

Tamworth Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

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live, invest, visit & work"*



Tamworth Regional Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

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Overview

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

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

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 31/10/11. Council has the power to amend and reissue the financial statements.
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Tamworth Regional Council

General Purpose Financial Statements for the financial year ended 30 June 2011

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2011.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

A summary of 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. A Statement of Comprehensive Income

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

3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

4. A Statement of Changes in Equity

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

5. A 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 the Council's financial performance & financial position.

Who uses the Financial Statements ?

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

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

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

Tamworth Regional Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

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 11 October 2011.



Col Murray
MAYOR



Russell Webb
COUNCILLOR



Paul Bennett
GENERAL MANAGER



Rick Sanderson
RESPONSIBLE ACCOUNTING OFFICER

Tamworth Regional Council

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾ 2011	\$ '000	Notes	Actual 2011	Actual 2010
Income from Continuing Operations				
Revenue:				
47,246	Rates & Annual Charges	3a	47,554	45,022
23,596	User Charges & Fees	3b	27,335	26,592
4,889	Interest & Investment Revenue	3c	6,959	6,281
1,679	Other Revenues	3d	1,985	1,680
21,598	Grants & Contributions provided for Operating Purposes	3e,f	21,040	20,598
8,853	Grants & Contributions provided for Capital Purposes	3e,f	10,308	17,726
Other Income:				
-	Net gains from the disposal of assets	5	273	1,312
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<u>107,861</u>	Total Income from Continuing Operations		<u>115,454</u>	<u>119,211</u>
Expenses from Continuing Operations				
38,394	Employee Benefits & On-Costs	4a	36,976	35,087
4,794	Borrowing Costs	4b	4,971	3,461
34,599	Materials & Contracts	4c	26,542	26,366
23,540	Depreciation & Amortisation	4d	25,065	24,098
-	Impairment	4d	-	47
8,466	Other Expenses	4e	7,877	7,932
<u>109,793</u>	Total Expenses from Continuing Operations		<u>101,431</u>	<u>96,991</u>
<u>(1,932)</u>	Operating Result from Continuing Operations		<u>14,023</u>	<u>22,220</u>
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>(1,932)</u>	Net Operating Result for the Year		<u>14,023</u>	<u>22,220</u>
(1,932)	Net Operating Result attributable to Council		14,005	22,237
-	Net Operating Result attributable to Minority Interests		18	(17)
<u>(10,785)</u>	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		<u>3,715</u>	<u>4,494</u>

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

Tamworth Regional Council

Statement of Comprehensive Income

for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		14,023	22,220
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	46,791	139,131
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Adjustment to correct prior period depreciation errors	20b (ii)	-	-
Total Other Comprehensive Income for the year		46,791	139,131
Total Comprehensive Income for the Year		60,814	161,351
Total Comprehensive Income attributable to Council		60,796	161,368
Total Comprehensive Income attributable to Minority Interests		18	(17)

Tamworth Regional Council

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	9,410	5,249
Investments	6b	85,200	112,200
Receivables	7	18,007	16,481
Inventories	8	1,980	2,102
Other	8	119	35
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		114,716	136,067
Non-Current Assets			
Investments	6b	5,054	4,074
Receivables	7	466	522
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,292,412	1,210,835
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,975	2,025
Intangible Assets	25	-	-
Total Non-Current Assets		1,299,907	1,217,456
TOTAL ASSETS		1,414,623	1,353,523
LIABILITIES			
Current Liabilities			
Payables	10	10,497	11,461
Borrowings	10	3,804	4,092
Provisions	10	10,653	11,328
Total Current Liabilities		24,954	26,881
Non-Current Liabilities			
Payables	10	832	661
Borrowings	10	89,364	93,269
Provisions	10	12,976	12,290
Total Non-Current Liabilities		103,172	106,220
TOTAL LIABILITIES		128,126	133,101
Net Assets		1,286,497	1,220,422
EQUITY			
Retained Earnings	20	960,702	940,824
Revaluation Reserves	20	325,498	279,319
Council Equity Interest		1,286,200	1,220,143
Minority Equity Interest		297	279
Total Equity		1,286,497	1,220,422

Tamworth Regional Council

Statement of Changes in Equity for the financial year ended 30 June 2011

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		758,190	140,188	898,378	296	898,674
a. Correction of Prior Period Errors	20 (c)	160,397	-	160,397	-	160,397
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		918,587	140,188	1,058,775	296	1,059,071
c. Net Operating Result for the Year		22,237	-	22,237	(17)	22,220
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	139,131	139,131	-	139,131
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Correction of Prior Period Errors	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	139,131	139,131	-	139,131
Total Comprehensive Income (c&d)		22,237	139,131	161,368	(17)	161,351
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		940,824	279,319	1,220,143	279	1,220,422

Tamworth Regional Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
47,246	Rates & Annual Charges		46,857	45,102
24,951	User Charges & Fees		26,729	25,310
4,889	Investment & Interest Revenue Received		6,916	6,229
32,330	Grants & Contributions		29,639	35,271
1,851	Other		9,161	7,164
Payments:				
(37,807)	Employee Benefits & On-Costs		(37,424)	(34,377)
(34,842)	Materials & Contracts		(35,953)	(35,450)
(6,996)	Borrowing Costs		(4,287)	(1,797)
-	Bonds & Deposits Refunded		(34)	-
(10,106)	Other		(8,764)	(9,920)
21,516	Net Cash provided (or used in) Operating Activities	11b	32,840	37,532
Cash Flows from Investing Activities				
Receipts:				
28,443	Sale of Investment Securities		26,020	151
-	Sale of Real Estate Assets		231	2,825
-	Sale of Infrastructure, Property, Plant & Equipment		2,060	2,307
73	Deferred Debtors Receipts		188	369
Payments:				
-	Purchase of Investment Securities		-	(29,411)
(47,889)	Purchase of Infrastructure, Property, Plant & Equipment		(52,854)	(73,852)
-	Purchase of Real Estate Assets		(23)	(456)
-	Deferred Debtors & Advances Made		(108)	-
(19,373)	Net Cash provided (or used in) Investing Activities		(24,486)	(98,067)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		-	42,582
Payments:				
(4,097)	Repayment of Borrowings & Advances		(4,193)	(2,974)
(4,097)	Net Cash Flow provided (used in) Financing Activities		(4,193)	39,608
(1,954)	Net Increase/(Decrease) in Cash & Cash Equivalents		4,161	(20,927)
5,249	plus: Cash & Cash Equivalents - beginning of year	11a	5,249	26,176
3,295	Cash & Cash Equivalents - end of the year	11a	9,410	5,249
Additional Information:				
	plus: Investments on hand - end of year	6b	90,254	116,274
Total Cash, Cash Equivalents & Investments			99,664	121,523

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 2011

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n/a - not applicable

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards,
- Other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

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

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

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

(iii) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

Unless otherwise stated, there have also been no changes in accounting policies when compared with previous financial statements.

(v) Critical Accounting Estimates

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

It also requires Council management to exercise their judgement in the process of applying Council's accounting policies.

(vi) Revaluation of Assets

In accordance with the Local Government Code of Accounting Practice and Financial Reporting Council staff and external valuers have determined the depreciated replacement cost of other assets, other structures and any other assets not previously recorded at "fair value". In order to determine the replacement cost of assets, suitably qualified Council staff and were required to undertake a physical inspection of these assets.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

In some instances due to the cost of undertaking asset revaluation and the immaterial value of individual assets when compared to total asset values per asset category, fair value has been approximated by depreciated historical cost.

This process requires Council management to exercise their judgement in the process of applying Council's accounting policies.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. Except in regards to parking fines where Council's Revenue Recognition policy for such income is to account for it as revenue upon receipt (refer to Note 18).

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

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

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/11) and (ii) all the related operating results (for the financial year ended the 30th June 2011).

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

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

(i) The Consolidated Fund

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

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

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

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

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

- *Section 355 Committees*

A full listing of these committee's can be found in Annexure I of the Tamworth Regional Council 2011 - 2014 Management Plan.

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

Total income from continuing operations	\$98,582
Total expenditure from continuing operations	\$170,929
Total net assets held (ie Equity)	\$46,000

Note:

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

(ii) The Trust Fund

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(iii) Joint Ventures

Tamworth Regional Council does not participate in any Jointly Controlled Operations.

Jointly Controlled Entities

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

(iv) Associated Entities

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

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

Note 19 provides more information in relation to Central Northern Regional Libraries. Council's control of this subsidiary exceeds fifty percent.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease. Council currently has only operating leases, these lease arrangements have been accounted for in accordance with AASB 117.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

As at reporting date Tamworth Regional Council had access to but had not utilised bank overdraft facilities.

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

Accordingly, this classification principally comprises marketable equity securities, but can include all

types of financial assets that could otherwise be classified in one of the other investment categories.

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

(iii) Types of Investments

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

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

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

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

Council's Investment Policy is reviewed annually. The policy was reviewed and amended in 2011 and approved by Council on April 13, 2011.

(g) Fair value estimation

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

Tamworth Regional Council did not incur any borrowing costs in acquiring land held for resale.

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

Acquisition of assets

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(Combination of internal valuation and as approximated by depreciated historical cost). Refer to Note 1 (a) vi.
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment > \$10,000 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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Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Bridge construction & reconstruction	> \$10,000
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Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Stormwater Drainage

11 to 106 years

Transportation Assets

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

Water & Sewer Assets

5 to 100 years

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

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

Disposal and De-recognition

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

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

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

Full revaluations are carried out every year.

The last full revaluation for Council's Investment Properties was dated 30/06/2011.

(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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 disclosed as a borrowing cost in Note 4(b).

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

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

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

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

These costs are charged to the income statement.

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

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

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

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

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

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

(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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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. As at 30/6/2011 Tamworth Regional Council had no such assets.

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

As at 30/6/2011 Tamworth Regional council had 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.

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

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

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

(t) Payables

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

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

(u) Borrowings

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

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

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

(v) Borrowing costs

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Define Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/11.

(y) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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, Goods and Services Tax (GST) and Payroll Tax for water, sewer and cemetery operations.

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not

mandatory for reporting periods ending 30 June 2011.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Applicable to Local Government but no implications for Council;

AASB 2009 14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

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

None

Not applicable to Local Government per se;

Revised AASB 124 Related Party Disclosures and AASB 2009 12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures.

It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale.

Council is not subject to Income Tax and accordingly this amendment will have no impact on future financial statements.

(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 2011

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 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance	380	4	-		4,674	4,530	380	(4,670)	(4,530)	4	(5,167)	-	-
A Spirit of Community	7,759	6,199	9,859	21,026	18,501	16,000	(13,267)	(12,302)	(6,141)	2,493	6,752	97,349	72,472
A Prosperous Region	2,226	3,214	3,893	5,891	6,922	6,431	(3,665)	(3,708)	(2,538)	8	5,174	42,630	44,044
An Accessible Region	17,297	18,395	18,995	37,429	33,139	32,363	(20,132)	(14,744)	(13,368)	4,682	4,069	670,650	656,737
A Sustainable Region	44,651	50,375	51,214	45,034	37,922	37,540	(383)	12,453	13,674	5,107	7,267	559,342	534,675
Corporate Services	-	756	772	413	273	127	(413)	483	645	138	94	44,652	45,595
Total Functions & Activities	72,313	78,943	84,733	109,793	101,431	96,991	(37,480)	(22,488)	(12,258)	12,432	18,189	1,414,623	1,353,523
General Purpose Income ¹	35,548	36,511	34,478	-	-	-	35,548	36,511	34,478	10,396	9,850	-	-
Operating Result from Continuing Operations	107,861	115,454	119,211	109,793	101,431	96,991	(1,932)	14,023	22,220	22,828	28,039	1,414,623	1,353,523

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 2011

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

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

GOVERNANCE

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

A SPIRIT OF COMMUNITY

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

A PROSPEROUS REGION

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

AN ACCESSIBLE REGION

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

A SUSTAINABLE REGION

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

CORPORATE SERVICES

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

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		14,869	13,962
Farmland		4,239	4,069
Mining		13	13
Business		4,072	3,844
Total Ordinary Rates		23,193	21,888
Special Rates			
Main Street		-	453
Total Special Rates		-	453
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		5,089	4,799
Stormwater Management Services		526	515
Water Supply Services		4,439	3,927
Sewerage Services		13,592	12,787
Waste Management Services (non-domestic)		715	653
Total Annual Charges		24,361	22,681
TOTAL RATES & ANNUAL CHARGES		47,554	45,022

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

Following expiration of the Peel St Beautification special rates in 2009/2010, council currently has no special rates in its Revenue Policy

