd</sup> Floor, 175 Scott Street  
Newcastle NSW 2300  
PO Box 234  
Newcastle NSW 2300  
T 02 4907 7222  
F 02 8026 8376

**Brisbane**

Suite 1, Level 3  
200 Creek Street  
Brisbane QLD 4000  
GPO Box 2246  
Brisbane QLD 4001  
T 07 3839 1755  
F 07 3839 1037

[mail@prosperityadvisers.com.au](mailto:mail@prosperityadvisers.com.au)  
[www.prosperityadvisers.com.au](http://www.prosperityadvisers.com.au)

Prosperity Audit Services  
ABN 87 879 283 831

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

**Independence**

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

**Auditor's Opinion**

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13 part 3 Division 2 (the "Division");
- (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 2015, 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 2015 included on Tamworth Regional Council's website. The Councillors of the Council are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.



**PROSPERITY AUDIT SERVICES**



**LUKE MALONE**  
Partner

29 October 2015  
Sydney

29 October 2015

The Mayor  
Cr C Murray  
Tamworth Regional Council  
357 Peel Street  
TAMWORTH NSW 2340

Dear Cr Murray,

**SUBJECT: SECTION 417(3) - REPORT ON THE CONDUCT OF THE AUDIT  
FOR THE YEAR ENDED 30 JUNE 2015**

We have completed the audit of the financial report for Tamworth Regional Council for the year ended 30 June 2015 in accordance with Section 415 of the *Local Government Act 1993*.

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.

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.

This report should be read in conjunction with our audit report on the general purpose financial report provided under Section 417(2) of the *Local Government Act 1993*.

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:

**Sydney**

Level 1  
130 Elizabeth Street  
Sydney NSW 2000  
PO Box 20726  
World Square NSW 2002  
T 02 8262 8700  
F 02 8026 8377

**Newcastle**

Hunter Mall Chambers  
2<sup>nd</sup> Floor, 175 Scott Street  
Newcastle NSW 2300  
PO Box 234  
Newcastle NSW 2300  
T 02 4907 7222  
F 02 8026 8376

**Brisbane**

Suite 1, Level 3  
200 Creek Street  
Brisbane QLD 4000  
GPO Box 2246  
Brisbane QLD 4001  
T 07 3839 1755  
F 07 3839 1037

[mail@prosperityadvisers.com.au](mailto:mail@prosperityadvisers.com.au)  
[www.prosperityadvisers.com.au](http://www.prosperityadvisers.com.au)

Prosperity Audit Services  
ABN 87 879 283 831

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

1. Income Statement
2. Statement of Comprehensive Income
3. Statement of Financial Position
4. Statement of Cash Flows
5. Performance Indicators
6. Key Financial Statement Issues
7. General Matters

## 1. Income Statement

The net operating result before capital grants and contributions for the year ended 30 June 2015 was a deficit of \$36.6m compared with a surplus of \$1.60m for the year ended 30 June 2014.

The key difference in the Council's performance for the 2015 financial year compared to the 2014 financial year was due to the \$39.1m revaluation decrement in relation to the roads asset class.

The remaining movement was caused by an overall increase in income of \$4.85m which was primarily driven by increases in:

- a. Rates and annual charges by \$2.12m;
- b. User charges and fees by \$2.22m; and
- c. Grants and contributions provided for operating purposes by \$4.28m.

The above increase was partially offset by:

- d. A decrease in grants and contributions revenue (for capital purposes) of \$4.24m; and
- e. A decrease in interest and investment revenue of \$0.34m.

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

### 1. Rates and Annual Charges

The increase in rates and annual charges is attributable to the Council's general rate increase of 2.3% on the prior year.

### 2. User Charges and Fees

User charges and fees increased by \$2.22m, representing a 5% increase from the year ended 30 June 2014. The increase is primarily due to RMS Charges (representing revenue for completion of projects on behalf of the NSW Roads and Maritime Services) which increased by \$5.66m as a result of the projects undertaken by the Council. This increase was partially offset by:

- Water and sewerage user charges decreased by approximately \$2.13m, reflective of the decreased water consumption by residents; and
- Waste / Recycling depot fees and charges decreased by approximately \$0.68m, a decrease of approximately 15% from 30 June 2014 due to a reduction in activity at the depot.

### *3. Grants and Contributions provided for Operating Purposes*

The increase in grants and contributions provided for operating purposes is attributable to the Financial Assistance Grant paid to the local councils under the *Local Government (Financial Assistance) Act 1995*. The quantum of the financial assistance grant is determined by the Minister for Local Government and is discretionary. Due to a timing difference in the receipt of the grant during the 2014 financial year, the current year grant of \$10.13m represents a return to the normal timing for the receipt of the grant funding.

### *4. Grants and Contributions provided for Capital Purposes*

The decrease in other grants and contributions provided for capital purposes is primarily attributable to a \$3.19m reduction in the Building Better Regional Cities (BBRC) funding in 2015, which is due to the completion of the grant's objectives.

### *5. Interest and Investment Revenue*

The decrease in investment income is attributable to the rollover of term deposits that were entered into in previous periods at lower interest rates due to the current offerings by facility providers. The weighted average interest rate across the investment portfolio decreased by approximately 97 basis points.

### *6. Expenses from Continuing Operations*

Total expenses for the year ended 30 June 2015 were \$166.98m compared with \$119.69m for the year ended 30 June 2014. The key differences in the Council's expenses for the 2015 financial year compared to the 2014 financial year were primarily driven by increases in other expenses of \$42.78m. This increase includes the roads revaluation decrement of \$39.1m and a once-off contribution to State Water of \$3.30m for augmentation work to Chaffey Dam.

Employee benefits expenses are consistent with the prior year based on 496 equivalent full time employees in 2015 (2014: 520).

## **2. Statement of Comprehensive Income**

Total comprehensive income has decreased by \$33m. This is reflective of the revaluation of different assets classes between financial years as follows:

- 2015: Roads, bridges, footpaths and stormwater assets revalued with a net decrement of \$20.55m; and
- 2014: Water and sewerage network assets and art collection assets with an increment of \$12.45m.

