

Financial Reports Period Ended June 30 2017

Tamworth
Regional
Council

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NSW 2340

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Tamworth Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

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Tamworth Regional Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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 26 October 2017. Council has the power to amend and reissue these financial statements.
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Tamworth Regional Council

General Purpose Financial Statements for the year ended 30 June 2017

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

- the *Local Government Act 1993 (NSW)* (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
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 October 2017.



Col Murray
Mayor



Helen Tickle
Councillor



Paul Bennett
General manager



Rick Sanderson
Responsible accounting officer

Tamworth Regional Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
<i>Revenue:</i>				
63,138	Rates and annual charges	3a	63,520	61,511
36,708	User charges and fees	3b	42,071	38,991
3,963	Interest and investment revenue	3c	4,335	4,634
3,181	Other revenues	3d	4,004	4,313
22,198	Grants and contributions provided for operating purposes	3e,f	28,331	22,064
6,324	Grants and contributions provided for capital purposes	3e,f	23,554	24,983
135,512	Total income from continuing operations		165,815	156,496
Expenses from continuing operations				
45,421	Employee benefits and on-costs	4a	44,424	41,064
5,588	Borrowing costs	4b	5,225	5,789
28,779	Materials and contracts	4c	31,938	32,109
29,866	Depreciation and amortisation	4d	32,048	29,838
–	Impairment	4d	–	(11)
9,591	Other expenses	4e	10,951	9,512
–	Net losses from the disposal of assets	5	1,659	7,662
119,245	Total expenses from continuing operations		126,245	125,963
16,267	Operating result from continuing operations		39,570	30,533
16,267	Net operating result for the year		39,570	30,533
16,267	Net operating result attributable to Council		39,548	30,544
–	Net operating result attributable to non-controlling interests		22	(11)
9,943	Net operating result for the year before grants and contributions provided for capital purposes		16,016	5,550

Grants and contributions provided for operating purposes includes an advance payment for the 2017-18 FAGS grant of \$5.2M

¹ Original budget as approved by Council – refer Note 16

Tamworth Regional Council

Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		39,570	30,533
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	2,308	7,271
Total items which will not be reclassified subsequently to the operating result		2,308	7,271
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Trsfer to revaluation reserve on asset disposal	20b (ii)	–	(397)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	(397)
Total other comprehensive income for the year		2,308	6,874
Total comprehensive income for the year		41,878	37,407
Total comprehensive income attributable to Council		41,856	37,418
Total comprehensive income attributable to non-controlling interests		22	(11)

Tamworth Regional Council

Statement of Financial Position as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	17,050	3,611
Investments	6b	133,991	103,987
Receivables	7	14,903	9,643
Inventories	8	1,123	1,080
Other	8	53	88
Non-current assets classified as 'held for sale'	22	3,681	1,517
Total current assets		170,801	119,926
Non-current assets			
Investments	6b	8,000	31,000
Receivables	7	376	384
Infrastructure, property, plant and equipment	9	1,396,580	1,377,713
Investment property	14	6,450	6,400
Intangible assets	25	1,374	2,247
Total non-current assets		1,412,780	1,417,744
TOTAL ASSETS		1,583,581	1,537,670
LIABILITIES			
Current liabilities			
Payables	10	13,090	7,668
Income received in advance	10	375	334
Borrowings	10	5,497	5,360
Provisions	10	9,415	9,200
Total current liabilities		28,377	22,562
Non-current liabilities			
Borrowings	10	72,083	75,837
Provisions	10	19,175	17,203
Total non-current liabilities		91,258	93,040
TOTAL LIABILITIES		119,635	115,602
Net assets		1,463,946	1,422,068
EQUITY			
Retained earnings	20	1,064,638	1,025,090
Revaluation reserves	20	398,828	396,520
Council equity interest		1,463,466	1,421,610
Non-controlling equity interests		480	458
Total equity		1,463,946	1,422,068

Tamworth Regional Council

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017				2016					
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		1,025,090	396,520	1,421,610	458	1,422,068	994,546	389,646	1,384,192	469	1,384,661
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–
Revised opening balance		1,025,090	396,520	1,421,610	458	1,422,068	994,546	389,646	1,384,192	469	1,384,661
c. Net operating result for the year		39,548	–	39,548	22	39,570	30,544	–	30,544	(11)	30,533
d. Other comprehensive income											
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	2,308	2,308	–	2,308	–	7,271	7,271	–	7,271
– Trsfer to revaluation reserve on asset disposal	20b (ii)	–	–	–	–	–	–	(397)	(397)	–	(397)
Other comprehensive income		–	2,308	2,308	–	2,308	–	6,874	6,874	–	6,874
Total comprehensive income (c&d)		39,548	2,308	41,856	22	41,878	30,544	6,874	37,418	(11)	37,407
Equity – balance at end of the reporting period		1,064,638	398,828	1,463,466	480	1,463,946	1,025,090	396,520	1,421,610	458	1,422,068

Tamworth Regional Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
63,138	Rates and annual charges		63,222	61,708
39,139	User charges and fees		42,654	42,538
3,963	Investment and interest revenue received		4,155	5,111
29,025	Grants and contributions		37,993	31,913
–	Bonds, deposits and retention amounts received		483	–
10,007	Other		8,123	10,049
Payments:				
(45,380)	Employee benefits and on-costs		(44,003)	(41,860)
(37,423)	Materials and contracts		(34,362)	(39,952)
(4,824)	Borrowing costs		(4,785)	(5,328)
–	Bonds, deposits and retention amounts refunded		–	(109)
(10,550)	Other		(10,043)	(11,432)
47,095	Net cash provided (or used in) operating activities	11b	63,437	52,638
Cash flows from investing activities				
Receipts:				
3,000	Sale of investment securities		–	–
1,000	Sale of infrastructure, property, plant and equipment		4,894	2,186
9	Deferred debtors receipts		31	23
Payments:				
–	Purchase of investment securities		(7,004)	(2,488)
(57,658)	Purchase of infrastructure, property, plant and equipment		(44,302)	(50,058)
(53,649)	Net cash provided (or used in) investing activities		(46,381)	(50,337)
Cash flows from financing activities				
Receipts:				
10,240	Proceeds from borrowings and advances		1,770	–
Payments:				
(5,375)	Repayment of borrowings and advances		(5,387)	(5,003)
4,865	Net cash flow provided (used in) financing activities		(3,617)	(5,003)
(1,689)	Net increase/(decrease) in cash and cash equivalents		13,439	(2,702)
3,611	Plus: cash and cash equivalents – beginning of year	11a	3,611	6,313
1,922	Cash and cash equivalents – end of the year	11a	17,050	3,611
Additional Information:				
	plus: Investments on hand – end of year	6b	141,991	134,987
Total cash, cash equivalents and investments			159,041	138,598

Please refer to Note 11 for additional cash flow information

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

During the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

This included the first time application during the year of AASB 124 Related Party Disclosures. As a result Council has disclosed information about related parties and transactions with those related parties. This information is presented in Note 28.

The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies, financial position, financial performance or cash flows.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

(iv) Significant accounting estimates and judgements

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

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

Council bases its 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:

(i) Rates, annual charges, grants and contributions

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

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.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

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 un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

User charges, fees and other income (including parking fees) are recognised as revenue when the service has been provided or the payment is received, whichever first occurs. Fines and penalty income are not recognised as income until payment is received.

(iii) 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.

(iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

(v) Rent

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

(vi) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund.

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

Due to their immaterial value and nature the Section 355 Committees of Council have been excluded from consolidation.

A full listing of these committees can be found on Council's website under the heading Community Management Committees or at the following address:

<http://www.tamworth.nsw.gov.au/Council/Community-Management-s355-Committees/current-CMCs>

(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 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.

(iii) Interests in other entities

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Councils consolidated financial statements incorporate the assets, liabilities and results of the subsidiary Central Northern Regional Library (CNRL).

Information relating to CNRL can be found at Note 19(a).

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Council currently has no finance leases.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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 where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

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

As at June 30, 2017 Council had no bank overdraft.

(g) Inventories

All of council inventory is held for distribution with the exception of Non Current Assets Held for Sale.

(i) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(ii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell.

No assets in this category have been impaired at any stage since being classified as held for sale.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

As at June 30, Council did not hold any financial assets at fair value through profit or loss or available for sale financial assets.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

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

Loans and receivables are included in receivables (note 7) in the Statement of Financial Position.

Due to the short term nature of Council's receivables cash flows are not discounted.

(iii) Held-to-maturity investments

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

amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which 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 Council has transferred substantially all the risks and rewards of ownership.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

As at June 30, 2017 Tamworth Regional Council had no impaired financial assets.

(i) Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

(j) Fair value estimation – financial instruments

Given the short term to maturity of Councils financial

assets they are held at historical cost. The fair value of financial liabilities is the balance outstanding as at June 30. Council does not apply any discounting to its financial instruments.

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

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Art Works

Internally valued:

- Land improvements
- Other structures
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure
- Other assets

As approximated by depreciated historical cost:

- Plant and equipment
- Library Books
- Office Equipment
- Office Furniture

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

For all other asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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 recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. The straight line method is used as it is considered that the level and impact of consumption for most assets would be difficult to measure reliably and would be mostly independent of the flow of benefits (i.e. rates and annual charges). The useful lives for the various classes of assets are as follows:

Plant & Equipment

- Office Equipment	1 to 10 years
- Office furniture	5 to 20 years
- Computer Equipment	1 to 5 years
- Vehicles	2 to 5 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

- Playground equipment	5 to 20 years
- Benches, seats etc	5 to 20 years

Buildings

- Buildings	20 to 200 years
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Water & Sewer Assets

- Water and Sewer assets	5 to 100 years
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Stormwater Assets

- Stormwater and Drainage assets	10 to 120 years
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Transportation Assets

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

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	5 to 75 years
- Other Open Space/ Recreational Assets	5 to 50 years
- Other Infrastructure	5 to 50 years

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Council's investment properties are externally valued every financial year.

(m) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Borrowings

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(o) Borrowing costs

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. There were no qualifying assets constructed during the 2016/2017 financial year. Other borrowing costs are expensed.

(p) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and long service leave are recognised in the provision for employee benefits. All sick leave is non vesting.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(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.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

The present value of the defined benefit obligation is based on expected future payments that 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Defined Contribution Plans

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

(r) 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.

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

(s) Intangible assets

IT development and software

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

materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

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

Water Licenses

Costs capitalised include the cost of the licence and any direct costs of acquisition.

Water licences are not amortised.

Electronic Library Resources

Are recognised at cost and amortised on a straight line basis over a period of 5 years.

(t) 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 to the reserves are recognised within Council's Income Statement.

(u) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), "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". The assets are however purchased, maintained, managed and exclusively used by the RFS. The RFS receive full service benefit from and funding for the assets and control and receive 88.3% of proceeds from their disposal.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Council therefore considers that effective control of fire fighting assets lies with the RFS and they should not be recognised in councils accounts.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

(w) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Effective for annual reporting periods beginning on or after 13 February 2017

- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017

- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 Financial Instruments (December 2009)
- AASB 15 Revenue from Contracts with Customers
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) AASB 1057 Application of Australian Accounting Standards
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 *Leases*
- AASB 16 *Leases (Appendix D)*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(x) Rounding of amounts

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

(y) 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.