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		7,490	8,627
Sewerage Services		1,542	1,161
Total User Charges		9,032	9,788
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Planning & Building Regulation		1,175	1,240
Private Works - Section 67		752	848
Regulatory/ Statutory Fees		256	282
Total Fees & Charges - Statutory/Regulatory		2,183	2,370
(ii) Fees & Charges - Other (incl. General User Charges) (per s.610C)			
Aerodrome		3,142	2,650
Cemeteries		172	157
Community Centres		691	651
Country Music Festival		490	352
Hire Charge Council Facilities		1,703	1,581
Sports Dome		103	-
Parking Fees		365	358
RTA Charges (State Roads not controlled by Council)		3,623	3,128
Saleyards		813	844
Sewerage Services		615	490
Sporting Facilities		118	131
Swimming Centres		328	350
Water/Recycling Depot		2,919	2,515
Venue Ticket Sales		266	190
Other		772	1,037
Total Fees & Charges - Other		16,120	14,434
TOTAL USER CHARGES & FEES		27,335	26,592

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		351	306
- Interest earned on Investments (interest & coupon payment income)		6,608	5,975
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>6,959</u>	<u>6,281</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		351	306
General Council Cash & Investments		2,699	2,504
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		197	185
- Section 64		610	563
Water Fund Operations		1,141	834
Sewerage Fund Operations		1,961	1,889
<u>Total Interest & Investment Revenue Recognised</u>		<u>6,959</u>	<u>6,281</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	25
Rental Income - Investment Properties	14	85	145
Rental Income - Other Council Properties		757	782
Fines		24	16
Fines - Parking		464	498
Commissions & Agency Fees		129	120
Sponsorship Income		51	-
Insurance Rebate		141	-
Cafeteria Income		138	-
PNG Ministerial Services		30	-
Other		166	94
<u>TOTAL OTHER REVENUE</u>		<u>1,985</u>	<u>1,680</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance	9,920	9,373	-	-
Pensioners' Rates Subsidies - General Component	476	477	-	-
Total General Purpose	10,396	9,850	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	197	197	-	-
- Sewerage	183	183	-	-
- Domestic Waste Management	182	178	-	-
- Other	222	-	-	-
Water Supplies	104	111	12	10
Bushfire & Emergency Services	414	721	210	147
Community Care	1,262	1,120	233	17
Disaster Mitigation & Rehabilitation	2,475	2,254	-	-
Heritage & Cultural	296	264	-	-
Recreation & Culture	-	-	251	2,500
Sewer Services	-	-	3,099	5,091
Street Lighting	161	157	-	-
Taminda Levy	-	-	-	232
Training	138	94	-	-
Transport (Roads to Recovery)	1,669	1,849	-	-
Transport (Other Roads & Bridges Funding)	231	64	(68)	1,547
Waste Management	-	220	-	-
Barraba Pipeline Feasibility Study	-	-	256	-
RLCIP	158	-	114	-
Weed Action Grant	96	-	-	-
Other	170	545	367	688
Total Specific Purpose	7,958	7,957	4,474	10,232
Total Grants	18,354	17,807	4,474	10,232
Grant Revenue is attributable to:				
- Commonwealth Funding	13,193	11,225	423	4,865
- State Funding	4,958	4,619	4,233	7,211
- Other Funding	203	1,963	(182)	(1,844)
	18,354	17,807	4,474	10,232

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	430	610
S 64 - Water Supply Contributions	-	-	635	1,162
S 64 - Sewerage Service Contributions	-	-	436	610
Total Developer Contributions	17 -	-	1,501	2,382
Other Contributions:				
Chemical Collection	91	117	-	-
Dedications (other than by S94)	-	-	3,692	4,974
Kerb & Gutter	-	-	-	6
Other Councils - Joint Works/Services	453	435	-	-
Recreation & Culture	-	-	-	104
RTA Contributions (Regional/Local, Block Grant)	2,010	1,964	-	-
Sewerage (excl. Section 64 contributions)	-	110	-	3
Tourism	24	-	-	-
Water Supplies (excl. Section 64 contributions)	-	-	7	25
Donations	6	-	9	-
Equine Centre	-	-	200	-
Tamworth Sports Dome	-	-	381	-
Hazard Reduction	41	-	-	-
Other	61	165	44	-
Total Other Contributions	2,686	2,791	4,333	5,112
Total Contributions	2,686	2,791	5,834	7,494
TOTAL GRANTS & CONTRIBUTIONS	21,040	20,598	10,308	17,726

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2011	Actual 2010
(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	23,488	23,996
add: Grants and contributions recognised in the current period which have not been spent:	5,578	8,363
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(8,228)	(8,871)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	(2,650)	(508)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	20,838	23,488
Comprising:		
- Specific Purpose Unexpended Grants	5,354	8,605
- Developer Contributions	15,484	14,883
	20,838	23,488

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		27,707	25,418
Travelling		475	484
Employee Leave Entitlements (ELE)		5,265	5,296
Superannuation		3,642	3,634
Workers' Compensation Insurance		1,223	1,240
Fringe Benefit Tax (FBT)		166	131
Payroll Tax		239	198
Training Costs (other than Salaries & Wages)		482	427
Other		264	130
Total Employee Costs		39,463	36,958
less: Capitalised Costs		(2,487)	(1,871)
TOTAL EMPLOYEE COSTS EXPENSED		36,976	35,087
Number of "Equivalent Full Time" Employees at year end		517	510
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		7,023	5,461
Total Interest Bearing Liability Costs		7,023	5,461
less: Capitalised Costs		(2,602)	(2,404)
Total Interest Bearing Liability Costs Expensed		4,421	3,057
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	550	404
Total Other Borrowing Costs		550	404
TOTAL BORROWING COSTS EXPENSED		4,971	3,461

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		20,193	20,489
Contractor & Consultancy Costs		5,199	4,733
Auditors Remuneration - Audit Services: Council's Auditor		64	131
Legal Expenses: Planning & Development		85	204
Legal Expenses: Other		41	34
Operating Lease Rentals: Minimum Lease Payments ⁽¹⁾		960	775
Total Materials & Contracts		26,542	26,366
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		26,542	26,366
1. Operating Lease Payments are attributable to:			
- Buildings		420	304
- Computers and photocopiers		540	471
		960	775

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	3,504	3,224
Office Equipment		-	-	40	43
Furniture & Fittings		-	-	392	185
Land Improvements (depreciable)		-	-	12	12
Buildings - Non Specialised		-	-	1,157	1,008
Buildings - Specialised		-	-	226	225
Other Structures		-	-	1,377	1,084
Infrastructure:					
- Roads, Bridges & Footpaths		-	47	9,957	9,860
- Stormwater Drainage		-	-	1,173	1,961
- Water Supply Network		-	-	3,860	3,426
- Sewerage Network		-	-	2,866	2,631
Other Assets					
- Heritage Collections		-	-	1	1
- Library Books		-	-	265	271
- Other		-	-	89	85
Asset Reinstatement Costs	9 & 26	-	-	400	400
Total Depreciation & Impairment Costs		-	47	25,319	24,416
less: Capitalised Costs		-	-	(254)	(318)
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	47	25,065	24,098

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		189	269
Bad & Doubtful Debts		334	798
Contributions/Levies to Other Levels of Government		1,474	1,139
Councillor Expenses - Mayoral Fee		35	34
Councillor Expenses - Councillors' Fees		144	139
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		117	110
Donations, Contributions & Assistance to other organisations (Section 356)		354	305
Electricity & Heating		2,383	2,184
Insurance		1,440	1,616
Revaluation Decrements (Fair Valuation of Investment Properties)	14	50	-
Street Lighting		678	578
Sustainability Rebates		118	135
Telephone & Communications		542	603
Other		19	22
Total Other Expenses		7,877	7,932
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>7,877</u>	<u>7,932</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Property (excl. Investment Property)			
Proceeds from Disposal		11	-
less: Carrying Amount of Property Assets Sold		(28)	-
Net Gain/(Loss) on Disposal		(17)	-
Plant & Equipment			
Proceeds from Disposal		2,049	2,307
less: Carrying Amount of P&E Assets Sold		(1,928)	(2,127)
Net Gain/(Loss) on Disposal		121	180
Real Estate Assets Held For Sale			
Proceeds from Disposal		231	2,825
less: Carrying Amount of Real Estate Assets Sold		(62)	(1,798)
Net Gain/(Loss) on Disposal		169	1,027
Financial Assets*			
Proceeds from Disposal / Redemptions		-	151
less: Carrying Amount of Financial Assets Sold / Redeemed		-	(46)
Net Gain/(Loss) on Disposal		-	105
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>273</u>	<u>1,312</u>
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		-	105
Net Gain/(Loss) on Disposal of Financial Instruments		-	105

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		9,410	-	5,249	-
Total Cash & Cash Equivalents		9,410	-	5,249	-
Investment Securities (Note 6b)					
- Long Term Deposits		85,200	-	97,700	-
- Bank Bills		-	4,054	13,500	4,074
- Equity Linked Notes		-	1,000	1,000	-
Total Investment Securities		85,200	5,054	112,200	4,074
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		94,610	5,054	117,449	4,074

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	9,410	-	5,249	-
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Investments

a. "At Fair Value through the Profit & Loss"

- "Held for Trading"	6(b-i)	-	-	1,000	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	85,200	5,054	111,200	4,074
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		85,200	5,054	112,200	4,074

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 6b. Investments (continued)

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	1,000	-	1,046	-
Disposals (sales & redemptions)	-	-	(46)	-
Transfers from/(to) "Held to Maturity"	(1,000)	-	-	-
Balance at End of Year	-	-	1,000	-
Comprising:				
- Equity Linked Notes	-	-	1,000	-
Total	-	-	1,000	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	111,200	4,074	68,300	17,563
Amortisation of Premiums & Discounts	-	(20)	-	-
Additions	-	-	29,411	-
Disposals (sales & redemptions)	(26,000)	-	-	-
Transfers between Current/Non Current	-	-	13,489	(13,489)
Transfers from/(to) "At Fair Value"	-	1,000	-	-
Balance at End of Year	85,200	5,054	111,200	4,074
Comprising:				
- Long Term Deposits	85,200	-	97,700	-
- Bank Bills	-	4,054	13,500	4,074
- Equity Linked Notes	-	1,000	-	-
Total	85,200	5,054	111,200	4,074

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	94,610	5,054	117,449	4,074
attributable to:				
External Restrictions (refer below)	67,094	5,054	88,230	4,074
Internal Restrictions (refer below)	25,836	-	25,605	-
Unrestricted	1,680	-	3,614	-
	94,610	5,054	117,449	4,074

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	4,105	-	(3,211)	894
Specific Purpose Unexpended Loans-Water (A)	3,868	-	(892)	2,976
Specific Purpose Unexpended Loans-Sewer (A)	8,925	-	(6,460)	2,465
External Restrictions - Included in Liabilities	16,898	-	(10,563)	6,335

External Restrictions - Other

Developer Contributions - General (D)	3,630	627	(455)	3,802
Developer Contributions - Water Fund (D)	7,452	1,043	(1,257)	7,238
Developer Contributions - Sewer Fund (D)	3,801	643	-	4,444
Specific Purpose Unexpended Grants (F)	7,526	7,623	(10,533)	4,616
Specific Purpose Unexpended Grants (F) - Water Fund	80	-	(27)	53
Specific Purpose Unexpended Grants (F) - Sewer Fund	999	23	(338)	685
Water Supplies (G)	15,993	137	-	16,130
Sewerage Services (G)	26,227	-	(8,043)	18,184
Domestic Waste Management (G)	8,137	10,421	(9,604)	8,954
Deposits, Retentions & Bonds	1,561	146	-	1,707
External Restrictions - Other	75,406	20,663	(30,257)	65,813
Total External Restrictions	92,304	20,663	(40,820)	72,148

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Acquatic Centre	225	-	(11)	214
After School Care	132	396	(455)	73
Airport	1,853	3,562	(2,722)	2,693
Art Gallery Acquisition	1	-	-	1
Australia Day	4	-	-	4
Barraba Land & Dwelling Improvements	16	-	(10)	6
Barraba Meals on Wheels	22	-	(22)	-
Barraba Playground Equipment	10	-	-	10
Bushfire Emergency	10	-	-	10
Caravan Park	195	164	(146)	213
Central Business District	419	-	(168)	251
CMF Showcase Funding	5	2	(6)	1
Country Music Festival	-	114	-	114
Central Northern Regional Libraries	209	1,262	(1,190)	281
CNCC Distribution	6	-	(2)	4
Councillor Professional Development	56	-	(15)	41
Council Buildings	805	565	(109)	1,261
Cultural Development Officer Grant	-	115	-	115
Domestic Violence Funding	3	3	(4)	2
Drainage Levy	682	553	-	1,235
Employees Leave Entitlement	1,772	-	(5)	1,767
Equine Centre	305	415	(383)	337
FAGS General Purpose Component	1,583	1,612	(1,583)	1,612
Flood Mitigation	407	74	-	481
Incomplete Works	486	-	(61)	425
International Women's Day	5	7	(11)	1
Integrated Planning and Reporting	200	-	(97)	103
Information Technology Development	933	257	(156)	1,034
Laboratory Equipment	-	115	(63)	52
Livestock Marketing Centre	371	824	(899)	296
Local Works Reserve	2,075	1,540	(643)	2,972
Manilla - Flat Repairs	3	-	-	3
Norsure Insurance	383	-	(139)	244
Nundle Retirement Village	277	23	(11)	289
Nundle Commons	23	6	-	29
Organisational Development Projects	-	40	-	40
Parking Meters/Car Park	876	841	(430)	1,287
Plant & Vehicle Replacement	6,990	10,029	(12,122)	4,897
Property Acquisition and Development	1,751	251	(1,055)	947
Revotes - General Fund	243	109	-	352
Risk and Safety	-	35	(9)	26
Riverside Sporting Complex	10	-	(10)	-