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

## **3. Statement of Financial Position**

The net asset position of the Council for the year ended 30 June 2015 was \$1.38b compared with \$1.42b in the prior year. This result and other significant movements, together with their contributing factors, are outlined below:

### *1. Cash, Cash Equivalents and Investments*

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



## 2. Infrastructure, Property, Plant & Equipment

Infrastructure, property, plant & equipment decreased by \$58.26m. This is reflective of:

- a. Asset additions in the year amounting to \$42.23m.
- b. Increase in the value of stormwater assets of \$102.13m as a result of revaluation (further information is included at section 6.3 of this report).
- c. Decrease in the value of road and footpath assets of \$170.05m as a result of revaluation (further information is included at section 6.3 of this report).
- d. Depreciation expense of \$28.58m.
- e. Disposal of assets amounting to \$7.73m.

## 3. Borrowings

Total interest bearing liabilities (including current and non-current) at 30 June 2015 have remained materially consistent with the prior year and have been repaid in line with the Council's repayment obligations.

## 4. Statement of Cash Flows

Council maintained a cash and investment balance of \$138.81m as at 30 June 2015. The movement in cash during the 2015 financial year is attributable to the following movements:

### 4.1 Cash flows from operating activities

Cash from operating activities amounting to \$45.17m represents an decrease of \$3.27m as compared with the prior year. Significant cash flows for the 2015 financial year included:

- a. Receipt of rates and annual charges, and user charges and fees amounted to \$107.87m;
- b. Receipt of investment revenue of \$5.12m;
- c. Receipt of grants and contributions of \$28.79m; and
- d. Other receipts of \$7.10m.

The above receipts were offset by the following payments:

- a. Payments to employees of \$40.69m;
- b. Payments for materials and contracts of \$42.38m;
- c. Interest payments of \$5.49m; and
- d. Other operational payments amounting to \$15.16m.

### 4.2 Cash flows from investing activities

Net cash outflows from investing activities of \$47.36m represent an increase of \$3.27m as compared with the prior year. Significant cash flows for the year include:

- a. the sale of property, plant and equipment assets of \$4.63m;
- b. net purchase of investments of \$19m; and
- c. purchase of infrastructure, property, plant and equipment of \$33m.

### 4.3 Cash flows from financing activities

Net cash outflows from financing activities were \$0.10m, reflective of the net repayments of borrowings in the 2015 financial year.

## 5. Performance Indicators

We have based our comments on the performance of the Council on indicators which we consider meaningful to its operations. The indicators that we have reviewed are as follows:

### 5.1 Liquidity / Working Capital

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Current assets	155,201	139,650	150,999	127,937
Current liabilities	23,903	24,866	29,254	28,053
<b>Current ratio</b>	<b>6.49</b>	<b>5.62</b>	<b>5.16</b>	<b>4.56</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 to liquidity.

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

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Total cash and investments	138,812	122,095	125,312	108,570
Less: Externally restricted items	(106,324)	(98,023)	(101,062)	(83,085)
Less: Internally restricted items	(28,747)	(21,506)	(23,129)	(22,179)
<b>Unrestricted cash and investments</b>	<b>3,741</b>	<b>2,566</b>	<b>1,121</b>	<b>3,306</b>

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

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Current assets less all restrictions	45,973	36,445	43,679	38,698
Current liabilities less specific purpose liabilities	11,770	12,697	12,507	13,603
<b>Unrestricted current ratio</b>	<b>3.91</b>	<b>2.87</b>	<b>3.49</b>	<b>2.84</b>

We note that the Council's unrestricted current ratio demonstrates that for every dollar of the Council's current liabilities is matched by \$3.91 of the Council's unrestricted current assets.

### 5.2 Debt Service Cover Ratio

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

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Operating Result before capital excluding interest, depreciation and amortisation	41,713	39,294	34,382	36,504
Principal Repayments and Borrowing Costs	10,874	11,498	10,630	12,501
<b>Debt service cover ratio</b>	<b>3.84</b>	<b>3.42</b>	<b>3.23</b>	<b>2.92</b>

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

### 5.3 Rates and Annual Charges Outstanding

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

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Rates and annual charges outstanding	3,366	3,810	4,242	3,795
Rates and annual charges revenue	63,112	61,387	58,728	53,983
<b>Percentage of outstanding rates</b>	<b>5.3%</b>	<b>6.2%</b>	<b>7.2%</b>	<b>7.0%</b>

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

### 5.4 Building and Infrastructure Renewals Ratio

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

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Building and infrastructure renewals	11,424	21,407	11,012	5,011
Depreciation and amortisation	23,485	21,639	21,488	23,325
<b>Building and infrastructure renewals ratio</b>	<b>49%</b>	<b>99%</b>	<b>51%</b>	<b>21%</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 is reflective of the lower levels of renewals in the year.

## 6. Key Financial Statement Issues

### 6.1 Internally Restricted Assets

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

At year end Council had internally restricted assets totalling \$28.75m (2014: \$21.51m). The increase is primarily attributable to additional funds from charges for RTA (RMS) works in excess of funds used.

### 6.2 Asset Remediation Liabilities

An asset remediation liability has been recognised in the financial statements at 30 June 2015 to a value of \$16.84m (2014: \$16.35m). This liability will be incurred at the conclusion of the useful lives of the tips and quarries, which range from 2016 to 2029. The increase in liability of \$0.49m is as a result of the reassessment by management of the provision to maintain the tips and quarries.

### 6.3 Asset Recognition

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

Under direction from the Division of Local Government, the Council revalued roads, bridges, footpaths and stormwater assets using fair value methodologies at 30 June 2015. The last comprehensive revaluation of these assets occurred as at 30 June 2010. The valuation adjustments noted as a result of revaluation to these assets were (\$159.06m), \$1.89m, (\$11.00m) and \$102.12m respectively.

The fair value of the roads, bridges, footpaths and stormwater assets were valued based on the application of unit rates applied to the separately identifiable components of condition assessed assets and adjusted based on their remaining useful life. The unit rates applied were based on a combination of Council's recent experience in constructing similar assets and industry accepted costs where Council did not have sufficient recent experience from which to assess the unit rate.

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

The change in asset values is primarily attributable to the following:

- In accordance with recently available guidance, Council has removed assigned a nil residual value to all assets that cannot be re-sold at a later time such as road assets;
- Council has split the base component for sealed roads into base and sub-base components to reflect the increase in stabilisation work undertaken by Council over sub-base layers;
- The unit rates for sealed road components have decreased as Council has adopted a minimum service standard for its road network rather than a "greenfield" approach for enhancements; and
- Due to an increased volume of stabilisation work being undertaken by Council, the useful lives of assets have been extended.