(z) 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 year ended 30 June 2017

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 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	258	123	289	3,886	5,925	5,142	(3,628)	(5,802)	(4,853)	50	150	–	–
A Spirit of Community	5,251	5,990	6,210	24,182	24,760	24,597	(18,931)	(18,770)	(18,387)	1,821	2,161	169,537	185,183
A Prosperous Region	3,387	3,362	3,391	7,134	6,780	7,093	(3,747)	(3,418)	(3,702)	–	10	100,677	99,798
An Accessible Region	24,367	35,095	35,950	32,238	38,478	38,993	(7,871)	(3,383)	(3,043)	11,763	7,313	713,475	664,968
A Region for the Future	55,077	70,927	67,086	51,805	50,302	50,138	3,272	20,625	16,948	1,613	2,244	599,892	587,721
Total functions and activities	88,340	115,497	112,926	119,245	126,245	125,963	(30,905)	(10,748)	(13,037)	15,247	11,878	1,583,581	1,537,670
General purpose income ¹	47,172	50,318	43,570	–	–	–	47,172	50,318	43,570	15,824	10,501	–	–
Operating result from continuing operations	135,512	165,815	156,496	119,245	126,245	125,963	16,267	39,570	30,533	31,071	22,379	1,583,581	1,537,670

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

A SPIRIT OF COMMUNITY

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

A PROSPEROUS REGION

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

AN ACCESSIBLE REGION

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

A REGION FOR THE FUTURE

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		21,451	20,664
Farmland		5,472	5,359
Mining		17	17
Business		5,705	5,366
Total ordinary rates		32,645	31,406
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,647	6,396
Stormwater management services		605	569
Water supply services		5,645	5,889
Sewerage services		17,048	16,385
Waste management services (non-domestic)		930	866
Total annual charges		30,875	30,105
TOTAL RATES AND ANNUAL CHARGES		63,520	61,511

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		11,197	10,883
Sewerage services		2,497	2,384
Total user charges		13,694	13,267
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		1,391	1,617
Private works – section 67		671	719
Regulatory/ statutory fees		408	452
Total fees and charges – statutory/regulatory		2,470	2,788
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		4,854	4,278
Cemeteries		324	268
Community centres		440	448
Country music festival		1,478	1,309
Hire charge council facilities		2,232	2,193
Fire and emergency services levy (FESL) implementation		109	–
Parking fees		486	519
RMS charges (state roads not controlled by Council)		9,693	8,099
Sporting facilities		558	555
Sewerage services		857	882
Swimming centres		428	425
Venue ticket sales		128	124
Waste/recycling depot		4,041	3,478
Other		279	358
Total fees and charges – other		25,907	22,936
TOTAL USER CHARGES AND FEES		42,071	38,991

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		324	320
– Interest earned on investments (interest and coupon payment income)		4,011	4,314
TOTAL INTEREST AND INVESTMENT REVENUE		4,335	4,634
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		324	320
General Council cash and investments		1,685	1,472
Restricted investments/funds – external:			
Development contributions			
– Section 94		180	182
– Section 64		697	624
Water fund operations ¹		675	1,071
Sewerage fund operations ¹		774	965
Total interest and investment revenue recognised		4,335	4,634
¹ Water and sewer both earned an additional \$280,000 each from an internal loan to general fund. This amount was eliminated on consolidation but is reflected in Note 21			
(d) Other revenues			
Fair value increments – investment properties	14	50	300
Rental income – investment properties	14	574	524
Rental income – other council properties		789	809
Fines		332	418
Antenna leases		207	238
Commissions and agency fees		516	485
Consultancy services		427	459
Insurance rebate		274	37
Sales – general		548	664
Sponsorship income		56	45
Other		231	334
TOTAL OTHER REVENUE		4,004	4,313

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance ¹	15,325	9,987	–	–
Pensioners' rates subsidies – general component	499	514	–	–
Total general purpose	15,824	10,501	–	–
1. Council received 50% of its Financial Assistance for YE 17/18 in advance				
Specific purpose				
Pensioners' rates subsidies:				
– Water	200	206	–	–
– Sewerage	184	189	–	–
– Domestic waste management	169	173	–	–
Water supplies	–	96	–	58
Aged care	–	15	–	–
Bushfire and emergency services	372	454	25	92
Community care	779	751	–	–
Cycleways	–	–	231	–
Disaster mitigation and rehabilitation	26	45	–	–
Environmental protection	–	20	–	1,215
Heritage and cultural	395	307	–	–
LIRS subsidy	107	122	–	–
Namoi joint organisation	–	150	–	–
Noxious weed control	93	98	–	–
Park upgrades	–	–	–	330
Recreation and culture	–	–	–	491
Street lighting	169	169	–	–
Transport (roads to recovery)	6,076	5,527	–	–
Transport (other roads and bridges funding)	–	–	3,602	632
Transport (airport)	–	–	1,542	243
Training	40	42	–	–
Other - Organics Collection System	450	–	–	–
Other - Woolomin Water Supply	100	–	–	–
Other - Flying Fox Management	40	–	–	–
Other CCTV Security	–	–	227	–
Other	225	158	195	295
Total specific purpose	9,425	8,522	5,822	3,356
Total grants	25,249	19,023	5,822	3,356
Grant revenue is attributable to:				
– Commonwealth funding	22,187	16,002	–	140
– State funding	3,051	2,924	5,775	3,216
– Other funding	11	97	47	–
	25,249	19,023	5,822	3,356

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	12	–
S 94 – contributions towards amenities/services	–	–	1,457	1,373
S 94A – fixed development consent levies	–	–	322	285
S 64 – water supply contributions	–	–	2,357	2,539
S 64 – sewerage service contributions	–	–	1,060	955
Total developer contributions	–	–	5,208	5,152
Other contributions:				
Capital works	–	–	150	371
Dedications (other than by S94)	–	–	12,249	16,090
Donations	6	16	–	–
Kerb and gutter	–	–	31	–
Other councils – joint works/services	621	617	28	–
RMS contributions (regional roads, block grant)	2,308	2,267	60	–
Tourism	–	116	–	4
Water supplies (excl. section 64 contributions)	–	–	2	2
Other Donated Art Works	119	–	–	–
Other	28	25	4	8
Total other contributions	3,082	3,041	12,524	16,475
Total contributions	3,082	3,041	17,732	21,627
TOTAL GRANTS AND CONTRIBUTIONS	28,331	22,064	23,554	24,983

\$ '000	Actual 2017	Actual 2016
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(g) Unspent grants and contributions

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

Unexpended at the close of the previous reporting period	34,328	30,467
Add: grants and contributions recognised in the current period but not yet spent:	7,928	8,100
Less: grants and contributions recognised in a previous reporting period now spent:	(3,968)	(4,239)
Net increase (decrease) in restricted assets during the period	3,960	3,861
Unexpended and held as restricted assets	38,288	34,328
Comprising:		
– Specific purpose unexpended grants	3,805	4,003
– Developer contributions	34,483	30,325
	38,288	34,328

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		33,777	31,294
Travel expenses		622	587
Employee leave entitlements (ELE)		6,794	6,248
Superannuation		3,891	3,886
Workers' compensation insurance		821	817
Fringe benefit tax (FBT)		140	140
Payroll tax		297	279
Training costs (other than salaries and wages)		668	420
Other		235	220
Total employee costs		47,245	43,891
Less: capitalised costs		(2,821)	(2,827)
TOTAL EMPLOYEE COSTS EXPENSED		44,424	41,064
Number of 'full-time equivalent' employees (FTE) at year end		541	522
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		4,768	5,314
Total interest bearing liability costs expensed		4,768	5,314
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	457	475
Total other borrowing costs		457	475
TOTAL BORROWING COSTS EXPENSED		5,225	5,789

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		22,975	23,643
Contractor and consultancy costs		7,826	7,238
Auditors remuneration ⁽¹⁾		125	126
Legal expenses:			
– Legal expenses: planning and development		–	112
– Legal expenses: other		34	65
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		978	925
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>31,938</u>	<u>32,109</u>
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
Nil			
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
Audit and other assurance services			
– Audit and review of financial statements: Council's external auditor		81	78
– Other assurance services – internal auditors		44	48
Remuneration for audit and other assurance services		<u>125</u>	<u>126</u>
Total remuneration of other Council's Auditors		<u>125</u>	<u>126</u>
Total Auditor remuneration		<u>125</u>	<u>126</u>
2. Operating lease payments are attributable to:			
Buildings		654	614
Computers and photocopies		324	311
		<u>978</u>	<u>925</u>

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		3,386	2,988
Office equipment		53	53
Furniture and fittings		472	477
Land improvements (depreciable)		903	797
Infrastructure:			
– Buildings – non-specialised		1,400	1,388
– Buildings – specialised		155	167
– Other structures		2,064	1,348
– Roads		8,670	8,430
– Bridges		942	853
– Footpaths		284	255
– Stormwater drainage		2,500	2,465
– Water supply network		4,711	4,478
– Sewerage network		5,788	5,598
– Swimming pools		202	204
– Other open space/recreational assets		72	–
Other assets			
– Library books		288	309
– Other		134	134
Asset reinstatement costs	9 & 26	306	220
Intangible assets	25	74	104
Total gross depreciation and amortisation costs		32,404	30,268
Less: capitalised costs		(356)	(430)
Total depreciation and amortisation costs		32,048	29,838
Impairment			
Plant and equipment		–	(11)
Total gross impairment costs		–	(11)
Total impairment costs		–	(11)
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		32,048	29,827

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		447	430
Bad and doubtful debts		40	225
Contributions/levies to other levels of government		2,613	2,437
Councillor expenses – mayoral fee		41	40
Councillor expenses – councillors' fees		166	165
Councillors' expenses (incl. mayor) – other (excluding fees above)		171	119
Donations, contributions and assistance to other organisations (Section 356)		469	259
Election expenses		318	–
Electricity and heating		2,839	2,660
Insurance		2,012	1,880
Street lighting		815	681
Sustainability rebates		21	23
Telephone and communications		568	591
Other		431	2
<u>TOTAL OTHER EXPENSES</u>		<u>10,951</u>	<u>9,512</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		1,144	1,336
Less: carrying amount of plant and equipment assets sold/written off		(1,361)	(1,537)
Net gain/(loss) on disposal		(217)	(201)
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(4,080)	(7,636)
Net gain/(loss) on disposal		(4,080)	(7,636)
Non-current assets classified as 'held for sale'			
Proceeds from disposal – non-current assets 'held for sale'		3,850	850
Less: carrying amount of 'held for sale' assets sold/written off		(1,212)	(675)
Net gain/(loss) on disposal		2,638	175
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(1,659)</u>	<u>(7,662)</u>

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		17,050	–	3,611	–
Total cash and cash equivalents		17,050	–	3,611	–
Investments (Note 6b)					
– Long term deposits		133,991	8,000	103,987	31,000
Total investments		133,991	8,000	103,987	31,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		151,041	8,000	107,598	31,000
 Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:					
Cash and cash equivalents					
a. 'At fair value through the profit and loss'		17,050	–	3,611	–
Includes \$14.4M held in interest bearing at call accounts					
Investments					
a. 'Held to maturity'		133,991	8,000	103,987	31,000
Investments		133,991	8,000	103,987	31,000

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	151,041	8,000	107,598	31,000
attributable to:				
External restrictions (refer below)	106,273	4,995	83,115	20,770
Internal restrictions (refer below)	40,992	3,005	17,667	10,230
Unrestricted	3,776	–	6,816	–
	151,041	8,000	107,598	31,000

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	–	1,770	(1,191)	579
Specific purpose unexpended loans – water (A)	492	–	–	492
Specific purpose unexpended loans – sewer (A)	1,694	–	–	1,694
External restrictions – included in liabilities	2,186	1,770	(1,191)	2,765

External restrictions – other

Developer contributions – general (D)	6,233	2,067	(1,927)	6,373
Developer contributions – water fund (D)	14,449	2,679	(96)	17,128
Developer contributions – sewer fund (D)	9,643	1,339	–	10,982
Specific purpose unexpended grants (E)	3,318	11	–	3,329
Specific purpose unexpended grants-sewer fund (E)	685	–	(209)	476
Water supplies (F)	22,833	–	(1,220)	21,613
Sewerage services (F)	24,358	5,012	–	29,370
Domestic waste management (F)	19,100	14,110	(15,660)	17,550
Deposits, retentions and bonds	1,080	602	–	1,682
External restrictions – other	101,699	25,820	(19,112)	108,503
Total external restrictions	103,885	27,590	(20,303)	111,268

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).