[continued on next page...](#)

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions (continued)				
Roadworks (FAG Roads Component)	1,360	3,611	(3,497)	1,474
RTA User Charges	695	3,610	(3,871)	434
RFS Equipment Donations	1	9	(9)	1
Sewage Management	23	-	(23)	-
SIC Warranty	100	-	-	100
Sister City	11	-	(7)	4
Tamworth Sports Dome	-	7	-	7
Village Improvement Fund	50	41	(17)	74
Woolomin Flood Donations	19	-	-	19
Total Internal Restrictions	25,605	30,192	(29,961)	25,836
TOTAL RESTRICTIONS	117,909	50,855	(70,781)	97,984

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		3,381	340	2,490	327
Interest & Extra Charges		487	56	399	53
User Charges & Fees		8,945	-	6,510	-
Accrued Revenues					
- Other Income Accruals		2,280	-	1,904	-
Contributions		37	-	41	-
Deferred Debtors		140	70	148	142
Government Grants & Subsidies		3,794	-	4,177	-
Net GST Receivable		414	-	1,997	-
Other Debtors		-	-	31	-
Total		19,478	466	17,697	522
less: Provision for Impairment					
Rates & Annual Charges		(394)	-	(187)	-
Interest & Extra Charges		(86)	-	(38)	-
User Charges & Fees		(991)	-	(991)	-
Total Provision for Impairment - Receivables		(1,471)	-	(1,216)	-
<u>TOTAL NET RECEIVABLES</u>		<u>18,007</u>	<u>466</u>	<u>16,481</u>	<u>522</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		262	-	93	-
- Rates & Availability Charges		3,279	-	266	-
- Other		14	-	1,102	-
Sewerage Services					
- Specific Purpose Grants		2,582	-	2,829	-
- Rates & Availability Charges		1,102	-	897	-
- Other		741	-	289	-
Domestic Waste Management		777	-	800	-
Total External Restrictions		8,757	-	6,276	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		9,250	466	10,205	522
TOTAL NET RECEIVABLES		18,007	466	16,481	522

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2010 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 2011

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		991	-	1,030	-
Stores & Materials		989	-	1,072	-
Total Inventories		1,980	-	2,102	-
Other Assets					
Prepayments		119	-	35	-
Total Other Assets		119	-	35	-
TOTAL INVENTORIES / OTHER ASSETS		2,099	-	2,137	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures

(a) Details for Real Estate Development

Industrial/Commercial		991	-	1,030	-
Total Real Estate for Resale		991	-	1,030	-

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

Represented by:

Acquisition Costs		698	-	760	-
Development Costs		293	-	270	-
Total Costs		991	-	1,030	-
less: Provision for Under Recovery		-	-	-	-
Total Real Estate for Resale		991	-	1,030	-

Movements:

Real Estate assets at beginning of the year		1,030	-	2,372	-
- Purchases and other costs		23	-	456	-
- WDV of Sales (exp)	5	(62)	-	(1,798)	-
Total Real Estate for Resale		991	-	1,030	-

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010					Asset Movements during the Reporting Period					as at 30/6/2011				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Deprec.	Impairment	Value						Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	94,765	-	-	-	94,765	27,914	-	-	(97,760)	-	24,919	-	-	-	24,919
Plant & Equipment	-	34,287	15,466	-	18,821	7,248	(1,929)	(3,504)	14	-	-	37,004	16,354	-	20,650
Office Equipment	-	3,219	3,051	-	168	43	-	(40)	36	-	-	3,298	3,091	-	207
Furniture & Fittings	-	5,272	978	-	4,294	65	-	(392)	-	-	-	5,338	1,371	-	3,967
Plant & Equipment (under Finance Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land:															
- Operational Land	-	61,768	-	-	61,768	518	-	-	-	-	-	62,286	-	-	62,286
- Community Land	4,558	-	-	-	4,558	-	-	-	-	10,798	-	15,356	-	-	15,356
- Land under Roads (post 30/6/08)	-	-	-	-	-	61	-	-	-	-	-	61	-	-	61
Land Improvements - depreciable	-	607	173	-	434	-	-	(12)	3	487	-	1,291	379	-	912
Buildings - Non Specialised	-	87,627	32,947	-	54,680	4,221	(28)	(1,157)	5,407	-	-	97,192	34,069	-	63,123
Buildings - Specialised	-	19,277	393	-	18,884	250	-	(226)	-	-	-	19,527	619	-	18,908
Other Structures	39,580	-	18,604	-	20,976	3,327	-	(1,377)	6,916	26,199	-	84,073	28,032	-	56,041
Infrastructure:															
- Roads, Bridges, Footpaths	-	811,452	219,014	-	592,438	6,247	-	(9,957)	1,944	-	-	819,280	228,608	-	590,672
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	-	101,963	40,428	-	61,535	1,467	-	(1,173)	-	-	-	103,430	41,601	-	61,829
- Water Supply Network	-	292,243	129,796	-	162,447	2,421	-	(3,860)	2,032	5,198	-	306,047	137,809	-	168,238
- Sewerage Network	-	200,468	95,932	-	104,536	2,636	-	(2,866)	86,605	3,346	-	296,124	101,867	-	194,257
Other Assets:															
- Heritage Collections	31	-	8	-	23	-	-	(1)	(1)	-	-	31	10	-	21
- Library Books	1,821	-	1,300	-	521	244	-	(265)	-	-	-	2,066	1,566	-	500
- Art Collection	-	1,757	-	-	1,757	24	-	-	-	-	-	1,781	-	-	1,781
- Other Assets	4,178	-	304	-	3,874	185	-	(89)	(5)	763	-	5,183	455	-	4,728
Restatement, Rehabilitation & Restoration Assets (refer Note 26)															
- Tip Asset	9,583	-	5,334	-	4,249	-	-	(389)	-	-	-	9,583	5,723	-	3,860
- Quarry Asset	182	-	75	-	107	-	-	(11)	-	-	-	182	86	-	96
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	154,698	1,619,940	563,803	-	1,210,835	56,871	(1,957)	(25,319)	5,191	46,791	24,919	1,869,133	601,640	-	1,292,412

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Actual				Actual			
	2011				2010			
Class of Asset	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Capital Work in Progress	8,367	-	-	8,367	8,169	-	-	8,169
Plant & Equipment	-	202	155	47	-	202	144	58
Office Equipment	-	43	31	12	-	43	29	14
Land								
- Operational Land	-	1,737	-	1,737	-	1,737	-	1,737
Other Assets	-	627	13	614	-	440	13	427
Other Structures	-	499	256	243	500	-	232	268
Infrastructure	-	306,047	137,809	168,238	-	292,243	129,796	162,447
Total Water Supply	8,367	309,155	138,264	179,258	8,669	294,665	130,214	173,120
Sewerage Services								
Capital Work in Progress	11,239	-	-	11,239	74,573	-	-	74,573
Plant & Equipment	-	-	-	-	-	118	112	6
Office Equipment	-	33	24	9	-	33	23	10
Furniture & Fittings	-	-	-	-	-	6	6	-
Land								
- Operational Land	-	9,419	-	9,419	-	9,419	-	9,419
Buildings	-	1,120	50	1,070	-	1,120	34	1,086
Other Assets	-	232	-	232	-	56	-	56
Other Structures	-	313	239	74	313	-	209	104
Infrastructure	-	296,124	101,867	194,257	-	200,468	95,931	104,537
Total Sewerage Services	11,239	307,241	102,180	216,300	74,886	211,220	96,315	189,791
Domestic Waste Management								
Capital Work in Progress	930	-	-	930	901	-	-	901
Plant & Equipment	-	97	11	86	-	54	8	46
Land								
- Operational Land	-	783	-	783	-	265	-	265
- Community Land	-	-	-	-	130	-	-	130
- Improvements - depreciable	-	783	151	632	-	376	73	303
Buildings	-	559	91	468	-	289	87	202
Other Structures	-	5,006	892	4,114	3,090	-	1,158	1,932
Roads, Bridges, Footpaths	-	267	85	182	-	218	81	137
Tip Remediation	-	9,583	5,723	3,860	9,583	-	5,334	4,249
Other Assets	-	378	72	306	79	-	9	70
Total DWM	930	17,456	7,025	11,361	13,783	1,202	6,750	8,235
TOTAL RESTRICTED I,PP&E	20,536	633,852	247,469	406,919	97,338	507,087	233,279	371,146

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(i) Impairment Losses recognised in the Income Statement include:			
- Flood Damage to Bridge		-	(47)
Total Impairment Losses		-	(47)
(ii) Reversals of Impairment Losses previously recognised in the Income Statement include:			
- Nil			
<u>IMPAIRMENT of ASSETS - GAINS/(LOSSES)</u>		<u>-</u>	<u>(47)</u>

NB. Impairment Adjustments relating to I,PP&E assets may have been recognised direct to Equity - refer Note 20 (ii).

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,700	-	6,194	-
Payments Received In Advance		1,012	-	111	-
Accrued Expenses:					
- Borrowings		2,082	-	1,398	-
- Salaries & Wages		1,014	-	1,115	-
- Other Expenditure Accruals		111	-	1,052	-
Security Bonds, Deposits & Retentions		839	-	873	-
Retirement Home Contributions		36	832	27	661
Other		703	-	691	-
Total Payables		10,497	832	11,461	661
Borrowings					
Loans - Secured ¹		3,804	89,364	4,092	93,269
Total Borrowings		3,804	89,364	4,092	93,269
Provisions					
Employee Benefits;					
Annual Leave		3,763	-	3,856	-
Long Service Leave		6,890	660	7,472	232
Sub Total - Aggregate Employee Benefits		10,653	660	11,328	232
Asset Remediation/Restoration (Future Works) ²⁶		-	12,316	-	12,058
Total Provisions		10,653	12,976	11,328	12,290
Total Payables, Borrowings & Provisions		24,954	103,172	26,881	106,220

(i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	39	12,062	27	11,815
Water	786	9,607	861	9,962
Sewer	4,577	50,549	4,786	52,349
Total Liabilities relating to restricted assets	5,402	72,218	5,674	74,126

¹. Loans are secured over the General Rating Income of Council

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2010
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	10,224	10,470
Payables - Security Bonds, Deposits & Retentions	795	779
	11,019	11,249

Note 10b. Description of and movements in Provisions

Class of Provision	2010		2011			Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,856	2,225	(2,318)	-	-	3,763
Long Service Leave	7,704	868	(1,022)	-	-	7,550
Asset Remediation	12,058	550	(292)	-	-	12,316
TOTAL	23,618	3,643	(3,632)	-	-	23,629

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 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	9,410	5,249
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		9,410	5,249
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		14,023	22,220
Adjust for non cash items:			
Depreciation & Amortisation		25,065	24,098
Net Losses/(Gains) on Disposal of Assets		(273)	(1,312)
Non Cash Capital Grants and Contributions		(3,692)	(4,974)
Impairment Losses Recognition - I,PP&E		-	47
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		50	(25)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
Unwinding of Discount Rates on Reinstatement Provisions		-	404
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(1,805)	(4,883)
Increase/(Decrease) in Provision for Doubtful Debts		255	780
Decrease/(Increase) in Inventories		83	(81)
Decrease/(Increase) in Other Assets		(84)	690
Increase/(Decrease) in Payables		(1,494)	(1,672)
Increase/(Decrease) in accrued Interest Payable		684	1,260
Increase/(Decrease) in other accrued Expenses Payable		(1,042)	380
Increase/(Decrease) in Other Liabilities		1,059	29
Increase/(Decrease) in Employee Leave Entitlements		(247)	836
Increase/(Decrease) in Other Provisions		258	(265)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		32,840	37,532

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(c) Non-Cash Investing & Financing Activities			
Other Dedications		3,692	4,974
Total Non-Cash Investing & Financing Activities		3,692	4,974
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		1,000	1,000
Credit Cards / Purchase Cards		120	120
Total Financing Arrangements		1,120	1,120

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Plant & Equipment		1,646	1,508
Water & Sewer Infrastructure		2,622	17,700
Bridge Construction		589	-
Land acquisition		782	-
Waste management		49	-
Other		-	83
Total Commitments		5,688	19,291
These expenditures are payable as follows:			
Within the next year		5,688	18,676
Later than one year and not later than 5 years		-	615
Later than 5 years		-	-
Total Payable		5,688	19,291
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		5,688	19,291
Total Sources of Funding		5,688	19,291
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Waste Management & Recycling Services		25,106	32,066
Cleaning Services		-	141
Audit Services		322	381
Total Commitments		25,428	32,588
These expenditures are payable as follows:			
Within the next year		3,442	15,192
Later than one year and not later than 5 years		13,741	17,396
Later than 5 years		8,245	-
Total Payable		25,428	32,588