The revaluation adjustments have been recognised as other comprehensive income and expenditure and included as a decrease in the asset revaluation reserve and income statement.

### 6.4 Defined Benefit Plans

The Council participates in an Industry Defined Benefit Plan under the Local Government Superannuation Scheme which has both defined benefits and accumulation arrangements. The Scheme was deemed to be a "multi-employer fund" and has advised member councils that it has a deficiency of assets over liabilities at 30 June 2015. However, we note that this deficiency has reduced significantly over the past few years.

The Council has accounted for its participation in the plan as if it were a defined contribution plan as sufficient information is not available to account for the scheme as a defined benefit plan consistent with the prior year. The Council also disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

## 7. General Matters

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

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

## 7.1 Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial reports of Tamworth Regional Council (the "Council") for the year ended 30 June 2015 included on Tamworth Regional Council's web site. The Councillors of the Council are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.

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

Yours faithfully,



**PROSPERITY AUDIT SERVICES**



**LUKE MALONE**  
Partner

29 October 2015  
Sydney

# Tamworth Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2015

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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 2015

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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 2015

### 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 08 September 2015.**



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 2015

\$ '000	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
Access charges	6,074	5,858
User charges	9,770	12,582
Fees	342	-
Interest	1,412	1,384
Grants and contributions provided for non capital purposes	210	290
Profit from the sale of assets	-	-
Other income	212	1
<b>Total income from continuing operations</b>	<b>18,020</b>	<b>20,115</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,440	2,180
Borrowing costs	717	597
Materials and contracts	7,025	7,377
Depreciation and impairment	4,212	3,855
Water purchase charges	775	682
Loss on sale of assets	229	-
Calculated taxation equivalents	30	31
Debt guarantee fee (if applicable)	54	44
Chaffey Dam Augmentation Contribution	3,300	-
Other expenses	1,217	1,411
<b>Total expenses from continuing operations</b>	<b>19,999</b>	<b>16,177</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,979)</b>	<b>3,938</b>
Grants and contributions provided for capital purposes	4,028	8,994
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>2,049</b>	<b>12,932</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>2,049</b>	<b>12,932</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(1,181)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,049</b>	<b>11,751</b>
plus Opening Retained Profits	175,843	162,836
plus/less: Prior Period Adjustments	(13,326)	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	30	31
- Debt guarantee fees	54	44
- Corporate taxation equivalent	-	1,181
less:		
- Tax Equivalent Dividend paid	(65)	-
- Surplus dividend paid	-	-
<b>Closing Retained Profits</b>	<b>164,585</b>	<b>175,843</b>
<b>Return on Capital %</b>	<b>-0.6%</b>	<b>2.0%</b>
<b>Subsidy from Council</b>	<b>8,145</b>	<b>3,417</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,049	11,751
less: Capital grants and contributions (excluding developer contributions)	(1,712)	(7,232)
<b>Surplus for dividend calculation purposes</b>	<b>337</b>	<b>4,519</b>
<b>Potential Dividend calculated from surplus</b>	<b>169</b>	<b>2,259</b>

## Tamworth Regional Council

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

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
Access charges	15,844	15,218
User charges	2,121	1,951
Liquid Trade Waste charges	284	698
Fees	86	136
Interest	1,090	1,225
Grants and contributions provided for non capital purposes	439	208
Profit from the sale of assets	-	-
Other income	53	4
<b>Total income from continuing operations</b>	<b>19,917</b>	<b>19,440</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,060	1,904
Borrowing costs	2,984	3,560
Materials and contracts	5,251	6,199
Depreciation and impairment	5,330	5,041
Loss on sale of assets	570	29
Calculated taxation equivalents	188	189
Debt guarantee fee (if applicable)	228	239
Other expenses	1,144	1,052
<b>Total expenses from continuing operations</b>	<b>17,755</b>	<b>18,213</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>2,162</b>	<b>1,227</b>
Grants and contributions provided for capital purposes	2,700	2,271
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>4,862</b>	<b>3,498</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>4,862</b>	<b>3,498</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(649)	(368)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,213</b>	<b>3,130</b>
plus Opening Retained Profits	209,401	205,475
plus/less: Prior Period Adjustments	(54,481)	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	188	189
- Debt guarantee fees	228	239
- Corporate taxation equivalent	649	368
less:		
- Tax Equivalent Dividend paid	(59)	-
- Surplus dividend paid	-	-
<b>Closing Retained Profits</b>	<b>160,139</b>	<b>209,401</b>
<b>Return on Capital %</b>	<b>2.1%</b>	<b>1.9%</b>
<b>Subsidy from Council</b>	<b>2,364</b>	<b>4,110</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	4,213	3,130
less: Capital grants and contributions (excluding developer contributions)	(1,793)	(1,513)
<b>Surplus for dividend calculation purposes</b>	<b>2,420</b>	<b>1,617</b>
<b>Potential Dividend calculated from surplus</b>	<b>1,210</b>	<b>808</b>

## Tamworth Regional Council

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

for the financial year ended 30 June 2015

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>Income from continuing operations</b>				
Access charges	-	-	6,993	6,766
User charges	-	-	-	-
Fees	4,068	4,500	4,178	4,820
Interest	-	-	5	-
Grants and contributions provided for non capital purposes	-	-	685	594
Profit from the sale of assets	-	-	-	-
Other income	376	101	14	1
<b>Total income from continuing operations</b>	<b>4,444</b>	<b>4,601</b>	<b>11,875</b>	<b>12,181</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	781	790	1,335	1,206
Borrowing costs	91	94	454	445
Materials and contracts	2,661	2,362	7,180	7,187
Depreciation and impairment	631	672	544	539
Loss on sale of assets	15	-	-	-
Calculated taxation equivalents	168	169	7	7
Debt guarantee fee (if applicable)	7	7	-	-
Other expenses	404	227	256	79
<b>Total expenses from continuing operations</b>	<b>4,758</b>	<b>4,321</b>	<b>9,776</b>	<b>9,463</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(314)</b>	<b>280</b>	<b>2,099</b>	<b>2,718</b>
Grants and contributions provided for capital purposes	-	-	-	75
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(314)</b>	<b>280</b>	<b>2,099</b>	<b>2,793</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(314)</b>	<b>280</b>	<b>2,099</b>	<b>2,793</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(84)	(630)	(815)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(314)</b>	<b>196</b>	<b>1,469</b>	<b>1,978</b>
plus Opening Retained Profits	25,573	25,117	14,498	11,698
plus/less: Prior Period Adjustments	(1,919)	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	168	169	7	7
- Debt guarantee fees	7	7	-	-
- Corporate taxation equivalent	-	84	630	815
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(3,371)	-	(3,028)	-
<b>Closing Retained Profits</b>	<b>20,144</b>	<b>25,573</b>	<b>13,576</b>	<b>14,498</b>
<b>Return on Capital %</b>	<b>-0.5%</b>	<b>0.9%</b>	<b>18.4%</b>	<b>21.7%</b>
<b>Subsidy from Council</b>	<b>1,477</b>	<b>1,077</b>	<b>-</b>	<b>-</b>