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

F Water, sewerage, domestic waste management (DWM) and 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 year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
After school care	116	613	(357)	372
Airport	502	5,185	(4,238)	1,449
Aquatic and sport	235	527	(131)	631
Art	29	26	(28)	27
Asset Management	17,886	40,216	(37,645)	20,457
Barraba playground equipment	10	–	–	10
Caravan park	749	134	(25)	858
Cemetery	3	21	(7)	17
Central Northern Regional Libraries	520	1,633	(1,621)	532
Community Events	8	–	–	8
Councillor Professional Development	30	–	(30)	–
Country Music Festival	1	50	–	51
Drainage levy	1,364	613	(638)	1,339
Economic development	49	7	(4)	52
Election	220	92	(312)	–
Employees	1,971	906	(516)	2,361
Equine Centre	57	909	(52)	914
FAGS General Component	–	3,216	–	3,216
Incomplete works & revotes	516	55	(218)	353
Innovation	155	100	–	255
Internal loan from internal reserves for drainage works	(2,250)	194	–	(2,056)
Livestock marketing centre	37	–	–	37
Natural Disasters	58	160	(7)	211
Norsure Insurance	147	366	–	513
Nundle Commons	8	10	(7)	11
Nundle Retirement Village	257	16	(9)	264
Onsite Sewer Management	28	49	(20)	57
Property Acquisition and Development	109	3,945	(1,478)	2,576
RFS Equipment Donations	3	–	–	3
Roadworks (FAG roads component)	1,337	5,994	(3,036)	4,295
Section 94 plan - council contribution	757	264	–	1,021
Sister City	8	–	(3)	5
Special Rate Variation	2,900	3,918	(2,796)	4,022
Village Improvement Fund	55	50	(49)	56
Water Billing	22	150	(92)	80
Total internal restrictions	27,897	69,419	(53,319)	43,997
TOTAL RESTRICTIONS	131,782	97,009	(73,622)	155,265

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		3,424	376	3,133	384
Interest and extra charges		878	–	767	–
User charges and fees		7,071	–	5,617	–
Capital debtors (being sale of assets)					
– Sale of land		100	–	–	–
Accrued revenues					
– Interest on investments		874	–	763	–
– Other income accruals		225	–	–	–
Contributions		13	–	26	–
Deferred debtors		15	–	46	–
Government grants and subsidies		3,594	–	751	–
Net GST receivable		490	–	456	–
Insurance claim		40	–	–	–
Other debtors		194	–	76	–
Total		16,918	376	11,635	384
Less: provision for impairment					
Rates and annual charges		(861)	–	(876)	–
Interest and extra charges		(344)	–	(302)	–
User charges and fees		(810)	–	(814)	–
Total provision for impairment – receivables		(2,015)	–	(1,992)	–
TOTAL NET RECEIVABLES		14,903	376	9,643	384
Externally restricted receivables					
Water supply					
– Specific purpose grants		–	–	18	–
– Rates and availability charges		550	–	489	–
– Other		1,327	–	1,342	–
Sewerage services					
– Rates and availability charges		1,156	–	1,038	–
– Other		505	–	622	–
Domestic waste management					
		–	–	910	–
Total external restrictions		3,538	–	4,419	–
Internally restricted receivables					
RMS user charges		–	–	681	–
Airport		–	–	649	–
Internally restricted receivables		–	–	1,330	–
Unrestricted receivables		11,365	376	3,894	384
TOTAL NET RECEIVABLES		14,903	376	9,643	384

Notes on debtors above:

- (i) Rates and 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 and charges at 8.00% (2016 8.00%).
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 year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		1,123	–	1,080	–
Total inventories at cost		1,123	–	1,080	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		1,123	–	1,080	–
(b) Other assets					
Prepayments		53	–	88	–
TOTAL OTHER ASSETS		53	–	88	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures

Inventory write downs

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

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

Tamworth Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	30,774	–	30,774	16,412	2,245	–	–	(5,851)	–	–	43,580	–	43,580
Plant and equipment	44,478	20,016	24,462	3,569	1,803	(1,270)	(3,386)	436	–	–	47,002	21,388	25,614
Office equipment	280	197	83	–	11	–	(53)	–	–	–	292	251	41
Furniture and fittings	5,833	2,940	2,893	–	17	–	(472)	57	–	–	5,683	3,188	2,495
Land:													
– Operational land	86,616	–	86,616	–	1,698	–	–	(620)	(1,041)	–	86,653	–	86,653
– Community land	16,492	–	16,492	–	180	–	–	(574)	–	2,308	18,406	–	18,406
– Land under roads (post 30/6/08)	822	–	822	–	343	–	–	–	–	–	1,165	–	1,165
Land improvements – depreciable	21,679	7,849	13,830	364	304	(270)	(903)	(5,172)	–	–	12,003	3,850	8,153
Infrastructure:													
– Buildings – non-specialised	114,613	36,880	77,733	201	460	(137)	(1,400)	71	–	–	113,996	37,068	76,928
– Buildings – specialised	21,868	1,965	19,903	24	25	–	(154)	–	–	–	21,917	2,119	19,798
– Other structures	108,605	71,973	36,632	23	283	–	(2,064)	(8,830)	–	–	90,564	64,520	26,044
– Roads	437,499	107,724	329,775	4,525	6,906	(2,788)	(8,670)	1,925	–	–	446,146	114,473	331,673
– Bridges	103,190	28,257	74,933	197	–	(308)	(942)	665	–	–	103,408	28,863	74,545
– Footpaths	18,910	8,584	10,326	4	430	–	(284)	123	–	–	19,541	8,942	10,599
– Stormwater drainage	269,312	87,178	182,134	277	3,591	(19)	(2,500)	193	–	–	273,341	89,665	183,676
– Water supply network	377,380	161,030	216,350	2,191	1,341	(531)	(4,711)	334	–	–	380,100	165,126	214,974
– Sewerage network	302,205	67,868	234,337	2,772	2,772	(83)	(5,788)	1,008	–	–	308,515	73,497	235,018
– Swimming pools	15,356	9,311	6,045	72	29	–	(202)	(1,357)	–	–	11,187	6,600	4,587
– Other open space/recreational assets	–	–	–	148	649	–	(72)	16,184	–	–	32,561	15,652	16,909
Other assets:													
– Heritage collections	32	13	19	–	–	–	–	(19)	–	–	–	–	–
– Library books	1,269	638	631	318	–	–	(288)	–	–	–	1,587	926	661
– Art collection	3,432	–	3,432	–	119	–	–	–	–	–	3,551	–	3,551
– Other	5,188	854	4,334	–	49	(39)	(134)	75	–	–	5,245	960	4,285
Reinstatement, rehabilitation and restoration assets (refer Note 26):													
– Tip assets	11,652	6,575	5,077	422	–	–	(299)	1,891	–	–	13,965	6,874	7,091
– Quarry assets	203	123	80	165	–	–	(7)	(104)	–	–	266	132	134
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,997,688	619,975	1,377,713	31,684	23,255	(5,445)	(32,329)	435	(1,041)	2,308	2,040,674	644,094	1,396,580

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	14,476	–	14,476	10,941	–	10,941
Plant and equipment	94	69	25	72	57	15
Office equipment	34	28	6	34	27	7
Land						
– Operational land	3,730	–	3,730	3,089	–	3,089
Buildings	120	29	91	–	–	–
Other structures	654	418	236	499	364	135
Infrastructure	380,100	165,126	214,974	377,380	161,030	216,350
Total water supply	399,208	165,670	233,538	392,015	161,478	230,537
Sewerage services						
WIP	5,072	–	5,072	4,494	–	4,494
Office equipment	53	49	4	53	39	14
Land						
– Operational land	9,063	–	9,063	10,256	–	10,256
Buildings	893	42	851	1,183	109	1,074
Other structures	825	285	540	984	366	618
Infrastructure	308,515	73,497	235,018	302,205	67,868	234,337
Total sewerage services	324,421	73,873	250,548	319,175	68,382	250,793
Domestic waste management						
WIP	1,933	–	1,933	854	–	854
Plant and equipment	502	127	375	342	106	236
Land						
– Operational land	1,584	–	1,584	859	–	859
– Improvements – depreciable	4,474	987	3,487	4,263	949	3,314
Buildings	700	94	606	798	124	674
Other structures	2,891	1,324	1,567	2,571	1,249	1,322
Roads, Bridges, Footpaths	475	103	372	322	126	196
Tip Remediation	13,965	6,874	7,091	11,652	6,575	5,077
Other assets	1,512	184	1,328	1,441	166	1,275
Total DWM	28,036	9,693	18,343	23,102	9,295	13,807
TOTAL RESTRICTED I,PP&E	751,665	249,236	502,429	734,292	239,155	495,137

Note 9c. Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		9,553	–	4,934	–
Accrued expenses:					
– Borrowings		168	–	185	–
– Salaries and wages		762	–	579	–
– Other expenditure accruals		174	–	103	–
Security bonds, deposits and retentions		1,604	–	1,121	–
Ticket monies held		306	–	143	–
Other		523	–	603	–
Total payables		13,090	–	7,668	–
Income received in advance					
Payments received in advance		375	–	334	–
Total income received in advance		375	–	334	–
Borrowings					
Loans – secured ¹		5,497	72,083	5,360	75,837
Total borrowings		5,497	72,083	5,360	75,837
Provisions					
Employee benefits:					
Annual leave		3,894	–	3,718	–
Long service leave		5,521	418	5,482	313
Sub-total – aggregate employee benefits		9,415	418	9,200	313
Asset remediation/restoration (future works)	26	–	18,757	–	16,890
Total provisions		9,415	19,175	9,200	17,203
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		28,377	91,258	22,562	93,040
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		1,427	10,762	1,284	11,487
Sewer		4,304	37,789	3,196	40,101
Liabilities relating to externally restricted assets		5,731	48,551	4,480	51,588
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		5,731	48,551	4,480	51,588
Total liabilities relating to unrestricted assets		22,646	42,707	18,082	41,452
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		28,377	91,258	22,562	93,040

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	7,536	7,360
Payables – security bonds, deposits and retentions	1,123	683
	<u>8,659</u>	<u>8,043</u>

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	3,718	2,692	(2,568)	52	–	3,894
Long service leave	5,795	229	(1,127)	1,042	–	5,939
Asset remediation	16,890	2,375	(965)	457	–	18,757
TOTAL	26,403	5,296	(4,660)	1,551	–	28,590

- a. Employees leave entitlements and 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 and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	17,050	3,611
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		17,050	3,611
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		39,570	30,533
Adjust for non-cash items:			
Depreciation and amortisation		32,048	29,838
Net losses/(gains) on disposal of assets		1,659	7,662
Non-cash capital grants and contributions		(12,249)	(16,090)
Impairment losses recognition – I,PP&E		–	(11)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment properties		(50)	(300)
– Other		–	(397)
Unwinding of discount rates on reinstatement provisions		457	475
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(5,206)	2,988
Increase/(decrease) in provision for doubtful debts		23	(206)
Decrease/(increase) in inventories		(43)	297
Decrease/(increase) in other assets		35	(31)
Increase/(decrease) in payables		4,619	(449)
Increase/(decrease) in accrued interest payable		(17)	(14)
Increase/(decrease) in other accrued expenses payable		254	(986)
Increase/(decrease) in other liabilities		607	(491)
Increase/(decrease) in employee leave entitlements		320	248
Increase/(decrease) in other provisions		1,410	(428)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		63,437	52,638

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Other dedications		12,249	16,090
Total non-cash investing and financing activities		12,249	16,090
(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
Total financing arrangements		1,000	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 and 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 year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(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 and equipment			
Buildings		216	56
Plant and equipment		435	–
Water & Sewer Infrastructure		768	2,582
Road Construction		1,110	–
Waste Infrastructure		54	139
Parks and Recreation		–	102
Land Acquisition		–	717
Other - Street Lighting		1,482	–
Other - Water Access Licence		54	–
Total commitments		4,119	3,596
These expenditures are payable as follows:			
Later than one year and not later than 5 years		4,119	3,596
Total payable		4,119	3,596
Sources for funding of capital commitments:			
Future grants and contributions		2,916	3,596
Internally restricted reserves		768	–
Unexpended loans		435	–
Total sources of funding		4,119	3,596

Details of capital commitments

Commitments have been recognised where a valid Council purchase order has been raised for material amounts.

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	856	860
Later than one year and not later than 5 years	2,725	2,807
Later than 5 years	162	649
Total non-cancellable operating lease commitments	3,743	4,316

b. Non-cancellable operating leases include the following assets:

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.