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		376	413
Later than one year and not later than 5 years		421	407
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		797	820

b. Non Cancellable Operating Leases include the following assets:

Office Equipment

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

Conditions relating to Operating Leases:

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

(d) Remuneration Commitments

Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:

Within the next year		1,037	822
Later than one year and not later than 5 years		2,385	1,784
Later than 5 years		-	-
Total Payable		3,422	2,606

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Amounts 2011	Indicator 2011	Prior Periods 2010 2009	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>38,865</u>	4.55 : 1	4.17	3.30
Current Liabilities less Specific Purpose Liabilities ^(2,3)	8,533			
2. Debt Service Ratio				
Debt Service Cost	<u>11,216</u>	11.87%	9.30%	6.66%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	94,502			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>47,554</u>	41.19%	37.77%	35.56%
Income from Continuing Operations	115,454			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>3,784</u>	7.43%	6.29%	6.89%
Rates, Annual & Extra Charges Collectible	50,949			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>11,644</u>	60.52%	212.80%	112.34%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	19,239			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

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

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>4.67</td> </tr> <tr> <td>2009</td> <td>3.30</td> </tr> <tr> <td>2010</td> <td>4.17</td> </tr> <tr> <td>2011</td> <td>4.55</td> </tr> </tbody> </table>	Year	Ratio : 1	2008	4.67	2009	3.30	2010	4.17	2011	4.55	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 4.55 : 1</p> <p>Comparative information on NSW Councils states that "a ratio of 2.1 or better is generally viewed by the industry as good". Council's current ratio reflects positively when benchmarked across all NSW Councils as well as for similar sized Council's where the group average for 2009/2010 was 2.26.</p>
Year	Ratio : 1											
2008	4.67											
2009	3.30											
2010	4.17											
2011	4.55											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>6.00%</td> </tr> <tr> <td>2009</td> <td>6.66%</td> </tr> <tr> <td>2010</td> <td>9.30%</td> </tr> <tr> <td>2011</td> <td>11.87%</td> </tr> </tbody> </table>	Year	Ratio %	2008	6.00%	2009	6.66%	2010	9.30%	2011	11.87%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 11.87%</p> <p>The increase in the debt service ratio is due to principal loan repayments having been made for a full financial year on loans that were taken out mid way through the 2009/2010 financial year. The increase is in line with Council projections.</p>
Year	Ratio %											
2008	6.00%											
2009	6.66%											
2010	9.30%											
2011	11.87%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>38.00%</td> </tr> <tr> <td>2009</td> <td>35.56%</td> </tr> <tr> <td>2010</td> <td>37.77%</td> </tr> <tr> <td>2011</td> <td>41.19%</td> </tr> </tbody> </table>	Year	Ratio %	2008	38.00%	2009	35.56%	2010	37.77%	2011	41.19%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 41.19%</p> <p>In NSW for 2009/2010 rates and annual charges on average made up 47% of revenue from continuing operations. Despite the increase of 3.22% Tamworth Regional Council continues to have a lower reliance on rates and annual charges revenue than the NSW average.</p>
Year	Ratio %											
2008	38.00%											
2009	35.56%											
2010	37.77%											
2011	41.19%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>5.75%</td> </tr> <tr> <td>2009</td> <td>6.89%</td> </tr> <tr> <td>2010</td> <td>6.29%</td> </tr> <tr> <td>2011</td> <td>7.43%</td> </tr> </tbody> </table>	Year	Ratio %	2008	5.75%	2009	6.89%	2010	6.29%	2011	7.43%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 7.43%</p> <p>The Local Government Divisions' acceptable benchmark for the Outstanding Charges Ratio is less than 5%. Tamworth Regional Council will be engaging an outside debt recovery agency to reduce this ratio to a more acceptable level. Investigations are also being held in to selling of land for unpaid rates.</p>
Year	Ratio %											
2008	5.75%											
2009	6.89%											
2010	6.29%											
2011	7.43%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>13.00%</td> </tr> <tr> <td>2009</td> <td>112.34%</td> </tr> <tr> <td>2010</td> <td>212.80%</td> </tr> <tr> <td>2011</td> <td>60.52%</td> </tr> </tbody> </table>	Year	Ratio %	2008	13.00%	2009	112.34%	2010	212.80%	2011	60.52%	<p>Purpose of Bldg & Infrastructure Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2010/11 Ratio 0.00%</p> <p>The significant decrease in this ratio is due to the completion of the Tamworth City Sewer Augmentation Scheme. In 2009/2010 renewal expenditure in this area amounted to over \$35 million in 2010/2011 it was \$6 million.</p>
Year	Ratio %											
2008	13.00%											
2009	112.34%											
2010	212.80%											
2011	60.52%											

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Water 2011	Sewer 2011	General ¹ 2011
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽¹⁾</u>	25.04 : 1	4.94 : 1	4.55 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
2. Debt Service Ratio			
<u>Debt Service Cost</u>	8.35%	16.69%	11.30%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	28.01%	60.44%	38.36%
Income from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	9.29%	6.41%	7.61%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals⁽⁴⁾ [Buildings & Infrastructure]</u>	24.20%	201.85%	39.36%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Notes

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
(a) Investment Properties at Fair value			
Investment Properties on Hand		1,975	2,025
Reconciliation of Annual Movement:			
Opening Balance		2,025	2,000
- Net Gain/(Loss) from Fair Value Adjustments		(50)	25
CLOSING BALANCE - INVESTMENT PROPERTIES		1,975	2,025

(b) Valuation Basis

The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2011 revaluations were based on Independent Assessments made by:
Sharrock Enterprises Pty Ltd registered valuers New South Wales and Queensland.

(c) Contractual Obligations at Reporting Date

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

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

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

Within 1 year	61	68
Later than 1 year but less than 5 years	183	244
Later than 5 years	-	-
Total Minimum Lease Payments Receivable	244	312

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	85	145
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(37)	(35)
- that did not generate rental income	-	-
Net Revenue Contribution from Investment Properties	48	110
plus: Fair Value Movement for year	(50)	25
Total Income attributable to Investment Properties	(2)	135

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	9,410	5,249	9,410	5,249
Investments				
- "Held for Trading"	-	1,000	-	1,000
- "Held to Maturity"	90,254	115,274	90,254	115,274
Receivables	18,473	17,003	18,103	16,710
Total Financial Assets	118,137	138,526	117,767	138,233
Financial Liabilities				
Payables	10,317	12,011	10,317	11,997
Loans / Advances	93,168	97,361	93,168	97,361
Total Financial Liabilities	103,485	109,372	103,485	109,358

Fair Value is determined as follows:

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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. Since the release of the new Local Government Investment Order dated July 31, 2008 funds have only been invested in products available through an Australian ADI. Should it be considered prudent to invest outside of these institutions Council will engage an independent investment advisor to ensure the proposed investment does not contravene Tamworth Regional Council's Investment Policy which incorporates the current Local Government Investment Order.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy was last reviewed by Council at its April 13, 2011 meeting. An Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Cash & Investments is interest rate risk - the risk that movements in interest rates could affect returns and income.

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

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

Council's investments are not subject to significant price risk as Council has no investments classified as held for trading.

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
2011				
Possible impact of a 1% movement in Interest Rates	973	973	(1,460)	(1,460)
2010				
Possible impact of a 10% movement in Market Values	100	100	(100)	(100)
Possible impact of a 1% movement in Interest Rates	1,142	1,142	(1,143)	(1,143)

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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.

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:

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	2,233	13,163	1,549	12,937
Overdue	1,488	3,060	1,268	2,465
	<u>3,721</u>	<u>16,223</u>	<u>2,817</u>	<u>15,402</u>
(ii) Movement in Provision for Impairment of Receivables			2011	2010
Balance at the beginning of the year			1,216	436
+ new provisions recognised during the year			270	805
- amounts already provided for & written off this year			(15)	(2)
- amounts provided for but recovered during the year			-	(23)
Balance at the end of the year			<u>1,471</u>	<u>1,216</u>

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject				Total Cash Outflows	Actual Carrying Values
	to no maturity	≤ 1 Year	payable in:			
			1-5 Yrs	> 5 Yrs		
2011						
Trade/Other Payables	1,707	8,610	-	-	10,317	10,317
Loans & Advances	-	296	1,244	91,628	93,168	93,168
Total Financial Liabilities	1,707	8,906	1,244	91,628	103,485	103,485
2010						
Trade/Other Payables	873	10,547	-	-	11,420	12,011
Loans & Advances	-	672	2,054	94,635	97,361	97,361
Total Financial Liabilities	873	11,219	2,054	94,635	108,781	109,372

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:

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	10,317	0.0%	12,011	0.0%
Loans & Advances - Fixed Interest Rate	65,111	7.5%	67,126	7.5%
Loans & Advances - Variable Interest Rate	28,057	7.1%	30,235	7.0%
	103,485		109,372	

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan and was adopted by the Council on 22/06/2010 Minute No 210/10.

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	2011 Budget	2011 Actual	2011 Variance*		
REVENUES					
User Charges & Fees	23,596	27,335	3,739	16%	F
The favourable variance is due to an additional \$1.3M in Road and Traffic authority contract works, Equine Centre income and additional waste recycling income (\$1M).					
Interest & Investment Revenue	4,889	6,959	2,070	42%	F
The favourable 42% increase in investment revenue was due to better than anticipated interest rates on term deposits combined with improved cash flows.					
Other Revenues	1,679	1,985	306	18%	F
The favourable increase is primarily due to insurance incentive rebates (\$140k) and Telstra rental credits (\$60k).					
Capital Grants & Contributions	8,853	10,308	1,455	16%	F
Primary reason for this favourable increase is due to an increase in subdivision dedications (\$4.5M F). This has been offset by a \$2.0M timing variation on Tamworth Sports Dome grant funding.					

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----	
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EXPENSES

Materials & Contracts	34,599	26,542	8,057	23%	F
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The variance in this area is mainly due to budgeted flood repair works of \$5M not being carried out, combined with funding of operational costs of the sewer treatment works not being required due to construction delays.

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

Cash Flows from Operating Activities	21,516	32,840	11,324	52.6%	F
---	---------------	---------------	---------------	-------	----------

Better than expected results with regards to receipts from operating activities are the main reasons for this favourable increase. As outlined above, favourable increases were experienced in the areas of user charges and fees, investment revenues and other income. Cash outflows for the main part were as predicted.

Cash Flows from Investing Activities	(19,373)	(24,486)	(5,113)	26.4%	U
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The main reason behind this variation is due to additional works adopted during the year with regards to the sewer augmentation scheme.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	906	138	-	50	(146)	-	948	561	(1,741)	(232)	-
Parking	4	45	-	-	-	-	49	-	(49)	-	-
Open Space	1,244	63	-	69	(171)	-	1,205	305	(1,340)	170	-
Community Facilities	279	35	-	16	(87)	-	243	123	(276)	90	-
Rural Fire Service	154	7	-	8	-	-	169	17	(186)	-	-
Studies	65	5	-	3	-	-	73	35	(72)	36	-
Garbage Disposal	3	-	-	-	-	-	3	-	(3)	-	-
Mines & Extractive Industry	754	119	-	41	(30)	-	884	282	(1,166)	-	-
Rural Traffic Generating	45	14	-	2	(21)	-	40	54	(104)	(10)	-
Cycleways	78	3	-	4	-	-	85	3	(88)	-	-
S94 Contributions - under a Plan	3,532	429	-	193	(455)	-	3,699	1,380	(5,025)	54	-
Total S94 Revenue Under Plans	3,532	429	-	193	(455)	-	3,699				-
S94 not under Plans	98	1	-	4	-	-	103	-	-	-	-
S64 Contributions	11,253	1,076	-	610	(1,257)	-	11,682				
Total Contributions	14,883	1,506	-	807	(1,712)	-	15,484	1,380	(5,025)	54	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads - Hills Plain East	1	-	-	-	-	-	1	93	(94)	-	-
Roads - Manilla	10	-	-	1	-	-	11	1	(12)	-	-
Roads - Parry	381	55	-	21	(56)	-	401	134	(535)	-	-
Roads - Tamworth Urban	514	83	-	28	(90)	-	535	333	(1,100)	(232)	-
Parking - Tamworth	4	45	-	-	-	-	49	-	(49)	-	-
Open Space - Barraba	6	-	-	-	-	-	6	-	(6)	-	-
Open Space - Manilla - Active	11	-	-	1	-	-	12	1	(13)	-	-
Open Space - Manilla - Passive	2	-	-	-	-	-	2	-	(2)	-	-
Open Space - Tamworth	637	4	-	36	(1)	-	676	31	(676)	31	-
Open Space - Tamworth Urban	588	59	-	32	(170)	-	509	273	(643)	139	-
Community Facilities - Hills Plain	50	-	-	3	-	-	53	21	(74)	-	-
Community Facilities - Tamworth	87	9	-	5	(59)	-	42	-	(42)	-	-
Community Facilities - Tamworth Urban	142	26	-	8	(28)	-	148	102	(160)	90	-
Rural Fire Service - Barraba	17	-	-	1	-	-	18	1	(19)	-	-
Rural Fire Service - Manilla	4	-	-	-	-	-	4	-	(4)	-	-
Rural Fire Service - Nundle	7	-	-	-	-	-	7	-	(7)	-	-
Rural Fire Service - Parry	126	7	-	7	-	-	140	16	(156)	-	-
Studies - Hills Plain East	39	-	-	2	-	-	41	17	(58)	-	-
Studies - Tamworth Urban	26	5	-	1	-	-	32	18	(14)	36	-
Garbage Disposal - Nundle	3	-	-	-	-	-	3	-	(3)	-	-
Mines & Extractive Industry - Parry	754	119	-	41	(30)	-	884	282	(1,166)	-	-
Rural Traffic Generating - Parry	5	-	-	-	-	-	5	6	(11)	-	-
Tamworth Urban Cycleway	40	14	-	2	(21)	-	35	48	(93)	(10)	-
Cycleways - Tamworth	78	3	-	4	-	-	85	3	(88)	-	-
Total	3,532	429	-	193	(455)	-	3,699	1,380	(5,025)	54	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A PLAN

Payments Arising From Developer Consents

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	48	-	-	2	-	-	50	-	-	-	-
Roads	28	-	-	2	-	-	30	-	-	-	-
Subdivision Works	22	1	-	-	-	-	23	-	-	-	-
Total	98	1	-	4	-	-	103	-	-	-	-

S64 LEVIES - UNDER A PLAN

S64 Contributions

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Water	7,452	639	-	404	(1,257)	-	7,238	-	-	-	-
Sewer	3,801	437	-	206	-	-	4,444	-	-	-	-
Total	11,253	1,076	-	610	(1,257)	-	11,682	-	-	-	-

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions from 2009/10 & beyond.