## Tamworth Regional Council

### Statement of Financial Position - Council's Water Supply Business Activity as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	41,279	36,406
Receivables	1,609	2,501
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>42,888</b>	<b>38,907</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	227,904	223,380
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	666	-
Other	-	51
<b>Total non-Current Assets</b>	<b>228,570</b>	<b>223,431</b>
<b>TOTAL ASSETS</b>	<b>271,458</b>	<b>262,338</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	613	749
Interest bearing liabilities	655	467
Provisions	-	-
<b>Total Current Liabilities</b>	<b>1,268</b>	<b>1,216</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	12,170	8,151
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>12,170</b>	<b>8,151</b>
<b>TOTAL LIABILITIES</b>	<b>13,438</b>	<b>9,367</b>
<b>NET ASSETS</b>	<b>258,020</b>	<b>252,971</b>
<b>EQUITY</b>		
Retained earnings	164,585	175,843
Revaluation reserves	93,435	77,128
Council equity interest	258,020	252,971
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>258,020</b>	<b>252,971</b>

## Tamworth Regional Council

### Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	36,522	29,754
Receivables	1,295	1,442
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>37,817</b>	<b>31,196</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	248,663	249,908
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	1,177	-
Other	-	-
<b>Total non-Current Assets</b>	<b>249,840</b>	<b>249,908</b>
<b>TOTAL ASSETS</b>	<b>287,657</b>	<b>281,104</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	699	754
Interest bearing liabilities	2,138	2,020
Provisions	-	-
<b>Total Current Liabilities</b>	<b>2,837</b>	<b>2,774</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	42,461	44,600
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>42,461</b>	<b>44,600</b>
<b>TOTAL LIABILITIES</b>	<b>45,298</b>	<b>47,374</b>
<b>NET ASSETS</b>	<b>242,359</b>	<b>233,730</b>
<b>EQUITY</b>		
Retained earnings	160,139	209,401
Revaluation reserves	82,220	24,329
Council equity interest	242,359	233,730
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>242,359</b>	<b>233,730</b>

## Tamworth Regional Council

### Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	3,217	-	350
Investments	1,285	2,217	18,186	16,187
Receivables	768	516	920	1,239
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>2,053</b>	<b>5,950</b>	<b>19,106</b>	<b>17,776</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	41,539	40,749	13,855	14,601
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>41,539</b>	<b>40,749</b>	<b>13,855</b>	<b>14,601</b>
<b>TOTAL ASSETS</b>	<b>43,592</b>	<b>46,699</b>	<b>32,961</b>	<b>32,377</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	553	-	936	-
Payables	214	313	62	47
Interest bearing liabilities	46	44	-	-
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	<b>813</b>	<b>357</b>	<b>998</b>	<b>47</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	1,331	1,377	-	-
Provisions	-	-	16,531	16,049
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>1,331</b>	<b>1,377</b>	<b>16,531</b>	<b>16,049</b>
<b>TOTAL LIABILITIES</b>	<b>2,144</b>	<b>1,734</b>	<b>17,529</b>	<b>16,096</b>
<b>NET ASSETS</b>	<b>41,448</b>	<b>44,965</b>	<b>15,432</b>	<b>16,281</b>
<b>EQUITY</b>				
Retained earnings	20,144	25,573	13,576	14,498
Revaluation reserves	21,304	19,392	1,856	1,783
Council equity interest	<b>41,448</b>	<b>44,965</b>	<b>15,432</b>	<b>16,281</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>41,448</b>	<b>44,965</b>	<b>15,432</b>	<b>16,281</b>

# Tamworth Regional Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2015

### 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 2015

#### Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

#### Declared Business Activities

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

##### Category 1

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

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

*Water supply systems servicing the area of Tamworth Regional Council.*

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

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

##### c. Tamworth Regional Airport

*Tamworth Regional Airport Facility.*

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

*Tamworth Regional Council Waste Management Facilities.*

##### Category 2

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

**None**

#### Monetary Amounts

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



## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

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

##### (i) Taxation Equivalent Charges

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

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

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

##### Notional Rate Applied %

###### Corporate Income Tax Rate – 30%

Land Tax – The first **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial

## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

borrowing costs in line with private sector competitors.

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

##### (ii) Subsidies

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

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

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

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

##### (iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.02% at 30/6/15.

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 2015 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

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

## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

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

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

2015

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

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

(i)	Calculated Tax Equivalents	84,000
(ii)	No of assessments multiplied by \$3/assessment	65,025
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	65,025
(iv)	Amounts actually paid for Tax Equivalents	65,025

##### 2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	168,500
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	585,225
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	7,005,100

2015 Surplus	337,000	2014 Surplus	4,518,600	2013 Surplus	2,149,500
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	168,500
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

##### 3. Required outcomes for 6 Criteria

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	NO
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

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

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	20,051
<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)]	%	54.99%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	209,984
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	11,221
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	6,609
<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)]	%	2.03%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	602

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

## Tamworth Regional Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

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

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

2015

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

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

(i)	Calculated Tax Equivalents	416,000
(ii)	No of assessments multiplied by \$3/assessment	59,043
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	59,043
(iv)	Amounts actually paid for Tax Equivalents	59,043

##### 2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	1,210,200
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	531,387
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	5,004,600

2015 Surplus	2,420,400	2014 Surplus	1,616,900	2013 Surplus	967,300
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	531,387
(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 2015

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

##### 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) - Aboriginal Communities W&S Program Income (w10a)	\$'000	21,526
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	233,215
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	8,360
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	2,425
<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)]	%	3.15%
<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	40,779
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.99%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	9,034
<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)]	%	2.61%
<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 2015

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

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

2015

#### 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)]	%	-4.07%
<b>NWI F23</b>	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): <span style="border: 1px solid black; padding: 2px;">12,329</span> 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: <span style="border: 1px solid black; padding: 2px;">1,277</span> Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		10
<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	6,561
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	403

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

## INDEPENDENT AUDITOR'S REPORT TO TAMWORTH REGIONAL COUNCIL

### Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Tamworth Regional Council (the "Council"), which comprises the statements of financial position as at 30 June 2015 and the income statements for the year then ended, a summary of significant accounting policies, other explanatory notes and the Statement by Councillors and Management.