(c) Investment property commitments

Nil

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>17,625</u>	12.39%	9.84%	5.70%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>142,211</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>113,880</u>	68.70%	69.88%	75.15%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>165,765</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>60,990</u>	4.36x	3.23x	3.83x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>13,987</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>54,898</u>	5.17x	4.50x	3.84x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>10,612</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>3,473</u>	5.19%	4.76%	5.33%	< 5% Metro
Rates, annual and extra charges collectible	<u>66,950</u>				<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>159,041</u>	19.36			
Payments from cash flow of operating and financing activities	<u>8,215</u>	mths	16.0 mths	15.3 mths	> 3 mths

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

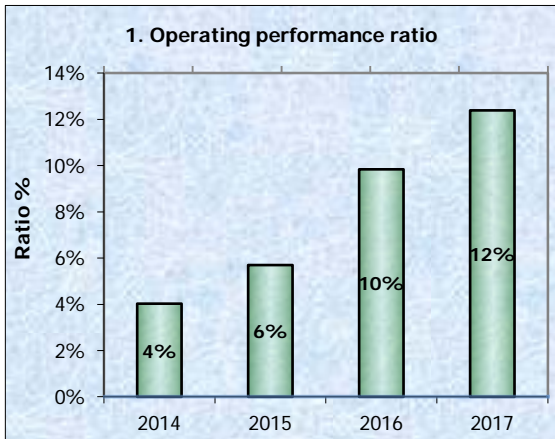
⁽³⁾ Refer to Note 10(a).

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

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

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



Commentary on 2016/17 result

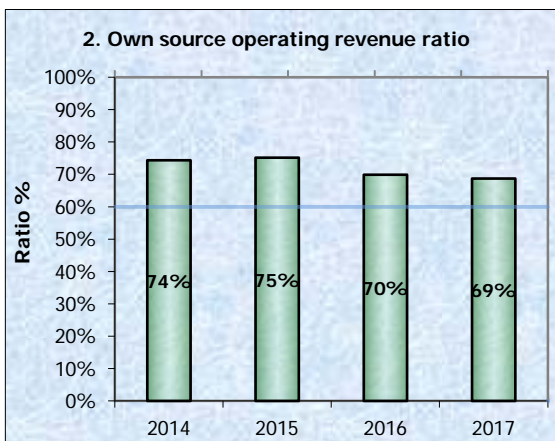
2016/17 ratio 12.39%

Council continues to achieve positive operating results for all funds providing for asset renewals and financial sustainability. The result without the advance FAGS payment would have been 9.1%.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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



Commentary on 2016/17 result

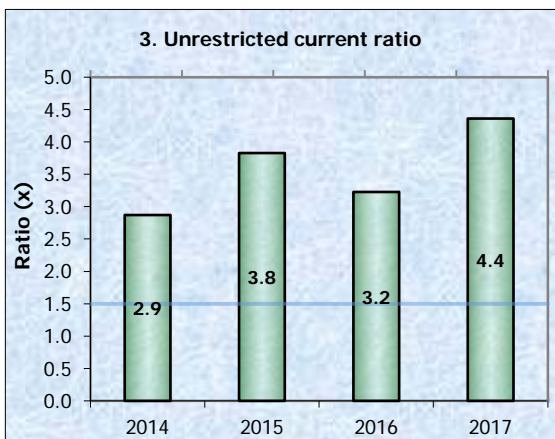
2016/17 ratio 68.70%

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

Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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



Commentary on 2016/17 result

2016/17 ratio 4.36x

This ratio also remains steady and has been enhanced for this financial year due to 23M in investments moving from non current in 15/16 to current in 16/17 as they approach maturity.

Benchmark: ——— Minimum ≥ 1.50

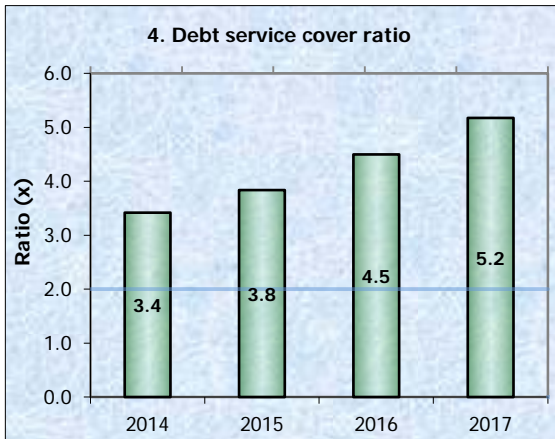
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of debt service cover ratio

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

Commentary on 2016/17 result

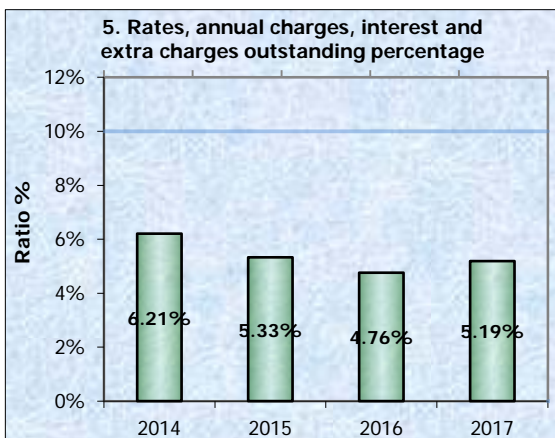
2016/17 ratio 5.17x

Whilst Council continues to borrow responsibly this ratio has been boosted by the receipt of 50% of the 17/18 financial assistance grant (5.2 mill) in the current financial year. Without this payment the ratio would have come in at 4.68.

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

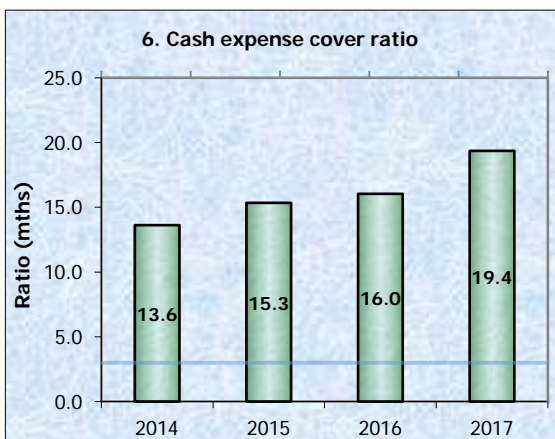
2016/17 ratio 5.19%

Council continues to assist ratepayers and debtors manage account balances whilst working towards reducing overall receivable balances. This ratio is positive in that it falls well below the industry benchmark set for rural/regional councils.

Benchmark: Maximum <10.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 19.36 mths

This ratio continues to be maintained well above the industry benchmark. The result without the advance FAGS payment would have been sitting at 15.4 months which is more in line with prior years.

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	9.91%	6.29%	10.27%	11.36%	21.34%	22.85%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	5.15% ⁽⁶⁾						
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	62.35%	63.17%	84.61%	85.77%	84.53%	83.52%	>60.00%
Total continuing operating revenue ⁽¹⁾	65.18% ⁽⁶⁾						
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	4.36x	3.23x	15.63x	12.70x	7.24x	5.62x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	NA ⁽⁶⁾						

Notes

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

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

(6) Ratio if 50% of Financial Assistance Grant for 17/18 had not been paid in 16/17

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund) (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	8.14x	6.26x	5.55x	5.46x	2.58x	2.67x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6.89x ⁽⁶⁾						
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.20%	3.72%	8.13%	7.91%	6.38%	6.28%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	NA ⁽⁶⁾						
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	13.18	10.10	32.55	32.42	37.07	33.27	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	
	12.29 ⁽⁶⁾						
	months						

Notes

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

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

(6) General fund ratio if 50% of Financial Assistance Grant for 17/18 had not been paid in 16/17

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>6,450</u>	<u>6,400</u>
Reconciliation of annual movement:			
Opening balance		6,400	6,100
– Net gain/(loss) from fair value adjustments		50	300
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>6,450</u>	<u>6,400</u>

(b) Valuation basis

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

The 2017 revaluations were based on independent assessments made by:
Preston Rowe Patterson Reg Valuer No 186.

(c) Leasing arrangements – Council as lessor

Details of leased investment properties are as follows;

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	388	396
Later than 1 year but less than 5 years	130	360
Later than 5 years	–	–
Total minimum lease payments receivable	<u>518</u>	<u>756</u>

(d) Investment property income and expenditure – summary

Rental income from investment properties:		
– Contingent rentals	574	524
Direct operating expenses on investment properties:		
– that did not generate rental income	(351)	(255)
Net revenue contribution from investment properties	<u>223</u>	<u>269</u>
plus:		
Fair value movement for year	<u>50</u>	<u>300</u>
Total income attributable to investment properties	<u>273</u>	<u>569</u>

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

(a) Market risk – price risk and interest rate risk

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
2017				
Possible impact of a 1% movement in interest rates	1,381	1,381	1,391	1,391
2016				
Possible impact of a 1% movement in interest rates	1,388	1,388	1,388	1,388

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and 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 a range of payment facilities.

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 and annual charges at higher than market rates which further encourages the payment of debt.

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	49%	69%	11%	24%
Overdue	51%	31%	89%	76%
	100%	100%	100%	100%

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	1,855	9,319	–	2,004
< 1 year overdue	0 – 30 days overdue	715	769	1,442	3,501
1 – 2 years overdue	31 – 60 days overdue	429	256	1,231	764
2 – 5 years overdue	61 – 90 days overdue	251	224	281	227
> 5 years overdue	> 91 days overdue	550	2,926	563	2,006
		3,800	13,494	3,517	8,502

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	1,992	2,198
+ new provisions recognised during the year	158	225
– amounts already provided for and written off this year	(11)	(431)
– amounts provided for but recovered during the year	(124)	–
Balance at the end of the year	2,015	1,992

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and 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 and overdraft facilities utilised as required.

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	1,604	–	–	–	–	–	–	1,604	13,090
Loans and advances	–	5,497	5,623	5,920	6,059	6,256	48,225	77,580	77,580
Total financial liabilities	1,604	5,497	5,623	5,920	6,059	6,256	48,225	79,184	90,670
2016									
Trade/other payables	1,121	–	–	–	–	–	–	1,121	7,668
Loans and advances	–	5,360	5,380	5,504	5,800	5,936	53,217	81,197	81,197
Total financial liabilities	1,121	5,360	5,380	5,504	5,800	5,936	53,217	82,318	88,865

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	13,090	0.00%	7,668	0.00%
Loans and advances – fixed interest rate	59,848	6.25%	62,205	6.33%
Loans and advances – variable interest rate	17,732	4.94%	18,992	6.17%
	<u>90,670</u>		<u>88,865</u>	

Loan agreement breaches

There were no loan breaches during the year ending 30/6/2017.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 28 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* 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	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	63,138	63,520	382	1%	F
User charges and fees	36,708	42,071	5,363	15%	F
Favourable increases were mainly due to greater than expected; RMS ordered works (\$1.1M F), Water usage charges (\$2.0M F), Trade waste charges (\$1.0M F), and Waste disposal charges (\$1.5M F). Unfavourable variances included \$400k for income items that were reclassified to Other Revenue since estimates.					
Interest and investment revenue	3,963	4,335	372	9%	F
Other revenues	3,181	4,004	823	26%	F
Favourable increases were mainly due to; income items for general sales and commissions that were reclassified from Fees since estimates (\$400k F), and the receipt of an unexpected insurance dividend (\$240k F).					
Operating grants and contributions	22,198	28,331	6,133	28%	F
The increase was mainly due to the advance payment for 50% of the 2017-18 FAGS grant (\$5.2M F), the receipt of two new grants for the art gallery/museum (\$126k F) and Waste Organics (\$450k F) and the donation of art work (\$120k F).					
Capital grants and contributions	6,324	23,554	17,230	272%	F
The increase was mainly due to dedications for private subdivision infrastructure (\$12.2M F) for which there is no budget, and new grants in relation to the airport (\$1.4M F), roads (\$2.6M F) and various others (\$1.0M F).					

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	45,421	44,424	997	2%	F
Borrowing costs	5,588	5,225	363	6%	F
Materials and contracts	28,779	31,938	(3,159)	(11%)	U
The expenditure increase was mainly due to; the increase in RMS works (\$900k U), various new non-recurrent projects associated with new grants or reserves (\$600k U) and works coded as capital in the original budget but subsequently treated as operating (\$1,000k U).					
Depreciation and amortisation	29,866	32,048	(2,182)	(7%)	U
Other expenses	9,591	10,951	(1,360)	(14%)	U
The unfavourable variance was mainly due to; an increase in water licence charges (\$400k U) and works coded as capital in the original budget but subsequently treated as operating (\$730k U).					
Net losses from disposal of assets	–	1,659	(1,659)	0%	U
Council does not budget for losses on asset disposals.					