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

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

(ii) Bank Guarantees

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

Tamworth Gymnastics Club Inc. Drawn 23/2/2000 for \$100,000. Balance as at 30/06/2011 \$43139.00

Tamworth Hockey Association. Drawn 14/2/2006 for \$300,000. Balance as at 30/6/2011 \$96,785.18. Second loan for \$300,000. drawn 01/04/2010. Balance as at 30/6/2011 \$290,610.88.

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

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

(iii) Other Guarantees

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

2. Other Liabilities

(i) Third Party Claims

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities (continued)

(ii) Public Liability

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

(iii) Dungowan Pipeline

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

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

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

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

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

(iv) Statewide Limited

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

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

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

(v) StateCover Limited

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

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

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

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

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(vi) S94 Plans

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

19(a) Subsidiaries (ie. Entities & Operations controlled by Council)

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

Name of Operation/Entity	Principal Activity	Type of Entity	Equity Holding	
			2011	2010
Central Northern Regional Libraries	Provision of library resources & services for its member Councils		62%	62%
Current Year Financial Movements in Total Operation/Entity		Gross Financial Summary of Subsidiary		
Opening Equity Balance	736	Assets		784
New Capital Contributions	-	Liabilities		-
Operating Result	48	Net Equity		784
Adjustment to Equity Share	-	Revenues		1,262
Distributions Paid	-	Net Profit		48
Closing Equity Balance	784	Minority Interest Share		18
Minority Interest Share	297			

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		940,824	758,190
a. Correction of Prior Period Errors	20 (c)	5,873	160,397
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		14,005	22,237
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		960,702	940,824

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	325,498	279,319
Total	325,498	279,319

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	279,319	140,188
- Revaluations for the year	9(a) 46,791	139,131
- Correction of Prior Period Errors	20(c) (612)	-
- Balance at End of Year	325,498	279,319

TOTAL VALUE OF RESERVES

325,498	279,319
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(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
c. Correction of Error/s relating to a Previous Reporting Period			
<p>The historical cost of two completed bridges was not included in the fair valuation determination for Roads, Bridges and Drainage in 2009/2010. In addition the depreciated replacement cost of two additional bridges in the revaluation process was shown to be zero in the fair valuation determination when this in fact was not the case.</p> <p>The impact of these corrections on individual line items are</p>			
Roads Bridges and Drainage Fair Value		(975)	
Roads Bridges and Drainage Accumulated Dep'n		363	
Equity		(612)	

As part of Council's transition to measuring all its I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:

- Other Assets
- Other Structures
- Land Improvements
- Community Land

As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.

This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/10 (the closing date for the comparative figures in this report).

As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/10 to reflect the correct value of accumulated depreciation;

Other structures - decrease to accumulated depreciation	5,874
Land Improvements - (increase)	3
Other Assets - (increase) to accumulated depreciation	(4)

This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 30/6/10.

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
c. Correction of Error/s relating to a Previous Reporting Period			
Correction of errors reported in last year's financial statements.			
Council revalued various asset classes for the 09/10 Year End.			
This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/08 (the closing date for the comparative figures in last year's report).			
As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/09 to reflect the correct value of accumulated depreciation;			
- Roads, Bridges and Footpaths	decrease to accumulated depreciation		147,891
- Stormwater drainage	decrease to accumulated depreciation		12,506
This adjustment resulted in a net increase in Council's Accumulated Surplus as at 30/6/09.			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/09		-	160,397
(relating to adjustments for the 30/6/09 reporting year end and prior periods)			
- Adjustments to Closing Equity - 30/6/10		5,261	-
(relating to adjustments for the 30/6/10 year end)			
Total Prior Period Adjustments - Prior Period Errors		5,261	160,397

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 2011

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	4,734	13,721	29,099
User Charges & Fees	8,644	2,218	16,473
Interest & Investment Revenue	1,545	2,167	3,247
Other Revenues	1	33	1,951
Grants & Contributions provided for Operating Purposes	305	206	20,529
Grants & Contributions provided for Capital Purposes	1,673	4,357	4,278
Other Income			
Net Gains from Disposal of Assets	-	-	273
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	16,902	22,702	75,850
Expenses from Continuing Operations			
Employee Benefits & on-costs	1,844	1,523	33,609
Borrowing Costs	781	1,574	2,616
Materials & Contracts	5,916	4,199	16,427
Depreciation & Amortisation	3,897	2,920	18,248
Impairment	-	-	-
Other Expenses	1,563	691	5,623
Total Expenses from Continuing Operations	14,001	10,907	76,523
Operating Result from Continuing Operations	2,901	11,795	(673)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	2,901	11,795	(673)
Net Operating Result attributable to each Council Fund	2,901	11,795	(691)
Net Operating Result attributable to Minority Interests	-	-	18
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	1,228	7,438	(4,951)

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

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

Tamworth Regional Council

Notes to the Financial Statements

as at 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
	Water	Sewer	General ¹
ASSETS			
Current Assets			
Cash & Cash Equivalents	-	-	9,410
Investments	26,397	25,778	33,025
Receivables	3,555	4,425	10,027
Inventories	-	-	1,980
Other	-	-	119
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	29,952	30,203	54,561
Non-Current Assets			
Investments	-	-	5,054
Receivables	-	-	466
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	179,258	216,300	896,854
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	1,975
Intangible Assets	-	-	-
Total Non-Current Assets	179,258	216,300	904,349
TOTAL ASSETS	209,210	246,503	958,910
LIABILITIES			
Current Liabilities			
Payables	527	2,772	7,198
Borrowings	259	1,805	1,740
Provisions	-	-	10,653
Total Current Liabilities	786	4,577	19,591
Non-Current Liabilities			
Payables	-	-	832
Borrowings	9,607	50,549	29,208
Provisions	-	-	12,976
Total Non-Current Liabilities	9,607	50,549	43,016
TOTAL LIABILITIES	10,393	55,126	62,607
Net Assets	198,817	191,377	896,303
EQUITY			
Retained Earnings	135,300	147,190	678,212
Revaluation Reserves	63,517	44,187	217,794
Council Equity Interest	198,817	191,377	896,006
Minority Interests	-	-	297
Total Equity	198,817	191,377	896,303

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2011, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 31/10/11.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2011.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2011 and which are only indicative of conditions that arose after 30 June 2011.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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

Tamworth Regional Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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	
		2011	2010
Quarry & Tip Rehabilitation		12,316	12,058
Balance at End of the Reporting Period	10	12,316	12,058

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	12,058	11,919
Amortisation of discount (expensed to borrowing costs)	550	404
Expenditure incurred attributable to Provisions	(292)	(265)
Total - Reinstatement, rehabilitation and restoration provision	12,316	12,058

Amount of Expected Reimbursements

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

Tamworth Regional Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Council Information & Contact Details

Principal Place of Business:

Ray Walsh House
437 Peel Street
TAMWORTH NSW 2340

Contact Details**Mailing Address:**

PO Box 555
TAMWORTH NSW 2340

Opening Hours:**Council Office Hours**

8.30am to 5.00pm - Monday to Friday

Branch Office Hours

Monday to Friday (except Public Holidays)

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

Manilla: 8.30am to 4.30pm

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

Telephone: 02 6767 5555

Facsimile: 02 6767 5499

Internet: www.tamworth.nsw.gov.au

Email: trc@tamworth.nsw.gov.au

Officers**GENERAL MANAGER**

Paul Bennett

RESPONSIBLE ACCOUNTING OFFICER

Rick Sanderson

PUBLIC OFFICER

Mr Stephen Bartlett

AUDITORS

Prosperity Audit Services
Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300

Elected Members**MAYOR**

Col Murray

COUNCILLORS

Mr Russell Webb

Mr Phillip Betts

Mr Paul Durant

Mr Ray Tait

Ms Helen Tickle

Mr James Treloar

Mrs Juanita Wilson

Mr Warren Woodley

Other Information

ABN: 52 631 074 450

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

Report on the Financial Report

We have audited the accompanying financial report of Tamworth Regional Council ("the Council"), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by Councillors and Management in the approved form as required by Section 413(2) of the *Local Government Act 1993*.

Councillors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

Sydney

Level 2
580 George Street
Sydney NSW 2000
PO Box 20726
World Square NSW 2002
T 02 9261 2288
F 02 9261 2376

Newcastle

Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300
PO Box 234
Newcastle NSW 2300
T 02 4907 7222
F 02 4929 6759

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
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 STATEMENT(CONT'D)**

Independence

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

Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13 part 3 Division 2;
- (b) the financial report:
 - i. has been presented in accordance with the requirements of this Division;
 - ii. is consistent with the Council's accounting records;
 - iii. presents fairly the Council's financial position as at 30 June 2011, 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 2011 included on Tamworth Regional Council's website. The Council's councillors are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

PROSPERITY AUDIT SERVICES



PAUL HORNE
Partner

31 October 2011
Newcastle

TRC 300611: 20-210
PH/LM/CX

31 October 2011

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

Dear Councillor Murray,

**SUBJECT: SECTION 417(3)
REPORT ON THE CONDUCT OF THE AUDIT
FOR THE YEAR ENDED 30 JUNE 2011**

We have completed the audit of the financial report for Tamworth Regional Council for the year ended 30 June 2011 in accordance with Section 415 of the *Local Government Act 1993*. Our audit opinion under Section 417(2) has been issued to Council.

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

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

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

Sydney

Level 2
580 George Street
Sydney NSW 2000
PO Box 20726
World Square NSW 2002
T 02 9261 2288
F 02 9261 2376

Newcastle

Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300
PO Box 234
Newcastle NSW 2300
T 02 4907 7222
F 02 4929 6759

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
www.prosperityadvisers.com.au

Prosperity Audit Services
ABN 87 879 283 831

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

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

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

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

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

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

1. Income Statement

The net operating result before capital grants and contributions for the year ended 30 June 2011 was a surplus of \$3.7 million compared with a surplus of \$4.5 million for the year ended 30 June 2010.

The difference to the prior year result is primarily due to:

- An increase in rates & annual charges of approximately \$2.5 million, representing an increase of approximately 6%;
- An increase in user charges & fees, investment revenue and other revenues of approximately \$1.7 million, representing an increase of approximately 5%;
- An increase in grants & contributions provided for operating purpose of approximately \$442k, representing an increase of approximately 2%;
- An increase in employee expenses of approximately \$1.9 million, representing an increase of approximately 5%; and
- An increase in other expenses (expenses excluding employee expenses) of approximately \$2.5 million, representing an increase of approximately 4%.

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

	Note	2011 \$'000	2010 \$'000	Variance
INCOME				
Rates & annual charges	(i)	47,554	45,022	6%
User charges & fees	(ii)	27,335	26,592	3%
Investment revenue	(iii)	6,959	6,281	11%
Other revenues		1,985	1,680	18%
Grants & contributions - operating	(iv)	21,040	20,598	1%
Grants & contributions - capital	(v)	10,308	17,726	(41%)
Gain on disposal of assets		273	1,312	(79%)
		115,454	119,211	
EXPENSES				
Employee costs	(vi)	36,976	35,087	5%
Borrowing costs	(vii)	4,971	3,461	44%
Materials & contracts	(viii)	26,542	26,366	1%
Depreciation & amortisation	(ix)	25,065	24,098	4%
Other expenses		7,877	7,932	1%
Impairment		-	47	(100%)
		101,431	96,991	5%
Net operating result		14,023	22,220	(37%)

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

(i) Rates & Annual Charges

Rates and annual charges increased by 6% from the prior year. This increase was largely attributable to the Council's standard annual rate increases as determined in the Council's 2010 - 2013 Management Plan.