### Responsibility of the Councillors for the Financial Report

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

### Auditor's Responsibility

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

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

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

### Independence

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

#### Sydney

Level 1  
130 Elizabeth Street  
Sydney NSW 2000  
PO Box 20726  
World Square NSW 2002  
T 02 8262 8700  
F 02 8026 8377

#### Newcastle

Hunter Mall Chambers  
2<sup>nd</sup> Floor, 175 Scott Street  
Newcastle NSW 2300  
PO Box 234  
Newcastle NSW 2300  
T 02 4907 7222  
F 02 8026 8376

#### Brisbane

Suite 1, Level 3  
200 Creek Street  
Brisbane QLD 4000  
GPO Box 2246  
Brisbane QLD 4001  
T 07 3839 1755  
F 07 3839 1037

[mail@prosperityadvisers.com.au](mailto:mail@prosperityadvisers.com.au)  
[www.prosperityadvisers.com.au](http://www.prosperityadvisers.com.au)

Prosperity Audit Services  
ABN 87 879 283 831



Chartered Accountants  
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Standards Legislation.



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

**Auditor's Opinion**

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

**Basis of Accounting and Restriction on Distribution**

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. Our report is intended solely for the Council.

**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 2015 included on Tamworth Regional Council's web site. The Councillors of the Council are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.



**PROSPERITY AUDIT SERVICES**



**LUKE MALONE**  
Partner

29 October 2015  
Sydney

# Tamworth Regional Council

SPECIAL SCHEDULES

for the year ended 30 June 2015

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



# Tamworth Regional Council

## Special Schedules

for the financial year ended 30 June 2015

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

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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 (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

# Tamworth Regional Council

## Special Schedule No. 1 - Net Cost of Services for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	(2)	155	-	((2 - 155)
<b>Administration</b>	919	919	-	(4,000)
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	1,232	440	26	(766)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	300	24	-	(276)
Animal Control	46	54	-	8
Other	-	-	-	-
<b>Total Public Order &amp; Safety</b>	<b>1,578</b>	<b>518</b>	<b>26</b>	<b>(1,034)</b>
<b>Health</b>	<b>593</b>	<b>132</b>	<b>-</b>	<b>(461)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	337	272	-	(65)
Other Environmental Protection	80	49	-	(31)
Solid Waste Management	11,424	11,424	-	2,000
Street Cleaning	683	-	-	(683)
Drainage	2,041	554	-	(1,487)
Stormwater Management	187	108	-	(79)
<b>Total Environment</b>	<b>12,052</b>	<b>12,407</b>	<b>-</b>	<b>355</b>
<b>Community Services and Education</b>				
Administration & Education	31	-	-	(31)
Social Protection (Welfare)	3	3	334	334
Aged Persons and Disabled	557	557	-	-
Children's Services	637	637	-	-
<b>Total Community Services &amp; Education</b>	<b>1,228</b>	<b>1,197</b>	<b>334</b>	<b>(397)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	351	257	-	(94)
Public Conveniences	327	-	-	(327)
Street Lighting	672	169	-	(503)
Town Planning	605	1,333	31	759
Other Community Amenities	35	-	-	(35)
<b>Total Housing and Community Amenities</b>	<b>1,990</b>	<b>1,759</b>	<b>31</b>	<b>(1,999)</b>
<b>Water Supplies</b>	<b>18,690</b>	<b>16,748</b>	<b>3,962</b>	<b>2,020</b>
<b>Sewerage Services</b>	<b>16,432</b>	<b>19,737</b>	<b>2,700</b>	<b>6,005</b>

# Tamworth Regional Council

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

for the financial year ended 30 June 2015

\$'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	2,591	966	84	(1,541)
Museums	86	11	-	(75)
Art Galleries	1,035	163	-	(872)
Community Centres and Halls	611	111	60	(5\$4)
Performing Arts Venues	1,378	347	-	(1,031)
Other Performing Arts	-	-	-	-
Other Cultural Services	18	-	-	(18)
Sporting Grounds and Venues	3,302	485	32	(2,785)
Swimming Pools	1,592	516	29	(1,047)
Parks & Gardens (Lakes)	2,207	30	1,151	(1,026)
Other Sport and Recreation	183	90	91	(2)
<b>Total Recreation and Culture</b>	<b>13,0* 7</b>	<b>2,719</b>	<b>1,447</b>	<b>(8,9\$1)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	1,929	353	-	(1,576)
Other Mining, Manufacturing & Construction	(249)	-	-	249
<b>Total Mining, Manufacturing and Const.</b>	<b>1,680</b>	<b>353</b>	-	<b>(1,327)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	54,439	2,050	7,640	(44,749)
Urban Roads - Regional	426	220	-	(206)
Sealed Rural Roads (SRR) - Local	1,576	141	7	(1,428)
Sealed Rural Roads (SRR) - Regional	94	2,007	576	2,489
Unsealed Rural Roads (URR) - Local	4,763	-	130	(4,) - +)
Unsealed Rural Roads (URR) - Regional	111	-	-	!
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	3,096	133	(3)	(2,966)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	573	944	-	371
Footpaths	426	-	316	(110)
Aerodromes	111	4,444	-	475
Other Transport & Communication	13,329	15,627	96	2,394
<b>Total Transport and Communication</b>	<b>82,655</b>	<b>25,566</b>	<b>8,762</b>	<b>(48,327)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	40	178	-	138
Other Economic Affairs	7,100	5,361	-	(1,739)
<b>Total Economic Affairs</b>	<b>7,140</b>	<b>5,539</b>	-	<b>(1,601)</b>
<b>Totals – Functions</b>	<b>166,977</b>	<b>87,749</b>	<b>17,262</b>	<b>(61,966)</b>
<b>General Purpose Revenues</b> <sup>(2)</sup>		<b>42,623</b>		<b>42,623</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	-		-
<b>NET OPERATING RESULT</b> <sup>(1)</sup>	<b>166,977</b>	<b>130,372</b>	<b>17,262</b>	<b>(19,343)</b>