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

Cash flows from operating activities	47,095	63,437	16,342	34.7%	F
Favourable variances relate to increased income receipts from Water, Trade Waste and Waste usage charges (\$3.4M F) and grants (\$9.0M F). There was also a favourable variance in materials payments (\$3.0M F) due to a variance in payables between the previous and reported year (\$4.5M F) offset by an increase in cash payments to budget (\$1.5M U).					
Cash flows from investing activities	(53,649)	(46,381)	7,268	(13.5%)	F
The net favourable variation relates to; an increase to proceeds from the sale of assets (\$3.9M F) and a net reduction in capital works completed (\$13M F), offset by investments purchased rather than redeemed due to favourable operating and investing variances (\$9.0M U).					
Cash flows from financing activities	4,865	(3,617)	(8,482)	(174.3%)	U
The variance was due to loan proceeds not required due to deferred capital works (\$8.5M U).					

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and 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 and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1,735	624	–	50	(359)	–	2,050	–
Parking	60	146	–	2	–	–	208	–
Open space	949	106	–	27	(603)	–	479	–
Community facilities	322	50	–	9	(132)	–	249	–
Rural Fire Service	240	14	–	7	–	–	261	–
Studies	134	11	–	3	(4)	–	144	–
Garbage Disposal	4	–	–	–	–	–	4	–
Mines & Extractive Industry	810	125	–	23	(230)	–	728	–
Rural Traffic Generating	3	–	–	–	–	–	3	–
Cycleways	170	22	–	5	(4)	–	193	–
Tamworth Regional S94 Direct Plan	740	359	–	23	(131)	–	991	–
Tamworth Regional S94 Indirect Plan	861	322	–	25	(368)	–	840	–
Total S94 revenue under plans	6,028	1,779	–	174	(1,831)	–	6,150	–
S94 not under plans	176	12	–	5	–	–	193	–
S93F planning agreements	30	–	–	1	–	–	31	–
S64 contributions	24,091	3,417	–	697	(96)	–	28,109	–
Total contributions	30,325	5,208	–	877	(1,927)	–	34,483	–

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads - Hills Plain East	45	–	–	1	(43)	–	3	–
Roads - Manilla	13	1	–	–	–	–	14	–
Roads - Parry	468	4	–	13	(102)	–	383	–
Roads - Tamworth Urban	824	275	–	25	(128)	–	996	–
Parking - Tamworth	60	146	–	2	–	–	208	–
Drainage Hills Plains	5	–	–	–	–	–	5	–
Open Space - Barraba	8	–	–	–	–	–	8	–
Open Space - Manilla - Active	12	–	–	–	–	–	12	–
Open Space - Tamworth	501	–	–	14	(352)	–	163	–
Open Space - Tamworth Urban	408	91	–	12	(251)	–	260	–
Hills Plains Open Space & Recreation	15	15	–	1	–	–	31	–
Community Facilities - Hills Plain	42	–	–	1	–	–	43	–
Community Facilities - Tamworth	55	4	–	1	(32)	–	28	–
Community Facilities - Tamworth Urban	225	46	–	7	(100)	–	178	–
Rural Fire Service - Barraba	19	–	–	–	–	–	19	–
Rural Fire Service - Manilla	6	–	–	1	–	–	7	–
Rural Fire Service - Nundle	10	–	–	–	–	–	10	–
Rural Fire Service - Parry	205	14	–	6	–	–	225	–
Studies - Hills Plain East	31	–	–	–	–	–	31	–
Studies - Tamworth Urban	103	11	–	3	(4)	–	113	–

(continued on the next page...)

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN (continued)

Garbage Disposal - Nundle	4	–	–	–	–	–	4	–
Mines & Extractive Industry - Parry	810	125	–	23	(230)	–	728	–
Rural Traffic Generating - Parry	3	–	–	–	–	–	3	–
Tamworth Urban Cycleway	157	20	–	5	–	–	182	–
Cycleways - Tamworth	13	2	–	–	(4)	–	11	–
Tamworth Regional (Roads)	489	226	–	15	(66)	–	664	–
Hills Plains Roads	385	344	–	11	(86)	–	654	–
Tamworth Regional (Open Space & Rec)	215	110	–	6	(65)	–	266	–
Tamworth Regional (Plan Preparation)	36	23	–	2	–	–	61	–
Tamworth S94A (Indirect Plan)	861	322	–	25	(368)	–	840	–
S93 Planning Agreements	30	–	–	1	–	–	31	–
Total	6,058	1,779	–	175	(1,831)	–	6,181	–

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	58	–	–	2	–	–	60	–
Roads	89	12	–	2	–	–	103	–
Subdivision Works	29	–	–	1	–	–	30	–
Total	176	12	–	5	–	–	193	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Water	14,448	2,357	–	418	(96)	–	17,127	–
Sewer	9,643	1,060	–	279	–	–	10,982	–
Total	24,091	3,417	–	697	(96)	–	28,109	–

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

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

(ii) Bank guarantees

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

Tamworth Rugby Club Inc. Drawn February 2008, for \$300,000. Balance as at 30/6/2017 \$234,601.43
At June 30, 2017 Councils guarantee is limited to \$235,000.

Tamworth Gymnastics Club which was drawn this financial year. Balance as at 30/6/2017 is \$81,854.00
Councils guarantee is limited to \$100,000.00.

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Public Liability

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities (continued)

(iii) 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 Councils 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.

(iv) 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.

(v) Native Title Determination

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

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

Controlled entities (subsidiaries)

Note 19(a)

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

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

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

Name of operation/entity	Principal activity	Ownership		Voting rights	
		2017	2016	2017	2016
Central Northern Regional Libraries	Provision of library resources & services for its member Councils				
Interests in Subsidiary					
Council's interest in Subsidiary		62%	62%	100%	100%
Non-controlling interest in Subsidiary		38%	38%		

The nature and extent of significant restrictions relating to the Subsidiary

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

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

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

Other disclosures

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

Reporting dates of Subsidiary

Reporting dates of the subsidiary are in line with that of Tamworth Regional Council .

Summarised financial information for the Subsidiary

Summarised statement of comprehensive income	2017	2016
Revenue	1,634	1,582
Expenses	(1,575)	(1,610)
Profit for the period	59	(28)
Total comprehensive income ⁽¹⁾	59	(28)
⁽¹⁾ Non-controlling interest share	22	(11)
Summarised statement of financial position	2017	2016
Current assets	540	529
Non-current assets	724	676
Total assets	1,264	1,205
Net assets ⁽²⁾	1,264	1,205
⁽²⁾ Non-controlling interest share	480	458
Summarised statement of cash flows	2017	2016
Cash flows from operating activities	12	30
Net increase (decrease) in cash and cash equivalents	12	30

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		1,025,090	994,546
a. Net operating result for the year attributable to Council		39,548	30,544
Balance at end of the reporting period		1,064,638	1,025,090
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		398,828	396,520
Total		398,828	396,520
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		396,520	389,646
– Revaluations for the year	9(a)	2,308	7,271
– Other movements		–	(397)
– Balance at end of year		398,828	396,520
TOTAL VALUE OF RESERVES		398,828	396,520

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

(c) Correction of error/s relating to a previous reporting period

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

(d) Voluntary changes in accounting policies

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	6,351	17,080	41,183
User charges and fees	12,448	3,421	27,666
Interest and investment revenue	1,428	1,333	2,214
Other revenues	251	76	3,689
Grants and contributions provided for operating purposes	207	184	28,899
<u>Grants and contributions provided for capital purposes</u>	<u>3,518</u>	<u>3,827</u>	<u>16,209</u>
Total income from continuing operations	24,203	25,921	119,860
Expenses from continuing operations			
Employee benefits and on-costs	2,079	1,957	40,388
Borrowing costs	675	2,708	2,474
Materials and contracts	8,155	5,635	21,685
Depreciation and amortisation	4,807	5,880	21,361
Impairment	–	–	–
Other expenses	2,442	1,041	7,468
<u>Net losses from the disposal of assets</u>	<u>531</u>	<u>165</u>	<u>963</u>
Total expenses from continuing operations	18,689	17,386	94,339
Operating result from continuing operations	5,514	8,535	25,521
<u>Discontinued operations</u>			
<u>Net profit/(loss) from discontinued operations</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net operating result for the year	5,514	8,535	25,521
Net operating result attributable to each council fund	5,514	8,535	25,499
Net operating result attributable to non-controlling interests	–	–	22
Net operating result for the year before grants and contributions provided for capital purposes	1,996	4,708	9,312

General grants and contributions provided for operating purposes for the General Fund included an advance payment for the FAGS grant of \$5.2M.

¹ General fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

Tamworth Regional Council

Notes to the Financial Statements

as at 30 June 2017

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	1,459	6,142	9,449
Investments	35,801	34,241	63,949
Receivables	1,877	1,661	11,365
Inventories	–	–	1,123
Other	–	–	53
Non-current assets classified as 'held for sale'	–	2,261	1,420
Total current assets	39,137	44,305	87,359
Non-current assets			
Investments	1,973	2,139	3,888
Receivables	8,000	8,000	376
Inventories	–	–	–
Infrastructure, property, plant and equipment	233,538	250,548	912,494
Investment property	–	–	6,450
Intangible assets	790	282	302
Total non-current assets	244,301	260,969	923,510
TOTAL ASSETS	283,438	305,274	1,010,869
LIABILITIES			
Current liabilities			
Payables	702	1,992	10,396
Income received in advance	–	–	375
Borrowings	725	2,312	2,460
Provisions	–	–	9,415
Total current liabilities	1,427	4,304	22,646
Non-current liabilities			
Payables	–	–	–
Borrowings	10,762	37,789	39,532
Provisions	–	–	19,175
Total non-current liabilities	10,762	37,789	58,707
TOTAL LIABILITIES	12,189	42,093	81,353
Net assets	271,249	263,181	929,516
EQUITY			
Retained earnings	175,078	177,287	712,273
Revaluation reserves	96,171	85,894	216,763
Total equity	271,249	263,181	929,516

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

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000	2017	2017	2016	2016
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	3,681	–	1,517	–
Total non-current assets 'held for sale'	3,681	–	1,517	–
Disposal group assets 'held for sale'				
None				
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>3,681</u>	<u>–</u>	<u>1,517</u>	<u>–</u>

(ii) Details of assets and disposal groups

Council has several parcels of land surplus to requirement which it has decided to dispose of. The land is either available for sale and actively marketed or settlement is pending within the next twelve months.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 26/10/17.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	2,462	2,328
Accumulated amortisation (1/7)	(215)	(111)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	2,247	2,217
Movements for the year		
– Purchases	96	25
– Other capitalised costs	–	109
– Amortisation charges	(74)	(104)
– transfer water licence to inventory	(895)	–
Closing values:		
Gross book value (30/6)	1,663	2,462
Accumulated amortisation (30/6)	(289)	(215)
Accumulated impairment (30/6)	–	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	1,374	2,247
¹ The net book value of intangible assets represent:		
– Software	1,374	2,247
	1,374	2,247

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and 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	
		2017	2016
Quarry and tip rehabilitation		18,757	16,890
Balance at end of the reporting period	10(a)	<u>18,757</u>	<u>16,890</u>

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	16,890	16,843
Amounts capitalised to new or existing assets:		
Effect of a change in other calculation estimates used	2,376	–
Amortisation of discount (expensed to borrowing costs)	457	475
Expenditure incurred attributable to provisions	(966)	(428)
Total – reinstatement, rehabilitation and restoration provision	<u>18,757</u>	<u>16,890</u>

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment – Investment property

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

– Non-current assets classified as 'held for sale'