(ii) User Charges & Fees

User charges and fees increased by approximately 3%. The movement includes the following items:

- Water and sewerage user charges decreased by approximately \$757k, representing a decrease of approximately 8% (2011: \$9.1 million, 2010: \$9.8 million). The decrease was primarily due to the decrease in water consumption of approximately 11% with more rainfall in the region in the current financial year.
- Other user charges increased by approximately \$1.5 million, representing an increase of approximately 9% (2011: \$18.3 million, 2010: \$16.8 million). The increase was mainly attributable to an increase in the airport operation fee of approximately \$492k. This is in line with the increase in incoming passenger numbers. There was also an increase in the RTA fee of \$495k with an increase in road works performed for the RTA in the current year.

(iii) Interest & Investment Revenue

The increase in investment revenue was mainly attributable to an increase in the weighted average interest rate across the investment portfolio notwithstanding an overall decrease in investment balances.

(iv) Grants & Contributions Provided for Operating Purposes

Grants & contributions provided for operating purposes have increased by approximately 2% mainly due to an increase in financial assistance grants of \$547k.

(v) Grants & Contributions Provided for Capital Purposes

Grants & contributions provided for capital purposes have decreased by approximately \$7.4 million mainly due to:

- The funding for the Tamworth Sports Centre was fully received in the prior year and there was no such funding received in the current financial year (2011: nil, 2010: \$2.5 million);
- Decrease in funding received for the Tamworth Waste Water Augmentation Program of approximately \$2.1 million (2011: \$2.2 million, 2010: \$4.3 million);
- Decrease in dedications contribution and developers contribution of approximately \$1.7 million (2011: \$5.8 million, 2010: \$7.5 million); and
- Decrease in other roads and bridge funding of approximately \$1.4 million (2011: \$112k, 2010: 1.5 million)

(vi) Employee Costs

The increase in employee cost of \$1.9 million was primarily due to a combination of the following:

- award increase of 2.6%;
- increase in the number of full time employees (7 additional FTE were employed in the current financial year); and
- increase in termination payments of approximately \$400k.

(vii) Borrowing Costs

The increase in borrowing costs is mainly attributable to a loan of approximately \$40 million for the purpose of funding the Tamworth Sewer Augmentation Scheme which has been in place throughout the year whilst the loan was only drawn down for 5 months in the prior year. The annual interest expense for this bank loan approximates \$3 million in the current financial year whilst the interest expense for the prior year was approximately \$1.5 million.

(viii) Materials & Contracts Expense

Materials and contracts maintenance expense remains consistent with the prior year due to a number of budgeted flood repair works and sewer treatment works having not been carried out as budgeted.

(ix) Depreciation and amortisation

Depreciation and amortisation for the year increased by \$967k. This was attributable to the full year impact of the reassessment of useful lives for the Council's roads, bridges, footpaths and drainage assets performed in the prior financial year.

2. Statement of Comprehensive Income

	Note	2011 \$'000	2010 \$'000
COMPREHENSIVE INCOME			
Net operating result		14,023	22,220
Gain on revaluation of I, PP&E	(i)	46,791	139,131
Adjustment to correct prior period depreciation errors		-	160,397
Total comprehensive income		60,841	321,748

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

(i) Gain on Revaluation of Infrastructure, Property, Plant & Equipment (I, PP&E)

The gain on revaluation of I, PP&E comprises a gain arising from annual indexation increment of water and sewerage assets of approximately \$8.5 million and an aggregate valuation increment of \$38.2 million arising from valuation of community land, land improvements, other structures and other assets in the current financial year.

The revaluation result, excluding annual indexation of water and sewerage assets, is summarised below:

Asset type	Carrying value \$'000	Fair value \$'000	Valuation Increase / (decrease) \$'000
Community land	4,558	15,356	10,798
Water licence	508	1,266	758
Bus terminal	40	411	371
Waste Service assets	2,041	4,213	2,172
Park and recreational assets	3,593	19,241	15,648
Airport	4,200	19,134	14,934
Car parks	2,016	1,457	(559)
Total			44,122
Represented by:			
Correction of prior period error			5,874
Increase in revaluation reserves			38,248
Total			44,122

An overstatement of the prior periods' depreciation expense of \$5.8 million arising from the re-assessment of the remaining useful lives of the assets was treated as a prior period error and the remaining balance of \$38.2 million was recognised as other comprehensive income in accordance with the *Local Government Code of Accounting Practice and Financial Reporting*.

3. Balance Sheet

The net asset position of the Council for the year ended 30 June 2011 was \$1,286 million compared with \$1,220 million in the prior year.

The improvement in the net asset position of the Council is primarily due to the revaluation of certain assets conducted by the Council during 2011 resulting in a revaluation increment of \$44.1 million and the annual indexation increment of \$8.5 million of the Council's water and sewerage assets.

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

	Note	2011 \$'000	2010 \$'000	Variance
Current Assets				
Cash & cash equivalents	(i)	9,410	5,249	79%
Investments	(ii)	85,200	112,200	(24%)
Receivables	(iii)	18,007	16,481	9%
Inventories		1,980	2,102	(6%)
Other current assets		119	35	240%
		114,716	136,067	(16%)
Non-Current Assets				
Investments	(ii)	5,054	4,074	24%
Receivables	(iii)	466	522	(11%)
Investment property		1,975	2,025	(2%)
Infrastructure, property, plant & equipment	(iv)	1,292,412	1,210,835	7%
		1,299,907	1,217,456	7%
Total Assets		1,414,623	1,353,523	5%
Current Liabilities				
Payables	(v)	10,497	11,461	(8%)
Borrowings	(vi)	3,804	4,092	(7%)
Provisions	(vii)	10,653	11,328	(6%)
		24,954	26,881	(7%)
Non-Current Liabilities				
Payables	(v)	832	661	26%
Borrowings	(vi)	89,364	93,269	(4%)
Provisions	(vii)	12,976	12,290	6%
		103,172	106,220	(3%)
Total Liabilities		128,126	133,101	(4%)
Net Assets		1,286,497	1,220,422	5%

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

(i) Cash & Cash Equivalents

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

(ii) Investments

The combined value of investments (current plus non-current) has decreased by \$26 million (22%) to \$90.2 million. This was primarily due to the conversion of a number of investments to cash to fund a number of major construction projects, including the sewerage augmentation scheme and road system upgrade.

(iii) Receivables

The balance of receivables (including current and non-current) has increased by \$1.5 million (9%). This is primarily attributable to the increase in rates and annual charges debtors of approximately \$904k and the increase in water consumption user charges of approximately \$1.8 million due to annual rate increases. This increase has been partially offset by a decrease in the GST receivable balance of approximately \$1.6 million.

(iv) Infrastructure, Property, Plant & Equipment

The carrying amount of property, plant and equipment has increased by \$81.6 million (7%). This increase was attributable to asset additions of \$56.8 million and a revaluation increment of \$52.7 million. These increases have been offset by depreciation of \$25.3 million and disposals of \$2 million. Further commentary on the revaluation of infrastructure, property, plant and equipment is located at section 6.3 of this report.

(v) Payables

The balance of payables (including current and non-current) decreased by \$793k (7%) primarily due to reduced procurement near year end.

(vi) Borrowings

Total interest bearing liabilities (including current and non-current) have decreased by \$4.2 million (4%) due to repayment of borrowings during the year.

(vii) Provisions

Current and non-current provisions remained constant compared to the prior year.

4. Statement of Cash Flows

The movement in cash is attributable to the following movements:

	2011 \$'000	2010 \$'000
Cash at the beginning of the year	5,249	26,176
Cash provided by operating activities	32,291	37,532
Cash used in investing activities	(23,937)	(98,067)
Cash provided by financing activities	(4,193)	39,608
Cash at the end of the year	9,410	5,249

4.1 Cash flows from operating activities

Net cash inflows from operating activities totalled \$32.2 million, representing a decrease of \$5.2 million (14%) as compared with the prior year. This decrease was attributable to an increase in payment for employee benefits of \$3 million and a decrease in cash received from government grants and contributions of \$6.1 million. This was partially offset by an increase in receipts from rates and annual charges of \$1.7 million and an increase in receipts from other user charges and fees of \$1.4 million.

4.2 Cash flows from investing activities

Net cash outflows from investing activities of \$23.9 million represented a decrease of \$74.1 million (76%) as compared with the prior year. Significant cash flows for the year include the sale of investment securities of \$26 million and payments for infrastructure, property, plant and equipment of \$52.3 million.

4.3 Cash flows from financing activities

Net cash outflows from financing activities were \$4.2 million whilst in the prior year there was a net cash inflow of \$39.6 million. This was due to a \$40 million loan drawn down in the prior year to fund the construction of the Tamworth Sewer Augmentation Scheme. This resulted in increased loan repayments in the current financial year. There have been no new borrowings drawn down in the current 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

	2011 \$'000	2010 \$'000
Current assets	114,716	136,067
Current liabilities	24,954	26,881
Current ratio	4.60	5.06

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:

	2011 \$'000	2010 \$'000
Total cash and investments	94,610	117,449
Less: externally restricted items	(67,094)	(88,230)
	27,516	29,219
Less: internally restricted items	(25,836)	(25,605)
Unrestricted cash and investments	1,680	3,614

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.

5.2 Debt Service Ratio

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

	2011 \$'000	2010 \$'000
Net debt service cost	11,216	8,435
Operating revenue	94,502	90,737
Debt Service Ratio	11.87%	9.30%

The debt servicing ratio has increased primarily due to the increased interest and principal repayments in the current financial year as a result of loan drawdown in the prior financial year used to fund the Tamworth Sewer Augmentation project. Additional repayments required have increased the cost of servicing the debt.

5.3 Rates and Annual Charge Coverage Ratio

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

	2011 \$'000	2010 \$'000
Rates and annual charge revenue	47,554	45,022
Total revenue	115,454	119,211
Rates & annual charge coverage ratio	41.19%	37.77%

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

5.4 Rates and Annual Charges Outstanding

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

	2011 \$'000	2010 \$'000
Rates & annual charges outstanding	3,784	3,044
Rates & annual charges collectible	50,949	48,400
Percentage of outstanding rates	7.43%	6.29%

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

5.5 Building & Infrastructure Renewals Ratio

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

	2011 \$'000	2010 \$'000
Building & infrastructure renewals	11,644	40,769
Depreciation & amortisation	19,239	19,158
Building renewals ratio	60.52%	212.80%

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

The decrease in the current year ratio was due to the completion of the Tamworth City Sewer Augmentation Scheme which has reduced the renewal expenditure in the current financial year.

6. Key Financial Statement Issues

6.1 Internally Restricted Assets

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

At year end Council had internally restricted assets totalling \$25.8 million which was consistent with the prior year restrictions of \$25.6 million.

6.2 Asset Remediation liability

An asset remediation liability has been recognised in the financial statements at 30 June 2011 to a value of \$12.3 million. This liability will fall due at the end of the useful lives of the tips and quarries, which ranges from 2012 to 2029.

The Council has not performed a re-assessment of the liability since 30 June 2008 and the current year movement of the provision balance represents the unwinding of the discount and the payments of the remediation costs incurred.

It has been determined by management that this liability is reasonable and accurately represents the likely cost to the Council at restoration date, discounted to its present value. However, we note that certain key estimates made in the 2008 assessment may have changed at the current time including the discount rate and inflation rate. A reassessment of those key estimates is considered necessary to reflect management's best estimates based on the circumstances at the current time. Had a re-assessment been conducted in the current financial year, the provision balance at 30 June 2011 would have been different by an amount of \$3 million. However, we do not consider this to be material to the asset or liability classes.

6.3 Asset Recognition

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

Under direction from the Department of Local Government, the Council revalued community land, land improvements, other structures and other assets to fair value at 30 June 2011.

The fair value of community land was based on the Valuer-General of NSW independent valuations, whilst the fair value of other assets was based on depreciated replacement cost from internal engineering valuations (assisted by external consultants).

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.

As a consequence, a number of prior year errors were identified with respect to the overstatement of previous years' depreciation expenses. In accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*, any prior year errors is required to be adjusted retrospectively against the opening balance of retained earnings. The impact on the opening balances of infrastructure, property, plant and equipment (and retained earnings) was \$5.8 million.

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

6.4 Land Under Roads

As outlined in the *Local Government Code of Accounting Practice and Financial Reporting* (update 19), the Division of Local Government has stated that there are three acceptable methods to value land under roads. The Council has adopted the Englobo valuation approach which resulted in recognition of \$61k for land under roads in the current financial year.

The Council has also elected to not value land under roads acquired prior to 1 July 2008, which is permitted under the code and *AASB 1051 Land Under Roads*.