(1) As reported in the Income Statement

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

## Tamworth Regional Council

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

for the financial year ended 30 June 2015

\$'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	130	650	780	-	130	-	-	-	130	520	650
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	4,424	80,765	85,189	4,750	4,499	-	-	5,563	4,762	80,678	85,440
Other	219	110	329	-	219	-	-	-	110	-	110
<b>Total Loans</b>	<b>4,773</b>	<b>81,525</b>	<b>86,298</b>	<b>4,750</b>	<b>4,848</b>	<b>-</b>	<b>-</b>	<b>5,563</b>	<b>5,002</b>	<b>81,198</b>	<b>86,200</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>4,773</b>	<b>81,525</b>	<b>86,298</b>	<b>4,750</b>	<b>4,848</b>	<b>-</b>	<b>-</b>	<b>5,563</b>	<b>5,002</b>	<b>81,198</b>	<b>86,200</b>

Notes: Excludes (i) Internal Loans &amp; (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 2015

\$'000	Actuals 2015	Actuals 2014
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,455	1,438
b. Engineering and Supervision	2,902	2,733
<b>2. Operation and Maintenance expenses</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	621	575
b. Maintenance expenses	271	403
<b>- Mains</b>		
c. Operation expenses	489	351
d. Maintenance expenses	1,121	1,688
<b>- Reservoirs</b>		
e. Operation expenses	109	123
f. Maintenance expenses	112	196
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	77	73
h. Energy costs	159	158
i. Maintenance expenses	192	58
<b>- Treatment</b>		
j. Operation expenses (excluding chemical costs)	2,074	2,075
k. Chemical costs	265	336
l. Maintenance expenses	576	519
<b>- Other</b>		
m. Operation expenses	1	3
n. Maintenance expenses	-	18
o. Purchase of water	797	679
<b>3. Depreciation expenses</b>		
a. System assets	4,184	3,826
b. Plant and equipment	28	28
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	717	597
b. Revaluation Decrements	-	-
c. Other expenses	3,475	162
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	65	64
<b>5. Total expenses</b>	<b>19,690</b>	<b>16,103</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 2015

\$'000	Actuals 2015	Actuals 2014
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	4,544	4,372
b. Usage charges	5,551	7,880
<b>7. Non-residential charges</b>		
a. Access (including rates)	1,530	1,487
b. Usage charges	4,219	4,273
<b>8. Extra charges</b>	78	74
<b>9. Interest income</b>	1,334	1,310
<b>10. Other income</b>	559	430
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	-	-
<b>11. Grants</b>		
a. Grants for acquisition of assets	602	5,174
b. Grants for pensioner rebates	210	200
c. Other grants	-	50
<b>12. Contributions</b>		
a. Developer charges	2,317	1,761
b. Developer provided assets	1,041	2,097
c. Other contributions	2	2
<b>13. Total income</b>	<b>21,987</b>	<b>29,110</b>
<b>14. Gain (or loss) on disposal of assets</b>	(229)	-
<b>15. Operating Result</b>	<b>2,068</b>	<b>13,007</b>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	1,466	7,833



## 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 2015

\$'000	Actuals 2015	Actuals 2014
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	3,654	7,431
b. New Assets for Growth	1,041	1,638
c. Renewals	1,914	1,880
d. Plant and equipment	-	-
<b>17. Repayment of debt</b>		
a. Loans	542	341
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<b>7,151</b>	<b>11,290</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	-	-
<b>21. Borrowing utilised</b>		
a. Loans	4,750	277
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	<b>4,750</b>	<b>277</b>
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	18,578	18,373
b. Residential (unoccupied, ie. vacant lot)	1,075	919
c. Non-residential (occupied)	1,786	1,784
d. Non-residential (unoccupied, ie. vacant lot)	236	343
<b>25. Number of ETs for which developer charges were received</b>	424 ET	420 ET
<b>26. Total amount of pensioner rebates (actual dollars)</b>	\$ 372,169	\$ 371,885

## Tamworth Regional Council

### Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2015

\$'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"/> NO	
If Yes, go to 28a. If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/> YES	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text" value="-"/>
c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text" value="-"/>
d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text" value="-"/>
<b>28. Developer charges</b>			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2014/15 (page 47 of Guidelines)			<input type="text" value="-"/>
** 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 Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	11,652	-	11,652
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	492	-	492
e. Sinking fund	-	-	-
f. Other	29,135	-	29,135
<b>31. Receivables</b>			
a. Specific purpose grants	18	-	18
b. Rates and Availability Charges	494	-	494
c. User Charges	1,008	-	1,008
d. Other	89	-	89
<b>32. Inventories</b>	-	-	-
<b>33. Property, plant and equipment</b>			
a. System assets	-	209,984	209,984
b. Plant and equipment	-	17,920	17,920
<b>34. Other assets</b>	-	666	666
<b>35. Total assets</b>	<b>42,888</b>	<b>228,570</b>	<b>271,458</b>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	613	-	613
<b>38. Borrowings</b>			
a. Loans	655	12,170	12,825
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>40. Total liabilities</b>	<b>1,268</b>	<b>12,170</b>	<b>13,438</b>
<b>41. NET ASSETS COMMITTED</b>	<b>41,620</b>	<b>216,400</b>	<b>258,020</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			177,911
<b>43. Asset revaluation reserve</b>			80,109
<b>44. TOTAL EQUITY</b>			<b>258,020</b>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			364,536
<b>46. Accumulated current cost</b> depreciation of system assets			(154,552)
<b>47. Written down current cost</b> of system assets			<b>209,984</b>

## Tamworth Regional Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,056	1,065
b. Engineering and Supervision	2,266	2,257
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	445	413
b. Maintenance expenses	838	1,117
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	178	165
d. Energy costs	100	97
e. Maintenance expenses	233	392
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,126	1,121
g. Chemical costs	54	136
h. Energy costs	741	787
i. Effluent Management	31	39
j. Biosolids Management	405	629
k. Maintenance expenses	887	833
<b>- Other</b>		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
<b>3. Depreciation expenses</b>		
a. System assets	5,281	5,008
b. Plant and equipment	50	33
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	2,984	3,560
b. Revaluation Decrements	-	-
c. Other expenses	94	45
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	59	58
<b>5. Total expenses</b>	<b>16,828</b>	<b>17,755</b>