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

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

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

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

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

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment properties					
468 – 472 Peel street	31/03/17	–	4,150	–	4,150
474 Peel street	31/03/17	–	1,350	–	1,350
561 Peel street	31/03/17	–	950	–	950
Total investment properties		–	6,450	–	6,450
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	–	–	25,614	25,614
Office equipment	30/06/17	–	–	41	41
Furniture and fittings	30/06/17	–	–	2,495	2,495
Land – operational	30/06/13	–	–	86,653	86,653
Land under roads (post 30/6/08)	30/06/13	–	–	1,165	1,165
Land improvements – depreciable	30/06/17	–	–	8,153	8,153
Buildings	30/06/13	–	–	96,726	96,726
Other structures	30/06/17	–	–	47,540	47,540
Road and footpath infrastructure	30/06/15	–	–	416,817	416,817
Stormwater drainage	30/06/15	–	–	183,676	183,676
Water supply network	30/06/13	–	–	214,974	214,974
Sewerage network	30/06/13	–	–	235,018	235,018
Library books	30/06/17	–	–	661	661
Art collection	30/06/14	–	–	3,551	3,551
Other assets	30/06/17	–	–	4,285	4,285
Land – community	30/06/16	–	–	18,406	18,406
Reinstatement Assets	31/03/17	–	–	7,225	7,225
Total infrastructure, property, plant and equipment		–	–	1,353,000	1,353,000
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land and Buildings	30/06/13	–	2,640	1,041	3,681
Total NCA's classified as 'held for sale'		–	2,640	1,041	3,681

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment properties					
468 – 472 Peel street	30/06/16	–	4,150	–	4,150
474 Peel street	30/06/16	–	1,300	–	1,300
561 Peel street	30/06/16	–	950	–	950
Total investment properties		–	6,400	–	6,400
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/14	–	–	24,462	24,462
Office equipment	30/06/16	–	–	83	83
Furniture and fittings	30/06/16	–	–	2,893	2,893
Land – operational	30/06/13	–	–	86,616	86,616
Land under roads (post 30/6/08)	30/06/13	–	–	822	822
Land improvements – depreciable	30/06/16	–	–	13,830	13,830
Buildings	30/06/13	–	–	97,637	97,637
Other structures	30/06/16	–	–	42,677	42,677
Road and footpath infrastructure	30/06/15	–	–	415,034	415,034
Stormwater drainage	30/06/15	–	–	182,134	182,134
Water supply network	30/06/13	–	–	216,350	216,350
Sewerage network	30/06/13	–	–	234,337	234,337
Heritage assets		–	–	19	19
Library books	30/06/16	–	–	631	631
Art collection	30/06/14	–	–	3,432	3,432
Other assets	30/06/16	–	–	4,334	4,334
Land – community	30/06/16	–	–	16,492	16,492
Reinstatement Assets	30/06/12	–	–	5,156	5,156
Total infrastructure, property, plant and equipment		–	–	1,346,939	1,346,939
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land	30/06/13	–	1,517	–	1,517
Total NCA's classified as 'held for sale'		–	1,517	–	1,517

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

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

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

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

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

Investment Properties

Investment properties were valued using Level 2 inputs as at March 31, 2017 by B C Sharrock, registered valuer NSW No 186. Observable inputs used in determining the valuation include net rentals in order to provide a rate per m² this value was then used in conjunction with sales of comparable properties. Unobservable inputs include a limited number of sales evidence on the open market.

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

Infrastructure, Property, Plant & Equipment

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

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

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

Operational Land

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Community Land

Community land is valued in accordance with the Local government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 25, Appendix E; as such community land has been valued using the NSW Valuer General's valuations. For this reason Council is unable to provide neither observable nor unobservable valuation techniques and valuation is being reported at Level 3.

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

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

Land Under Roads

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

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

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

Buildings – Specialised and Non Specialised

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

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

Other Structures

Other structures have been valued using the depreciated replacement cost approach where it has been economical to do so taking into account a range of factors including condition, location and construction material. For assets where the cost of valuing the asset exceeds the benefit or the asset value is immaterial in relation to the whole asset class Council has as per the Local Government Code of Accounting Practice and Financial Reporting used the depreciated historical cost as a representation of fair value. All assets within this class have been valued using Level 3 valuation inputs.

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

Roads, Bridges, Footpaths and Stormwater Drainage

Council's transport infrastructure assets are grouped into various classes, and where necessary further broken down into components. For example roads are broken down into various components including kerb and gutter, wearing course, structure and earthworks. All valuations for these asset classes were undertaken using Council engineers and industry consultants. Valuations were derived using unit rates. These unit rates were calculated for the various asset components using costs from recent works carried out across the Tamworth

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Regional Council area where possible and Rawlinson's Construction Handbook Edition 32 2014 where recent local costs were not available. Sampling was conducted in various locations to assess asset condition and this information was then extrapolated to determine the fair value of asset components using the depreciated cost method. Fair value was determined using Level 3 valuation inputs for this asset class.

Water and Sewer Networks

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

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

Art Collection

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

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

Other Open Space/Recreational Assets

Other Open Space and recreational assets have been valued using the depreciated replacement cost approach where it has been economical to do so taking into account a range of factors including condition, location and construction material. For assets where the cost of valuing the asset exceeds the benefit or the asset value is immaterial in relation to the whole asset class. Council has as per the 2016 Local Government Code of Accounting Practice and Financial Reporting Appendix E used the depreciated historical cost as a representation of fair value. All assets within this class have been valued using Level 3 valuation inputs.

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes.

	Level 3 asset class	Total
Opening balance – 1/7/15	1,308,425	1,308,425
Transfers from/(to) another asset class	15,460	15,460
Purchases (GBV)	55,783	55,783
Disposals (WDV)	(9,847)	(9,847)
Depreciation and impairment	(30,153)	(30,153)
FV gains – other comprehensive income	7,271	7,271
Closing balance – 30/6/16	1,346,939	1,346,939
Transfers from/(to) another asset class	6,286	6,286
Purchases (GBV)	36,282	36,282
Disposals (WDV)	(5,445)	(5,445)
Depreciation and impairment	(32,329)	(32,329)
FV gains – other comprehensive income	2,308	2,308
Closing balance – 30/6/17	1,354,041	1,354,041

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

I,PP&E

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Plant & Equipment		Depreciated Historical Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value
Office Equipment		Depreciated Historical Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life
Furniture & Fittings		Depreciated Historical Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life
Land Operational		External Valuation	<ul style="list-style-type: none"> Land Value Land zoning Sales of comparable properties
Land Community		NSW Valuer General Valuations	<ul style="list-style-type: none"> Land Value
Land Under Roads		Englobo Method	<ul style="list-style-type: none"> Land Value
Land Improvements		Depreciated Replacement Cost Depreciated Historical Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Buildings Specialised		External Valuation	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Buildings Non-specialised		External Valuation	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value Sale of Comparable Properties
Other Structures		Depreciated Replacement Cost Depreciated Historical Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value
Roads, Bridges, Footpaths		Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Stormwater Drainage		Depreciated Replacement Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Water Network		Depreciated Replacement Cost	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Sewer Network		Depreciated Replacement Cost	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life
Heritage Collections		Depreciated Historical Cost	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining useful life
Art Collections		External Valuation	<ul style="list-style-type: none"> • Insurance valuation
Library Books		Depreciated Historical Cost	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life

(5). Highest and best use

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

	Actual 2017
Compensation:	
Short-term benefits	1,559,429
Post-employment benefits	155,466
Other long-term benefits	32,915
Termination benefits	46,175
Total	<u>1,793,985</u>

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Note	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
		\$	\$		\$	\$
General maintenance services	1	29,040	–	Non-contract services	–	–
Employee expenses for close family members of KMP	2	135,663	–	Local government award	–	–

1 Council engaged the services of a sole trader who is a close family member of a council KMP, for various minor projects.

2 There are currently 2 close family members of council's KMP employed by council under the relevant state award on an arm's length basis.

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Council information and 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 and 1.00pm to 4.30pm

Manilla: 8.30am to 4.30pm

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

Telephone: 02 6767 5555

Facsimile: 02 6767 5499

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

Email: trc@tamworth.nsw.gov.au

Other information

ABN: 52 631 074 450



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Tamworth Regional Council

To the Councillors of Tamworth Regional Council

Opinion

I have audited the accompanying financial statements of Tamworth Regional Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read "David Nolan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Nolan
Director, Financial Audit Services

26 October 2017
SYDNEY

Cr Col Murray Mayor
Tamworth Regional Council Ray Walsh House
437 Peel Street
TAMWORTH NSW 2340

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1727766/1792

26 October 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Tamworth Regional Council**

I have audited the general purpose financial statements of the Tamworth Regional Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

Set out on the following pages are my observations during the audit of the Council's financial statements.

INCOME STATEMENT

Operating result

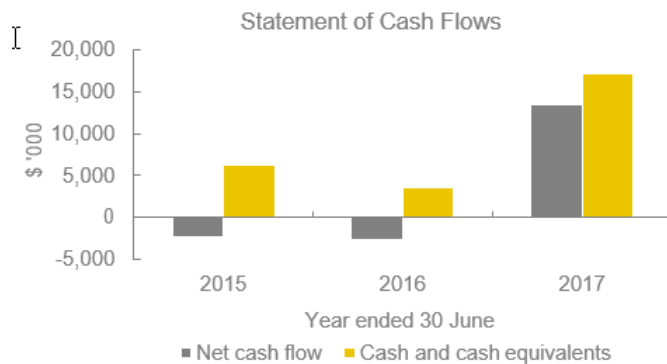
	2017	2016	Variance
	\$m	\$m	%
Rates and annual charges revenue	63.5	61.5	3.3 ↑
Grants and contributions revenue	51.9	47.0	10.4 ↑
Operating result for the year	39.6	30.5	29.8 ↑
Net operating result before capital amounts	16.0	5.6	185.7 ↑

The following comments are made in respect of Council's operating result for the year:

- Rates and annual charges revenue has increased in line with the IPART approved rate peg of 1.8 per cent. The remaining variance is attributable to an increase in the number of residents and rateable properties in the 2017 financial year.
- The overall increase of grants and contributions revenue is mainly attributable to the following factors:
 - The 2017 financial year also includes an additional \$5.2 million financial assistance grant arising from a partial pre-payment of the 2017/18 grant by the commonwealth government.
- Total expenses of \$126.2 million were consistent with the prior year, increasing by 0.2 per cent. Total expenses included depreciation (a non-cash expense) of \$32 million.
- The increase in the operating result for the year (including before capital amounts) was primarily driven by increases in the following:
 - Rates and annual charges as outlined above.
 - User charges and fees which has increased with a \$1.6 million increase in RMS Claims as a result of more work performed on state roads during the 2017 financial year.
 - Prepayment of grant as outlined above.
- Overall increase in operating result before capital amounts are largely due to movements of revenue outlined above.

STATEMENT OF CASH FLOWS

- During the financial years ended 30 June 2015 and 30 June 2016, the total net cash outflows were largely due to significant purchases of investment securities, infrastructure and other PPE which exceeded the cash inflows from operating activities. Although there was \$51 million spent on the acquisition of IPPE and investment securities in the 2017 financial year, cash inflows from operating activities were higher than prior year at an amount of \$63m.
- Whilst there was an increase of \$7 million in cash provided in operating activities between the 2015 financial year and 2016 financial year, there was an \$10 million increase between the 2016 financial year and 2017 financial year which is largely due to the increase in rates value, the increase in the rate payers and the \$5.2 million prepayment from the commonwealth grant income.
- The movement of cash and cash equivalent balance from \$3.6 million as at 30 June 2016 to \$17 million as at 30 June 2017 is due to the allocation of cash to TCorp on call investments rather than purchase of investment securities as was the case in the 2016 financial year.
- Council maintains borrowing facilities requiring annual repayments of approximately \$5m during the 2015 to 2017 financial years.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	111.3	103.9	<ul style="list-style-type: none"> ○ There are significant development contributions that are not yet expended in accordance with contributions plans. For example \$5.2 million of contributions and levies were received for specific purposes while only \$1.9m was expended during the year. Also the \$5.2 million prepayment from the Commonwealth Government has been classified as an internal restricted asset. ○ The increase in internal restrictions is largely attributable to the cash designated for the improvement of the airport, future plans for significant property acquisitions and development and future road and roadwork developments. ○ Council has grown its cash and investments balance by \$20.5 million or 15 per cent from the prior year due to the improved operating result before capital amounts.
Internal restrictions	43.9	27.9	
Unrestricted	3.7	6.8	
Cash and investments	159.1	138.6	

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 13 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7.