6.5 Defined Benefit Plans

The Council participates in an Industry Defined Benefit Plan under the Local Government Superannuation Scheme which has both defined benefits and accumulation arrangements. The Scheme was deemed to be a “multi-employer fund” and has advised member councils that it has a significant deficiency of assets over liabilities amounting to around \$263 million at 30 June 2011.

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

The Council also disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

7. Management Letter

A management letter highlighting matters arising from our audit has been prepared and issued to management.

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 2011 included on Tamworth Regional Council’s web site. The Council’s councillors are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor’s report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

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

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

Yours faithfully
PROSPERITY AUDIT SERVICES



PAUL HORNE
Partner

Tamworth Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

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



Tamworth Regional Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Tamworth Regional Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

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:

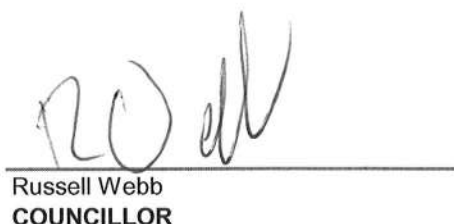
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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 11 October 2011.



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 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	4,734	4,216	3,861
User charges	8,644	9,644	7,395
Fees	-	-	196
Interest	1,545	1,229	1,347
Grants and contributions provided for non capital purposes	305	734	330
Profit from the sale of assets	-	-	-
Other income	1	1	1
Total income from continuing operations	15,229	15,824	13,130
Expenses from continuing operations			
Employee benefits and on-costs	1,844	1,450	1,308
Borrowing costs	781	663	592
Materials and contracts	5,916	6,058	6,293
Depreciation and impairment	3,897	3,467	3,404
Water purchase charges	-	-	-
Loss on sale of assets	-	-	-
Calculated taxation equivalents	20	17	17
Debt guarantee fee (if applicable)	51	45	39
Other expenses	1,563	1,929	572
Total expenses from continuing operations	14,072	13,629	12,225
Surplus (deficit) from Continuing Operations before capital amounts	1,157	2,195	905
Grants and contributions provided for capital purposes	1,673	1,210	3,471
Surplus (deficit) from Continuing Operations after capital amounts	2,830	3,405	4,376
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	2,830	3,405	4,376
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(347)	(659)	(272)
SURPLUS (DEFICIT) AFTER TAX	2,483	2,747	4,105
plus Opening Retained Profits	133,020	130,172	126,350
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	20	17	17
- Debt guarantee fees	51	45	39
- Corporate taxation equivalent	347	659	272
less:			
- Tax Equivalent Dividend paid	(52)	(62)	(56)
- Surplus dividend paid	(569)	(557)	(554)
Closing Retained Profits	135,300	133,020	130,172
Return on Capital %	1.1%	1.7%	0.9%
Subsidy from Council	7,401	5,971	7,807
Calculation of dividend payable:			
Surplus (deficit) after tax	2,483	2,747	4,105
less: Capital grants and contributions (excluding developer contributions)	(915)	(786)	(1,587)
Surplus for dividend calculation purposes	1,568	1,961	2,518
Potential Dividend calculated from surplus	784	980	1,259

Tamworth Regional Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	13,721	12,909	11,878
User charges	1,542	1,771	581
Liquid Trade Waste charges	615	-	686
Fees	61	-	87
Interest	2,167	2,057	1,877
Grants and contributions provided for non capital purposes	206	789	756
Profit from the sale of assets	-	-	-
Other income	33	46	174
Total income from continuing operations	18,345	17,572	16,039
Expenses from continuing operations			
Employee benefits and on-costs	1,523	1,262	1,125
Borrowing costs	1,574	371	382
Materials and contracts	4,199	4,599	4,626
Depreciation and impairment	2,920	2,693	2,420
Loss on sale of assets	-	-	-
Calculated taxation equivalents	172	166	140
Debt guarantee fee (if applicable)	265	188	68
Other expenses	691	476	12
Total expenses from continuing operations	11,344	9,755	8,773
Surplus (deficit) from Continuing Operations before capital amounts	7,001	7,817	7,266
Grants and contributions provided for capital purposes	4,357	5,710	4,316
Surplus (deficit) from Continuing Operations after capital amounts	11,358	13,527	11,582
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	11,358	13,527	11,582
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(2,100)	(2,345)	(2,180)
SURPLUS (DEFICIT) AFTER TAX	9,258	11,182	9,402
plus Opening Retained Profits	135,957	122,634	111,395
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	172	166	140
- Debt guarantee fees	265	188	68
- Corporate taxation equivalent	2,100	2,345	2,180
less:			
- Tax Equivalent Dividend paid	(56)	(56)	(55)
- Surplus dividend paid	(506)	(502)	(496)
Closing Retained Profits	147,190	135,957	122,634
Return on Capital %	4.0%	4.3%	5.4%
Subsidy from Council	2,694	1,491	172
Calculation of dividend payable:			
Surplus (deficit) after tax	9,258	11,182	9,402
less: Capital grants and contributions (excluding developer contributions)	(3,536)	(5,214)	(3,570)
Surplus for dividend calculation purposes	5,722	5,968	5,832
Potential Dividend calculated from surplus	2,861	2,984	2,916

Tamworth Regional Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Airport		Waste	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Income from continuing operations				
Access charges	-	-	5,857	5,512
User charges	3,484	2,986	3,174	2,763
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	2	523	521
Profit from the sale of assets	-	-	-	-
Other income	77	73	-	-
Total income from continuing operations	3,561	3,061	9,554	8,796
Expenses from continuing operations				
Employee benefits and on-costs	370	429	915	531
Borrowing costs	23	34	539	396
Materials and contracts	1,248	1,055	6,198	6,395
Depreciation and impairment	647	641	594	608
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	191	170	8	6
Debt guarantee fee (if applicable)	1	2	-	-
Other expenses	189	165	45	29
Total expenses from continuing operations	2,669	2,496	8,299	7,965
Surplus (deficit) from Continuing Operations before capital amounts	892	565	1,255	831
Grants and contributions provided for capital purposes	145	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,037	565	1,255	831
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	1,037	565	1,255	831
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(268)	(170)	(377)	(249)
SURPLUS (DEFICIT) AFTER TAX	769	396	879	582
plus Opening Retained Profits	13,729	12,992	6,200	5,363
plus/less: Prior Period Adjustments	5,709	-	720	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	191	170	8	6
- Debt guarantee fees	1	2	-	-
- Corporate taxation equivalent	268	170	377	249
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	20,667	13,729	8,183	6,200
Return on Capital %	2.9%	3.5%	15.8%	14.9%
Subsidy from Council	740	277	-	-

Tamworth Regional Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Manellae Lodge	
	Actual 2011	Actual 2010
Income from continuing operations		
Access charges	335	283
User charges	-	-
Fees	-	-
Interest	37	33
Grants and contributions provided for non capital purposes	705	607
Profit from the sale of assets	-	-
Other income	-	5
Total income from continuing operations	1,077	928
Expenses from continuing operations		
Employee benefits and on-costs	575	561
Borrowing costs	3	4
Materials and contracts	496	474
Depreciation and impairment	30	31
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	43	26
Total expenses from continuing operations	1,147	1,096
Surplus (deficit) from Continuing Operations before capital amounts	(70)	(168)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(70)	(168)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(70)	(168)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(70)	(168)
plus Opening Retained Profits	1,828	1,852
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	55	144
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	1,813	1,828
Return on Capital %	-3.6%	-8.7%
Subsidy from Council	163	260

Tamworth Regional Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	-	5,324
Investments	26,397	22,069
Receivables	3,555	1,461
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	29,952	28,854
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	179,258	173,120
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	179,258	173,120
TOTAL ASSETS	209,210	201,974
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	527	490
Interest bearing liabilities	259	371
Provisions	-	-
Total Current Liabilities	786	861
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	9,607	9,962
Provisions	-	-
Total Non-Current Liabilities	9,607	9,962
TOTAL LIABILITIES	10,393	10,823
NET ASSETS	198,817	191,151
EQUITY		
Retained earnings	135,300	133,020
Revaluation reserves	63,517	58,131
Council equity interest	198,817	191,151
Minority equity interest	-	-
TOTAL EQUITY	198,817	191,151

Tamworth Regional Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	-	2,369
Investments	25,778	37,582
Receivables	4,425	4,016
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	30,203	43,967
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	216,300	189,791
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	216,300	189,791
TOTAL ASSETS	246,503	233,758
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	2,772	3,329
Interest bearing liabilities	1,805	1,457
Provisions	-	-
Total Current Liabilities	4,577	4,786
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	50,549	52,349
Provisions	-	-
Total Non-Current Liabilities	50,549	52,349
TOTAL LIABILITIES	55,126	57,135
NET ASSETS	191,377	176,623
EQUITY		
Retained earnings	147,190	135,957
Revaluation reserves	44,187	40,666
Council equity interest	191,377	176,623
Minority equity interest	-	-
TOTAL EQUITY	191,377	176,623

Tamworth Regional Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Cash and cash equivalents	2,383	1,799	475	667
Investments	2,693	1,853	9,372	8,484
Receivables	437	575	778	800
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	5,513	4,227	10,625	9,951
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	31,771	17,176	11,361	8,235
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	31,771	17,176	11,361	8,235
TOTAL ASSETS	37,284	21,403	21,986	18,186
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	64	5	39	27
Interest bearing liabilities	196	182	-	-
Provisions	-	-	-	-
Total Current Liabilities	260	187	39	27
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	196	-	-
Provisions	-	-	12,062	11,814
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	196	12,062	11,814
TOTAL LIABILITIES	260	383	12,101	11,841
NET ASSETS	37,024	21,020	9,885	6,345
EQUITY				
Retained earnings	20,667	13,729	8,183	6,200
Revaluation reserves	16,357	7,291	1,702	145
Council equity interest	37,024	21,020	9,885	6,345
Minority equity interest	-	-	-	-
TOTAL EQUITY	37,024	21,020	9,885	6,345

Tamworth Regional Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Manellae Lodge	
	Category 2	
	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	853	688
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	853	688
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	1,850	1,876
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	1,850	1,876
TOTAL ASSETS	2,703	2,564
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	853	688
Interest bearing liabilities	11	11
Provisions	-	-
Total Current Liabilities	864	699
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	26	37
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	26	37
TOTAL LIABILITIES	890	736
NET ASSETS	1,813	1,828
EQUITY		
Retained earnings	1,813	1,828
Revaluation reserves	-	-
Council equity interest	1,813	1,828
Minority equity interest	-	-
TOTAL EQUITY	1,813	1,828

Tamworth Regional Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	12
2	Water Supply Business Best Practice Management disclosure requirements	15
3	Sewerage Business Best Practice Management disclosure requirements	17

Tamworth Regional Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies

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

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

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

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

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

Water supply systems servicing the area of Tamworth Regional Council.

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

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

c. **Tamworth Regional Airport**

Tamworth Regional Airport Facility.

d. **Tamworth Regional Council Waste Management**

Tamworth Regional Council Waste Management Facilities.

Category 2

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

a. **Manellae Lodge**

Aged Care Facility

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 2011

Note 1. Significant Accounting Policies (continued)

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – **30%**

Land Tax – The first **\$387,000** of combined land values attracts **0%**. From \$387,001 to \$2,366,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,366,000, a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation

equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

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

Income Tax

An income tax equivalent has been applied on the profits of the business.

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

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

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

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's GPFS.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

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

Tamworth Regional Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.21% at 30/6/11.

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 2011 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2011

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	71,000
(ii)	No of assessments multiplied by \$3/assessment	62,199
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	62,199
(iv)	Amounts actually paid for Tax Equivalents	52,000

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	783,950
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	559,791
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	4,934,900

2011 Surplus	1,567,900	2010 Surplus	1,960,500	2009 Surplus	2,517,500
		2010 Dividend	557,000	2009 Dividend	554,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	559,791
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	559,791

3. Required outcomes for 6 Criteria

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)		2011
National Water Initiative (NWI) Financial Performance Indicators		
NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000 15,300
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	% 57.58%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000 168,238
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000 9,164
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000 4,446
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	% 1.25%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000 116

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

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2011

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	437,000
(ii)	No of assessments multiplied by \$3/assessment	56,202
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	56,202
(iv)	Amounts actually paid for Tax Equivalents	56,202

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	2,860,850
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	505,818
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	16,523,800

2011 Surplus	5,721,700	2010 Surplus	5,967,900	2009 Surplus	5,832,200
		2010 Dividend	502,000	2009 Dividend	496,000

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	505,818
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	505,818

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	NO

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2011

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	20,535
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	194,257
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	6,357
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	25,856
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	5.20%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	35,835
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.06%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	30,302
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	3.41%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	1,066
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	7.42%

Tamworth Regional Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2011

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	2.57%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100 13,496 - 1,298
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	14,364
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	380

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

INDEPENDENT AUDITOR'S REPORT TO TAMWORTH REGIONAL COUNCIL

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Tamworth Regional Council, which comprises the balance sheet as at 30 June 2011, and the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the Statement by Councillors and Management.