## Tamworth Regional Council

### Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	13,915	13,405
<b>7. Non-residential charges</b>		
a. Access (including rates)	1,847	1,752
b. Usage charges	1,889	1,700
<b>8. Trade Waste Charges</b>		
a. Annual Fees	262	66
b. Usage charges	301	445
c. Excess mass charges	61	368
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	-	-
<b>10. Interest income</b>	1,090	1,225
<b>11. Other income</b>	111	271
<b>11a. Aboriginal Communities Water &amp; Sewerage Program</b>	-	-
<b>12. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	193	184
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	907	758
b. Developer provided assets	1,786	1,512
c. Other contributions	254	24
<b>14. Total income</b>	<b>22,616</b>	<b>21,710</b>
<b>15. Gain (or loss) on disposal of assets</b>	(569)	(29)
<b>16. Operating Result</b>	<b>5,219</b>	<b>3,926</b>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	5,219	3,926

## Tamworth Regional Council

### Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	90	2,968
b. New Assets for Growth	1,786	46
c. Renewals	549	6,668
d. Plant and equipment	-	-
<b>18. Repayment of debt</b>		
a. Loans	2,020	2,186
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<b>4,445</b>	<b>11,868</b>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	-	-
<b>22. Borrowing utilised</b>		
a. Loans	67	253
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<b>67</b>	<b>253</b>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	17,215	17,025
b. Residential (unoccupied, ie. vacant lot)	804	680
c. Non-residential (occupied)	1,575	1,565
d. Non-residential (unoccupied, ie. vacant lot)	87	78
<b>26. Number of ETs for which developer charges were received</b>	469 ET	406 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 342,453	\$ 342,143

## Tamworth Regional Council

### Special Schedule No. 5 - Sewerage Service Cross Subsidies for the financial year ended 30 June 2015

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
<b>a.</b> Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> YES	<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>b.</b> Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
<b>a.</b> Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
<b>b.</b> Total cross-subsidy in sewerage developer charges for 2014/15 (page 47 of Guidelines)			<input type="text" value="-"/>
** 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 Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	8,445	-	8,445
b. Special purpose grants	661	-	661
c. Accrued leave	-	-	-
d. Unexpended loans	2,040	-	2,040
e. Sinking fund	-	-	-
f. Other	25,376	-	25,376
<b>32. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	1,010	-	1,010
c. User Charges	285	-	285
d. Other	-	-	-
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	233,215	233,215
b. Plant and equipment	-	15,448	15,448
<b>35. Other assets</b>	-	1,177	1,177
<b>36. Total Assets</b>	<b>37,817</b>	<b>249,840</b>	<b>287,657</b>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	699	-	699
<b>39. Borrowings</b>			
a. Loans	2,138	42,461	44,599
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>41. Total Liabilities</b>	<b>2,837</b>	<b>42,461</b>	<b>45,298</b>
<b>42. NET ASSETS COMMITTED</b>	<b>34,980</b>	<b>207,379</b>	<b>242,359</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			214,620
<b>44. Asset revaluation reserve</b>			27,739
<b>45. TOTAL EQUITY</b>			<b>242,359</b>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			294,517
<b>47. Accumulated current cost</b> depreciation of system assets			(61,302)
<b>48. Written down current cost</b> of system assets			<b>233,215</b>



## Tamworth Regional Council

### Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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

## Tamworth Regional Council

## Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings	Buildings	1,044	1,674	1,473	95,182	17%	40%	40%	3%	0%
	<b>sub total</b>	<b>1,044</b>	<b>1,674</b>	<b>1,473</b>	<b>95,182</b>					
Other Structures	Other Structures	-	1,119	1,119	37,525		100%			0%
	<b>sub total</b>	<b>-</b>	<b>1,119</b>	<b>1,119</b>	<b>37,525</b>					
Roads	Sealed Roads Surface	-	2,336	2,491	-	73%	18%	5%	3%	1%
	Sealed Roads Structure	-	764	682	-	74%	17%	6%	3%	
	Unsealed Roads	-	4,934	5,136	-	21%	8%	61%	5%	5%
	Bridges	-	236	252	68,134	7%	86%	7%	0%	0%
	Footpaths/Cycleways	-	1,259	1,151	8,296	6%	29%	57%	8%	0%
	Other Road Assets	-	2,024	1,997	-	62%	22%	12%	4%	
	WDV for Roads only	-	-	-	328,093					
	<b>sub total</b>	<b>-</b>	<b>11,553</b>	<b>11,709</b>	<b>404,523</b>					

## Tamworth Regional Council

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

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Water Supply Network	Dams/Weirs	-	393	270	-	50%	43%	7%	0%	
	Mains	3,942	1,306	1,127	-	48%	24%	27%	1%	
	Reservoirs	-	124	113	-	1%	99%	0%	0%	
	Pumping Station/s	333	170	192	-	29%	69%	1%	0%	
	Treatment	4,852	772	576	-	17%	16%	65%	2%	
	Buildings	-	-	-	-	100%				
	Total System WDV	-	-	-	209,984					
	Other	32	6	6	-	97%	7%	2%		
	<b>sub total</b>	<b>9,159</b>	<b>2,771</b>	<b>2,284</b>	<b>209,984</b>					
Sewerage Network	Mains	1,165	1,075	838	-	32%	64%	4%	0%	
	Pumping Station/s	6,295	439	233	-	68%	16%	15%	1%	
	Treatment	2,400	895	891	-	90%	4%	6%	0%	
	Buildings	-	-	-	-	73%	0%	27%	0%	
	Total System WDV	-	-	-	233,214					
	Other	-	4	4	-	100%	0%	0%	0%	
	<b>sub total</b>	<b>9,860</b>	<b>2,413</b>	<b>1,966</b>	<b>233,214</b>					