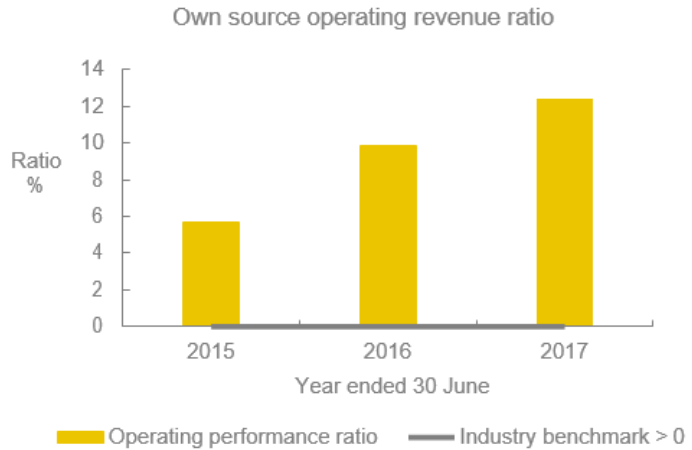
Operating performance ratio

Council has exceeded the benchmark of more than zero percent for the last three years.

Council’s improved result has been primarily driven by:

- The increase in revenue from rates and annual charges and user charges and fees.
- The additional \$5.2 million financial assistance grant arising from a partial pre-payment of the 2018 grant by the Commonwealth Government; and
- The consistency of expenses with the prior year.

The ‘operating performances ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

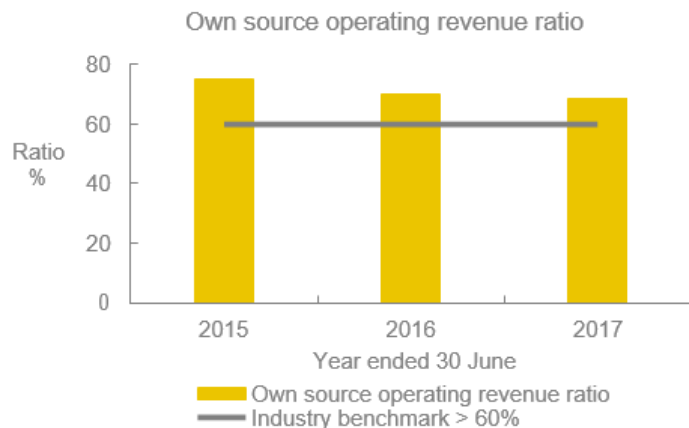


Own source operating revenue ratio

Council has consistently exceeded the benchmark of 60 per cent in recent years.

Council’s result is consistent with prior year.

The ‘own source operating revenue ratio’ measures council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

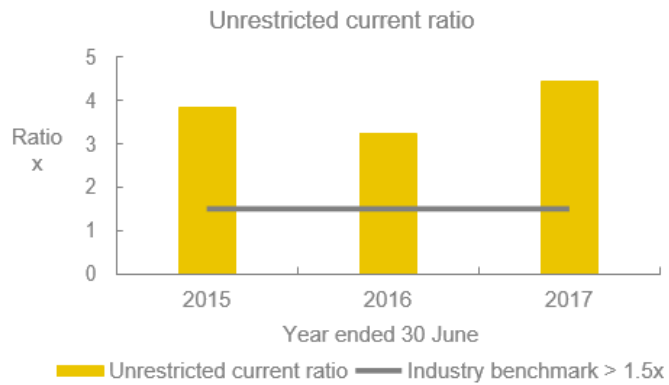


Unrestricted current ratio

Council has consistently exceeded the benchmark of 1.5 times (x) in recent years.

The increase in this ratio has been primarily driven by investments moving from non-current in the 2016 financial year to current in the 2017 financial year as they approach maturity as well as a significant balance of cash on call term deposits which are classified as current.

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



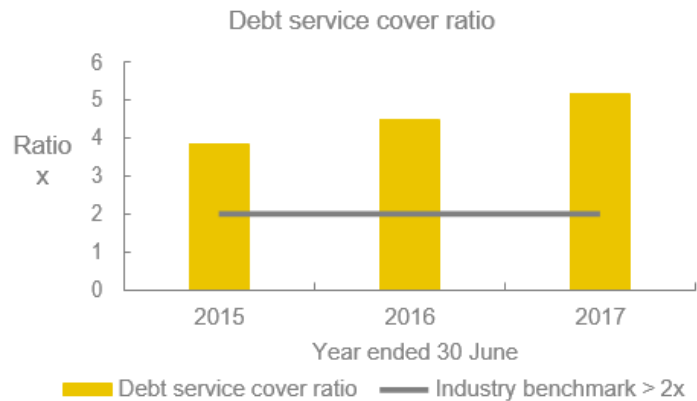
Debt service cover ratio

Council has met the benchmark of 2 times (x) in the 2017 financial year.

Council's improved result has been primarily driven by:

- The improvement in the operating result (as further outlined above).
- Council's repayment of borrowings exceeded any additional borrowings in recent years.
- Receipt of \$5.2 million of the 2018 financial assistance grant from the Commonwealth Government in the 2017 financial year.

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.

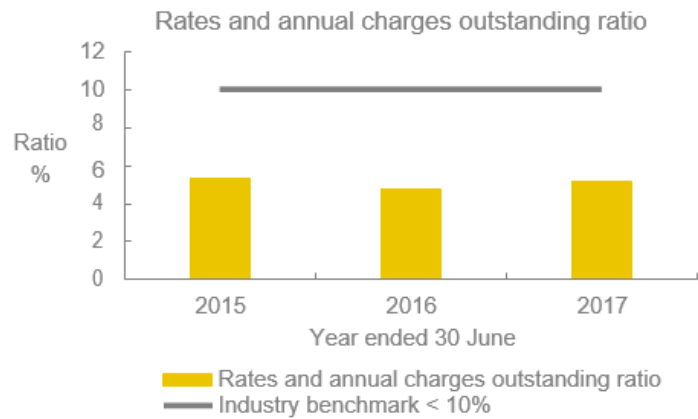


Rates and annual charges outstanding ratio

The ratio achieved by Council falls well below the 10 per cent and has been consistent in recent years. This low ratio has been achieved by Council monitoring receivable balances closely as well as continuously improving debt recovery procedures.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

The benchmark set by OLG is less than 10 per cent for rural councils and less than 5 per cent for metropolitan councils.



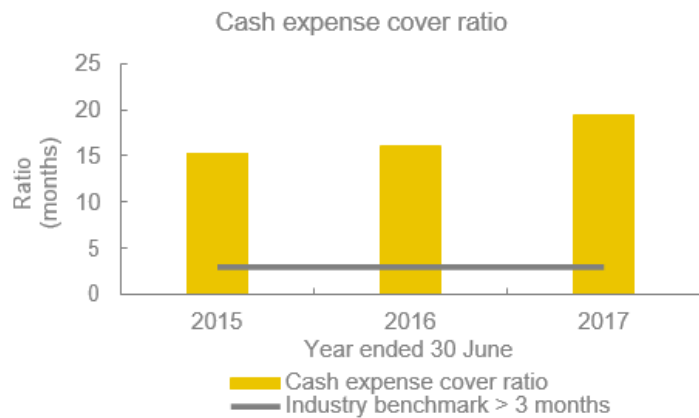
Cash expense cover ratio

Council has consistently exceeded the benchmark of > 3 months in recent years.

Council's improved result in the 2017 financial year has been primarily driven by the:

- The improvement in the operating result (as further outlined above)
- The consistency of expenses with the prior year.
- Receipt of \$5.2 million of the 2018 financial assistance grant from the Commonwealth Government in the 2017 financial year.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



Building and infrastructure renewals ratio

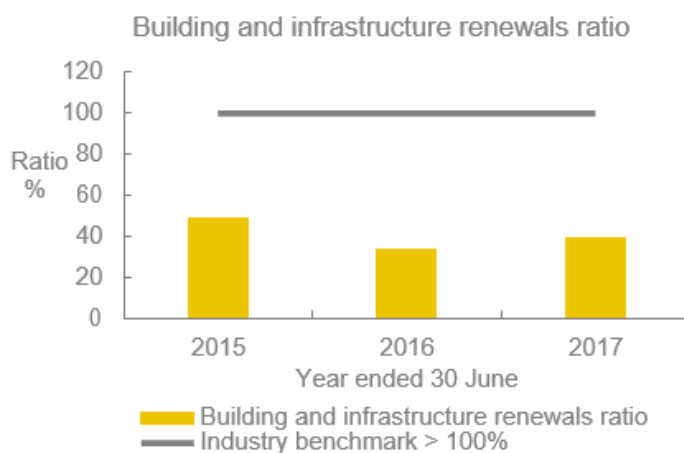
Council has not met the benchmark of 100 per cent in recent years.

However, Council has made a slight improvement achieving a result of 38.95 per cent for the 2017 financial year compare to 33.57 in the 2016 financial year.

The main reason for not meeting the benchmark is that the renewal requirements do not align each year with straight line depreciation allocations. Council has a lot of assets which require neither maintenance nor replacement until they are almost at the end of their useful lives especially if the assets are still safe to use.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016.

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

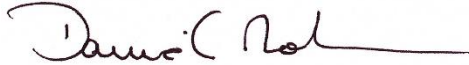
Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

Management acknowledgement

The audit team appreciated the co-operation and help received from the Council's staff, in particular, the finance team for their invaluable assistance throughout the audit.



David Nolan
Director, Financial Audit Services

26 October 2017
SYDNEY

cc: Cr Col Murray, Mayor
Mr Michael Doherty, Chair of the Audit, Risk and Improvement Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

Tamworth Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

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



Tamworth Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office 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 and 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 more than \$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 and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Tamworth Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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 and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 October 2017.



Col Murray
Mayor



Helen Tickle
Councillor



Paul Bennett
General manager



Rick Sanderson
Responsible accounting officer

Tamworth Regional Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	6,351	6,123
User charges	12,199	11,974
Fees	249	303
Interest	1,428	1,432
Grants and contributions provided for non-capital purposes	207	212
Other income	251	274
Total income from continuing operations	20,685	20,318
Expenses from continuing operations		
Employee benefits and on-costs	2,079	1,969
Borrowing costs	675	711
Materials and contracts	8,155	8,250
Depreciation, amortisation and impairment	4,807	4,501
Water purchase charges	1,011	851
Loss on sale of assets	531	208
Calculated taxation equivalents	52	42
Debt guarantee fee (if applicable)	59	62
Chaffey Dam Augmentation Contribution	361	307
Other expenses	1,431	1,173
Total expenses from continuing operations	19,161	18,074
Surplus (deficit) from continuing operations before capital amounts	1,524	2,244
Grants and contributions provided for capital purposes	3,518	3,125
Surplus (deficit) from continuing operations after capital amounts	5,042	5,369
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	5,042	5,369
Less: corporate taxation equivalent (30%) [based on result before capital]	(457)	(673)
SURPLUS (DEFICIT) AFTER TAX	4,585	4,696
Plus opening retained profits	169,992	164,585
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	52	42
– Debt guarantee fees	59	62
– Corporate taxation equivalent	457	673
Less:		
– Tax equivalent dividend paid	(67)	(66)
– Surplus dividend paid	–	–
Closing retained profits	175,078	169,992
Return on capital %	0.9%	1.3%
Subsidy from Council	3,359	2,048
Calculation of dividend payable:		
Surplus (deficit) after tax	4,585	4,696
Less: capital grants and contributions (excluding developer contributions)	(11)	(2,611)
Surplus for dividend calculation purposes	4,574	2,085
Potential dividend calculated from surplus	2,287	1,042