Responsibility of the Councillors for the Financial Report

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

Auditor's Responsibility

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

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

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

Sydney

Level 2
580 George Street
Sydney NSW 2000
PO Box 20726
World Square NSW 2002
T 02 9261 2288
F 02 9261 2376

Newcastle

Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300
PO Box 234
Newcastle NSW 2300
T 02 4907 7222
F 02 4929 6759

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
www.prosperityadvisers.com.au

Prosperity Audit Services
ABN 87 879 283 831

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

Independence

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

Auditor's Opinion

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

Emphasis of Matter - Basis of Accounting

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

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Tamworth Regional Council (the Council) for the year ended 30 June 2011 included on Tamworth Regional Council's web site. The Council's councillors are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

PROSPERITY AUDIT SERVICES



PAUL HORNE
Partner

31 October 2011
Newcastle

Tamworth Regional Council

SPECIAL SCHEDULES

for the year ended 30 June 2011

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



Tamworth Regional Council

Special Schedules

for the financial year ended 30 June 2011

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¹ Special Purpose Schedules are not audited.

Background

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

Tamworth Regional Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	-	-	-	-
Administration	5,182	605	-	(4,577)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,506	436	226	(844)
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	162	21	-	(141)
Animal Control	352	32	-	(320)
Other	1	-	-	(1)
Total Public Order & Safety	2,021	489	226	(1,306)
Health	605	68	-	(537)
Environment				
Noxious Plants and Insect/Vermin Control	414	99	-	(315)
Other Environmental Protection	101	154	-	53
Solid Waste Management	7,458	9,241	-	1,783
Street Cleaning	557	3	-	(554)
Drainage	1,670	526	758	(386)
Stormwater Management	394	67	-	(327)
Total Environment	10,594	10,090	758	254
Community Services and Education				
Administration & Education	263	-	45	(218)
Social Protection (Welfare)	34	37	9	12
Aged Persons and Disabled	1,947	1,613	-	(334)
Childrens Services	858	474	15	(369)
Total Community Services & Education	3,102	2,124	69	(909)
Housing and Community Amenities				
Public Cemeteries	347	172	-	(175)
Public Conveniences	274	-	6	(268)
Street Lighting	690	161	-	(529)
Town Planning	1,068	1,149	5	86
Other Community Amenities	14	-	-	(14)
Total Housing and Community Amenities	2,393	1,482	11	(900)
Water Supplies	13,230	14,010	1,465	2,245
Sewerage Services	10,431	18,217	4,305	12,091

Tamworth Regional Council

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

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	2,583	714	-	(1,869)
Museums	99	10	-	(89)
Art Galleries	1,071	102	-	(969)
Community Centres and Halls	740	109	248	(383)
Performing Arts Venues	1,372	408	-	(964)
Other Performing Arts	-	-	-	-
Other Cultural Services	4	-	-	(4)
Sporting Grounds and Venues	2,417	388	51	(1,978)
Swimming Pools	1,837	471	12	(1,354)
Parks & Gardens (Lakes)	2,570	54	636	(1,880)
Other Sport and Recreation	345	216	133	4
Total Recreation and Culture	13,038	2,472	1,080	(9,486)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	2,180	192	-	(1,988)
Other Mining, Manufacturing & Construction	22	-	119	97
Total Mining, Manufacturing and Const.	2,202	192	119	(1,891)
Transport and Communication				
Urban Roads (UR) - Local	13,562	1,997	1,700	(9,865)
Urban Roads - Regional	272	220	-	(52)
Sealed Rural Roads (SRR) - Local	2,240	1,087	-	(1,153)
Sealed Rural Roads - Regional	1,135	1,790	-	655
Unsealed Rural Roads (URR) - Local	4,325	191	55	(4,079)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	1,352	304	-	(1,048)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	24	787	-	763
Bridges on Regional Roads	489	-	-	(489)
Parking Areas	430	841	-	411
Footpaths	378	-	182	(196)
Aerodromes	2,315	3,561	146	1,392
Other Transport & Communication	3,665	3,622	(8)	(51)
Total Transport and Communication	30,187	14,400	2,075	(13,712)
Economic Affairs				
Camping Areas & Caravan Parks	86	164	-	78
Other Economic Affairs	8,360	4,322	200	(3,838)
Total Economic Affairs	8,446	4,486	200	(3,760)
Totals – Functions	101,431	68,635	10,308	(22,488)
General Purpose Revenues⁽²⁾		36,511		36,511
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	101,431	105,146	10,308	14,023

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

Tamworth Regional Council

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

for the financial year ended 30 June 2011

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	131	1,172	1,303	-	131	-	-	-	131	1,041	1,172
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	3,951	92,065	96,016	-	4,052	-	-	7,021	3,662	88,302	91,964
Other	10	32	42	-	10	-	-	2	11	21	32
Total Loans	4,092	93,269	97,361	-	4,193	-	-	7,023	3,804	89,364	93,168
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	4,092	93,269	97,361	-	4,193	-	-	7,023	3,804	89,364	93,168

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

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

Tamworth Regional Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	642	978
b. Engineering and Supervision	2,244	1,893
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	507	379
b. Maintenance expenses	283	173
- Mains		
c. Operation expenses	313	511
d. Maintenance expenses	1,836	1,275
- Reservoirs		
e. Operation expenses	105	111
f. Maintenance expenses	72	83
- Pumping Stations		
g. Operation expenses (excluding energy costs)	44	66
h. Energy costs	76	121
i. Maintenance expenses	109	215
- Treatment		
j. Operation expenses (excluding chemical costs)	1,607	1,759
k. Chemical costs	312	308
l. Maintenance expenses	569	960
- Other		
m. Operation expenses	-	144
n. Maintenance expenses	30	334
o. Purchase of water	415	-
3. Depreciation expenses		
a. System assets	3,859	3,426
b. Plant and equipment	38	41
4. Miscellaneous expenses		
a. Interest expenses	781	663
b. Revaluation Decrements	158	-
c. Other expenses	-	128
d. Tax Equivalents Dividends (actually paid)	53	62
5. Total expenses	14,053	13,630

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 2011

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges		
a. Access (including rates)	3,516	3,139
b. Usage charges	4,772	5,592
7. Non-residential charges		
a. Access (including rates)	1,219	1,077
b. Usage charges	3,642	3,809
8. Extra charges	59	35
9. Interest income	1,486	1,194
10. Other income	231	244
11. Grants		
a. Grants for acquisition of assets	116	121
b. Grants for pensioner rebates	197	197
c. Other grants	260	3
12. Contributions		
a. Developer charges	639	1,176
b. Developer provided assets	758	423
c. Other contributions	7	25
13. Total income	16,902	17,035
14. Gain or loss on disposal of assets	-	-
15. Operating Result	2,849	3,405
15a. Operating Result (less grants for acquisition of assets)	2,733	3,284

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 2011

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	3,891	3,665
b. New Assets for Growth	555	351
c. Renewals	-	-
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	465	281
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	4,911	4,297
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	892	1,213
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	892	1,213
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	17,411	17,346
b. Residential (unoccupied, ie. vacant lot)	1,266	1,142
c. Non-residential (occupied)	1,708	1,756
d. Non-residential (unoccupied, ie. vacant lot)	348	386
25. Number of ETs for which developer charges were received	157 ET	251 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 363,758	\$ 356,000

Tamworth Regional Council

Special Schedule No. 3 - Water Supply Cross Subsidies for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2010/11 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

Tamworth Regional Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	7,238	-	7,238
b. Special purpose grants	53	-	53
c. Accrued leave	-	-	-
d. Unexpended loans	2,976	-	2,976
e. Sinking fund	-	-	-
f. Other	16,130	-	16,130
31. Receivables			
a. Specific purpose grants	262	-	262
b. Rates and charges	3,279	-	3,279
c. Other	14	-	14
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	168,238	-	168,238
b. Plant and equipment	11,020	-	11,020
34. Other assets	-	-	-
35. Total assets	<u>209,210</u>	<u>-</u>	<u>209,210</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	527	-	527
38. Borrowings			
a. Loans	259	9,607	9,866
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>786</u>	<u>9,607</u>	<u>10,393</u>
41. NET ASSETS COMMITTED	<u>208,424</u>	<u>(9,607)</u>	<u>198,817</u>
EQUITY			
42. Accumulated surplus			135,300
43. Asset revaluation reserve			63,517
44. TOTAL EQUITY			<u>198,817</u>
Note to system assets:			
45. Current replacement cost of system assets			306,047
46. Accumulated current cost depreciation of system assets			(137,809)
47. Written down current cost of system assets			<u>168,238</u>

Tamworth Regional Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	234	159
b. Engineering and Supervision	1,665	1,609
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	321	461
b. Maintenance expenses	1,200	1,085
- Pumping Stations		
c. Operation expenses (excluding energy costs)	123	103
d. Energy costs	83	70
e. Maintenance expenses	270	304
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,273	1,142
g. Chemical costs	171	245
h. Energy costs	359	221
i. Effluent Management	11	5
j. Biosolids Management	253	354
k. Maintenance expenses	394	436
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	2,866	2,631
b. Plant and equipment	55	62
4. Miscellaneous expenses		
a. Interest expenses	1,574	371
b. Revaluation Decrements	-	-
c. Other expenses	55	142
d. Tax Equivalent Dividends (actually paid)	56	56
5. Total expenses	10,963	9,456

Tamworth Regional Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges (including rates)	12,133	11,425
7. Non-residential charges		
a. Access (including rates)	1,532	1,430
b. Usage charges	1,343	934
8. Trade Waste Charges		
a. Annual Fees	57	56
b. Usage charges	335	280
c. Excess mass charges	478	373
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	2,167	2,057
11. Other income	93	228
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	183	183
c. Other grants	3,099	5,091
13. Contributions		
a. Developer charges	437	615
b. Developer provided assets	821	496
c. Other contributions	24	113
14. Total income	<u>22,702</u>	<u>23,281</u>
15. Gain or loss on disposal of assets	-	-
16. Operating Result	<u>11,739</u>	<u>13,825</u>
16a. Operating Result (less grants for acquisition of assets)	11,739	13,825

Tamworth Regional Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	25,086	47,765
b. New Assets for Growth	770	496
c. Renewals	-	-
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	1,453	674
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	27,309	48,935
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	6,459	28,059
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	6,459	28,059
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	16,434	16,080
b. Residential (unoccupied, ie. vacant lot)	662	881
c. Non-residential (occupied)	1,565	1,560
d. Non-residential (unoccupied, ie. vacant lot)	73	79
26. Number of ETs for which developer charges were received	252 ET	328 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 337,254	\$ 332,000

Tamworth Regional Council

Special Schedule No. 5 - Sewerage Cross Subsidies for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2010/11 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Tamworth Regional Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	4,444	-	4,444
b. Special purpose grants	685	-	685
c. Accrued leave	-	-	-
d. Unexpended loans	2,465	-	2,465
e. Sinking fund	275	-	275
f. Other	17,909	-	17,909
32. Receivables			
a. Specific purpose grants	2,582	-	2,582
b. Rates and charges	1,102	-	1,102
c. Other	741	-	741
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	194,257	-	194,257
b. Plant and equipment	22,043	-	22,043
35. Other assets	-	-	-
36. Total Assets	<u>246,503</u>	<u>-</u>	<u>246,503</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	2,772	-	2,772
39. Borrowings			
a. Loans	1,805	50,549	52,354
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	<u>4,577</u>	<u>50,549</u>	<u>55,126</u>
42. NET ASSETS COMMITTED	<u>241,926</u>	<u>(50,549)</u>	<u>191,377</u>
EQUITY			
42. Accumulated surplus			147,190
44. Asset revaluation reserve			44,187
45. TOTAL EQUITY			<u>191,377</u>
Note to system assets:			
46. Current replacement cost of system assets			296,124
47. Accumulated current cost depreciation of system assets			(101,867)
48. Written down current cost of system assets			<u>194,257</u>

Tamworth Regional Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2011

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Tamworth Regional Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual ⁽¹⁾ 10/11	Forecast 11/12	Forecast 12/13	Forecast ⁽³⁾ 13/14
(i) RECURRENT BUDGET				
Income from continuing operations	115,454	108,422	109,669	124,728
Expenses from continuing operations	101,431	106,493	105,405	107,380
Operating Result from Continuing Operations	14,023	1,929	4,264	17,348
(ii) CAPITAL BUDGET				
New Capital Works ⁽²⁾	27,953	3,250	1,600	17,000
Replacement/Refurbishment of Existing Assets	-	-	-	1,050
Total Capital Budget	27,953	3,250	1,600	18,050
Funded by:				
- Loans	1,500	1,500	-	5,237
- Asset sales	-	-	-	-
- Reserves	12,756	1,080	930	1,423
- Grants/Contributions	6,725	670	-	11,390
- Recurrent revenue	6,972	-	670	-
- Other	-	-	-	-
	27,953	3,250	1,600	18,050

Notes:

(1) From 10/11 Income Statement.

(2) New Capital Works are major non-recurrent projects.