## Tamworth Regional Council

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

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater Drainage	Retarding Basins	-	61	10	-	77%	21%	2%	0%	
	Stormwater Conduits	-	-	-	-	30%	30%	38%	2%	
	Inlet and Junction Pits	-	532	478	-	38%	21%	31%	10%	
	Head Walls	-	-	-	-	59%	5%	28%	8%	
	Outfall Structures	-	-	-	-	52%	34%	14%	0%	
	Kerb and Gutter	-	178	151	-	46%	19%	35%	0%	
	Total System WDV	-	-	-	182,437					
	<b>sub total</b>	<b>-</b>	<b>771</b>	<b>639</b>	<b>182,437</b>					
Open Space/ Recreational Assets	Swimming Pools	-	236	170	6,091	90%	9%	1%	0%	
	<b>sub total</b>	<b>-</b>	<b>236</b>	<b>170</b>	<b>6,091</b>					
	<b>TOTAL - ALL ASSETS</b>	<b>20,063</b>	<b>20,537</b>	<b>19,360</b>	<b>1,168,956</b>					

## Notes:

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

<b>1</b>	<b>Excellent</b>	No work required (normal maintenance)
<b>2</b>	<b>Good</b>	Only minor maintenance work required
<b>3</b>	<b>Average</b>	Maintenance work required

<b>4</b>	<b>Poor</b>	Renewal required
<b>5</b>	<b>Very Poor</b>	Urgent renewal/upgrading required

## Tamworth Regional Council

### Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015

\$'000	Amounts	Indicator	Prior Periods	
	2015	2015	2014	2013
<b>Infrastructure Asset Performance Indicators Consolidated</b>				
<b>1. Building, Infrastructure &amp; Other Structures Renewals Ratio</b>				
Asset Renewals				
<u>(Building, Infrastructure &amp; Other Structures) <sup>(1)</sup></u>	<u>11,424</u>	<b>48.64%</b>	92.65%	51.25%
Depreciation, Amortisation & Impairment	<u>23,485</u>			
<b>2. Infrastructure Backlog Ratio</b>				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>20,063</u>			
Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>1,181,710</u>	<b>1.70%</b>	2.30%	4.82%
<b>3. Asset Maintenance Ratio</b>				
Actual Asset Maintenance	<u>19,360</u>			
Required Asset Maintenance	<u>20,537</u>	<b>0.94</b>	0.99	0.77
<b>4. Capital Expenditure Ratio</b>				
Annual Capital Expenditure	<u>34,501</u>			
Annual Depreciation	<u>28,241</u>	<b>1.22</b>	1.91	1.09

#### Notes

<sup>(1)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure assets only.

<sup>(2)</sup> Written Down Value

# Tamworth Regional Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015

\$'000	Water 2015	Sewer 2015	General <sup>(1)</sup> 2015
<b>Infrastructure Asset Performance Indicators By Fund</b>			
<b>1. Building, Infrastructure &amp; Other Structures Renewals Ratio</b>			
Asset Renewals (Building, Infrastructure & Other Structures) <sup>(2)</sup>	<b>45.75%</b>	<b>10.40%</b>	<b>63.92%</b>
Depreciation, Amortisation & Impairment			
prior period:	49.14%	113.74%	96.92%
<b>2. Infrastructure Backlog Ratio</b>			
Estimated Cost to bring Assets to a Satisfactory Condition	<b>4.36%</b>	<b>4.23%</b>	<b>0.14%</b>
Total value <sup>(3)</sup> of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets			
prior period:	4.33%	7.23%	0.35%
<b>3. Asset Maintenance Ratio</b>			
Actual Asset Maintenance	<b>0.82</b>	<b>0.81</b>	<b>0.98</b>
Required Asset Maintenance			
prior period:	1.05	1.12	0.97
<b>4. Capital Expenditure Ratio</b>			
Annual Capital Expenditure	<b>1.51</b>	<b>0.35</b>	<b>1.40</b>
Annual Depreciation			
prior period:	2.84	1.92	1.71

### Notes

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

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

(3) Written Down Value

## Tamworth Regional Council

### Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	30,656	31,656
Plus or minus Adjustments <sup>(2)</sup>	b	287	590
<b>Notional General Income</b>	<b>c = (a + b)</b>	<b>30,943</b>	<b>32,246</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
or Rate peg percentage	e	2.30%	2.40%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = d x (c-g)	-	-
or plus Rate peg amount	i = c x e	712	774
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
<b>sub-total</b>	<b>k = (c+g+h+i+j)</b>	<b>31,655</b>	<b>33,020</b>
plus (or minus) last year's Carry Forward Total	l	(0)	(1)
less Valuation Objections claimed in the previous year	m	-	-
<b>sub-total</b>	<b>n = (l + m)</b>	<b>(0)</b>	<b>(1)</b>
<b>Total Permissible income</b>	<b>o = k + n</b>	<b>31,655</b>	<b>33,019</b>
less Notional General Income Yield	p	31,656	33,013
<b>Catch-up or (excess) result</b>	<b>q = o - p</b>	<b>(1)</b>	<b>6</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	-	-
less Unused catch-up <sup>(5)</sup>	s	-	-
<b>Carry forward to next year</b>	<b>t = q + r - s</b>	<b>(1)</b>	<b>6</b>

#### Notes

- The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

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

### Report on Special Schedule No. 9

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

### Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

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

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

#### Sydney

Level 1  
130 Elizabeth Street  
Sydney NSW 2000  
PO Box 20726  
World Square NSW 2002  
T 02 8262 8700  
F 02 8026 8377

#### Newcastle

Hunter Mall Chambers  
2<sup>nd</sup> Floor, 175 Scott Street  
Newcastle NSW 2300  
PO Box 234  
Newcastle NSW 2300  
T 02 4907 7222  
F 02 8026 8376

#### Brisbane

Suite 1, Level 3  
200 Creek Street  
Brisbane QLD 4000  
GPO Box 2246  
Brisbane QLD 4001  
T 07 3839 1755  
F 07 3839 1037

[mail@prosperityadvisers.com.au](mailto:mail@prosperityadvisers.com.au)  
[www.prosperityadvisers.com.au](http://www.prosperityadvisers.com.au)

Prosperity Audit Services  
ABN 87 879 283 831



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

**Independence**

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

**Auditor's Opinion**


In our opinion, Special Schedule No. 9 of Tamworth Regional Council for the year ended 30 June 2015 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

**Basis of Accounting and Restriction on Distribution**

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

**Matters Relating to the Electronic Presentation of Special Schedule No. 9**

This auditor's report relates to Special Schedule No. 9 of Tamworth Regional Council for the year ended 30 June 2015 included on Tamworth Regional Council's web site. The Councillors of the Council are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.



**PROSPERITY AUDIT SERVICES**



**LUKE MALONE**  
Partner

29 October 2015  
Sydney