Tamworth Regional Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	17,080	16,528
User charges	2,526	2,423
Liquid trade waste charges	857	882
Fees	38	76
Interest	1,333	1,227
Grants and contributions provided for non-capital purposes	184	305
Other income	76	115
Total income from continuing operations	22,094	21,556
Expenses from continuing operations		
Employee benefits and on-costs	1,957	1,960
Borrowing costs	2,708	2,858
Materials and contracts	5,635	5,231
Depreciation, amortisation and impairment	5,880	5,681
Loss on sale of assets	165	103
Calculated taxation equivalents	159	186
Debt guarantee fee (if applicable)	206	218
Other expenses	1,041	874
Total expenses from continuing operations	17,751	17,111
Surplus (deficit) from continuing operations before capital amounts	4,343	4,445
Grants and contributions provided for capital purposes	3,827	3,887
Surplus (deficit) from continuing operations after capital amounts	8,170	8,332
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	8,170	8,332
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,303)	(1,334)
SURPLUS (DEFICIT) AFTER TAX	6,867	6,999
Plus opening retained profits	168,815	160,139
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	159	186
– Debt guarantee fees	206	218
– Corporate taxation equivalent	1,303	1,334
Less:		
– Tax equivalent dividend paid	(63)	(60)
– Surplus dividend paid	–	–
Closing retained profits	177,287	168,815
Return on capital %	2.8%	2.9%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	6,867	6,999
Less: capital grants and contributions (excluding developer contributions)	–	(1,301)
Surplus for dividend calculation purposes	6,867	5,698
Potential dividend calculated from surplus	3,434	2,849

Tamworth Regional Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
Access charges	–	–	7,592	7,337
User charges	–	–	–	–
Fees	4,854	4,278	4,399	3,973
Interest	–	–	–	2
Grants and contributions provided for non-capital purposes	–	–	619	183
Profit from the sale of assets	–	–	–	–
Other income	331	394	38	38
Total income from continuing operations	5,185	4,672	12,648	11,533
Expenses from continuing operations				
Employee benefits and on-costs	899	708	1,395	1,177
Borrowing costs	87	88	448	466
Materials and contracts	2,976	2,945	8,524	8,305
Depreciation, amortisation and impairment	1,511	785	695	529
Loss on sale of assets	–	–	382	185
Calculated taxation equivalents	–	166	–	–
Debt guarantee fee (if applicable)	11	7	–	–
Other expenses	260	231	51	68
Total expenses from continuing operations	5,744	4,930	11,495	10,730
Surplus (deficit) from continuing operations before capital amounts	(559)	(258)	1,153	803
Grants and contributions provided for capital purposes	1,542	243	–	1,225
Surplus (deficit) from continuing operations after capital amounts	983	(15)	1,153	2,028
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	983	(15)	1,153	2,028
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(346)	(241)
SURPLUS (DEFICIT) AFTER TAX	983	(15)	807	1,787
Plus opening retained profits	20,302	20,144	15,604	13,576
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	166	–	–
– Debt guarantee fees	11	7	–	–
– Corporate taxation equivalent	–	–	346	241
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	–	–
Closing retained profits	21,296	20,302	16,757	15,604
Return on capital %	-1.1%	-0.4%	8.7%	9.2%
Subsidy from Council	1,519	1,098	–	–

Tamworth Regional Council

Statement of Financial Position – Council's Water Supply Business Activity as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	1,459	–
Investments	35,801	29,404
Receivables	1,877	1,849
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	39,137	31,253
Non-current assets		
Investments	1,973	8,370
Receivables	8,000	8,000
Inventories	–	–
Infrastructure, property, plant and equipment	233,538	230,537
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	790	774
Total non-current assets	244,301	247,681
TOTAL ASSETS	283,438	278,934
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	702	600
Income received in advance	–	–
Borrowings	725	684
Provisions	–	–
Total current liabilities	1,427	1,284
Non-current liabilities		
Payables	–	–
Borrowings	10,762	11,487
Provisions	–	–
Total non-current liabilities	10,762	11,487
TOTAL LIABILITIES	12,189	12,771
NET ASSETS	271,249	266,163
EQUITY		
Retained earnings	175,078	169,992
Revaluation reserves	96,171	96,171
Other reserves	–	–
Council equity interest	271,249	266,163
Non-controlling equity interest	–	–
TOTAL EQUITY	271,249	266,163

Tamworth Regional Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	6,142	–
Investments	34,241	28,320
Receivables	1,661	1,660
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	2,261	–
Total current Assets	44,305	29,980
Non-current assets		
Investments	2,139	8,060
Receivables	8,000	8,000
Inventories	–	–
Infrastructure, property, plant and equipment	250,548	250,789
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	282	1,177
Total non-current assets	260,969	268,026
TOTAL ASSETS	305,274	298,006
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	1,992	835
Income received in advance	–	–
Borrowings	2,312	2,361
Provisions	–	–
Total current liabilities	4,304	3,196
Non-current liabilities		
Payables	–	–
Borrowings	37,789	40,101
Provisions	–	–
Total non-current liabilities	37,789	40,101
TOTAL LIABILITIES	42,093	43,297
NET ASSETS	263,181	254,709
EQUITY		
Retained earnings	177,287	168,815
Revaluation reserves	85,894	85,894
Other reserves	–	–
Council equity interest	263,181	254,709
Non-controlling equity interest	–	–
TOTAL EQUITY	263,181	254,709

Tamworth Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	335	–	–	–
Investments	503	38	16,884	15,083
Receivables	2,082	649	1,258	910
Inventories	–	–	–	–
Other	–	–	–	–
Total Current Assets	2,920	687	18,142	15,993
Non-current assets				
Investments	–	–	883	4,340
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	44,001	42,785	18,342	13,808
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Total non-current assets	44,001	42,785	19,225	18,148
TOTAL ASSETS	46,921	43,472	37,367	34,141
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	918	183	344	67
Income received in advance	–	–	–	–
Borrowings	145	50	–	–
Provisions	–	–	–	–
Total current liabilities	1,063	233	344	67
Non-current liabilities				
Payables	–	–	–	–
Borrowings	2,906	1,281	–	–
Provisions	–	–	18,365	16,569
Total non-current liabilities	2,906	1,281	18,365	16,569
TOTAL LIABILITIES	3,969	1,514	18,709	16,636
NET ASSETS	42,952	41,958	18,658	17,505
EQUITY				
Retained earnings	21,296	20,302	16,757	15,604
Revaluation reserves	21,656	21,656	1,901	1,901
Other reserves	–	–	–	–
Council equity interest	42,952	41,958	18,658	17,505
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	42,952	41,958	18,658	17,505

Tamworth Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. 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' in 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 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for 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 and 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)

1. Tamworth Regional Council Combined Water Supplies

Maintain water infrastructure assets and supply water to the area of Tamworth Regional Council.

2. Tamworth Regional Council Combined Sewerage Service

Maintain and operate sewerage reticulation and treatment system servicing the area of Tamworth Regional Council.

3. Tamworth Regional Airport

Maintain and operate the Tamworth Regional Airport facility.

4. Tamworth Regional Council Waste Management

Maintain and operate waste facilities and services within the Tamworth Regional Council area.

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

NONE

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for 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 year ended 30 June 2017

Note 1. Significant accounting policies (continued)

As required by the NSW Office of Water the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), 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 to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines 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 activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account 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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to 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 the SPFS.

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

Local government rates and charges

As no exemptions for property based rates and charges apply to any land assets owned or exclusively used by the business activity, all amounts have been duly charged and included in operating expenses and income (if applicable). Standard fees for council facilities and services are also charged where required and included in operating expenses and income.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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 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 when 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 Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The NCP 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 actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return 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 2.63% at 30/6/17.

(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.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	111,000
(ii)	Number of assessments multiplied by \$3/assessment	67,749
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	67,749
(iv)	Amounts actually paid for tax equivalents	67,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	2,286,900
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	609,741
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	6,995,600

2017 Surplus	4,573,800	2016 Surplus	2,084,800	2015 Surplus	337,000
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	609,741
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	NO
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	22,830
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)]	%	59.74%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w43)	\$'000	214,974
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	12,120
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	8,373
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 (w43) + plant and equipment (w28b)]	%	2.53%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	365,000
(ii)	Number of assessments multiplied by \$3/assessment	62,826
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	62,826
(iv)	Amounts actually paid for tax equivalents	63,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	3,433,550
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	565,434
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	14,985,000

2017 Surplus	6,867,100	2016 Surplus	5,697,500	2015 Surplus	2,420,400
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	565,434
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

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 and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	24,588
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s44)	\$'000	235,018
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	8,587
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	7,155
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 (i.e. WDCC) of system assets (s44) + plant and equipment (s29b)]	%	4.04%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F3	Total income (water and 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	46,722
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.82%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	15,528
NWI F19	Economic real rate of return (water and 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 and equipment (w33b + s34b)]	%	3.31%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage) Overdraft (w31 + s32) + borrowings (w33 + s34) – cash and investments (w25 + s26) x 100 divided by [total assets (w30 + s31) – total liabilities (w35 + s36)]	%	-5.64%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest		24
	Earnings before interest and tax (EBIT):		15,900
	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:		676
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	13,428
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	384

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statement
Tamworth Regional Council

To the Councillors of Tamworth Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Tamworth Regional Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business
- Sewerage Business
- Airport Business
- Waste Business.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in dark ink, appearing to read "David Nolan", with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

26 October 2017
SYDNEY

Tamworth Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

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



Tamworth Regional Council

Special Schedules

for the year ended 30 June 2017

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Tamworth Regional Council

Special Schedule 1 – Net Cost of Services for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	5,783	74	50	(5,659)
Administration	4,690	984	227	(3,479)
Public order and safety				
Fire service levy, fire protection, emergency services	1,209	373	39	(797)
Beach control	–	–	–	–
Enforcement of local government regulations	108	49	–	(59)
Animal control	323	57	–	(266)
Other	–	–	–	–
Total public order and safety	1,640	479	39	(1,122)
Health	105	134	–	29
Environment				
Noxious plants and insect/vermin control	343	170	–	(173)
Other environmental protection	84	117	–	33
Solid waste management	10,737	12,273	–	1,536
Street cleaning	706	–	–	(706)
Drainage	2,624	605	3,332	1,313
Stormwater management	208	71	–	(137)
Total environment	14,702	13,236	3,332	1,866
Community services and education				
Administration and education	126	–	–	(126)
Social protection (welfare)	94	61	4	(29)
Aged persons and disabled	521	559	–	38
Children's services	1,283	689	–	(594)
Total community services and education	2,024	1,309	4	(711)
Housing and community amenities				
Public cemeteries	457	324	14	(119)
Public conveniences	360	–	–	(360)
Street lighting	826	169	–	(657)
Town planning	888	1,063	35	210
Other community amenities	29	1	–	(28)
Total housing and community amenities	2,560	1,557	49	(954)
Water supplies	17,659	18,698	3,518	4,557
Sewerage services	16,303	21,752	3,827	9,276

Tamworth Regional Council

Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,387	920	34	(1,433)
Museums	239	96	–	(143)
Art galleries	1,125	339	–	(786)
Community centres and halls	607	155	–	(452)
Performing arts venues	2,656	1,047	–	(1,609)
Other performing arts	–	–	–	–
Other cultural services	231	59	–	(172)
Sporting grounds and venues	3,726	685	4	(3,037)
Swimming pools	1,784	574	–	(1,210)
Parks and gardens (lakes)	3,648	35	551	(3,062)
Other sport and recreation	50	10	46	6
Total recreation and culture	16,453	3,920	635	(11,898)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	2,049	393	–	(1,656)
Other mining, manufacturing and construction	(297)	–	–	297
Total mining, manufacturing and const.	1,752	393	–	(1,359)
Transport and communication				
Urban roads (UR) – local	13,314	6,313	8,449	1,448
Urban roads – regional	552	220	–	(332)
Sealed rural roads (SRR) – local	1,882	22	154	(1,706)
Sealed rural roads (SRR) – regional	560	2,088	432	1,960
Unsealed rural roads (URR) – local	4,934	–	4	(4,930)
Unsealed rural roads (URR) – regional	18	–	–	(18)
Bridges on UR – local	1,644	107	89	(1,448)
Bridges on SRR – local	2	–	–	(2)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	1,066	886	146	(34)
Footpaths	388	–	253	(135)
Aerodromes	5,193	5,185	1,542	1,534
Other transport and communication	8,329	9,748	804	2,223
Total transport and communication	37,882	24,569	11,873	(1,440)
Economic affairs				
Camping areas and caravan parks	31	134	–	103
Other economic affairs	4,661	4,704	–	43
Total economic affairs	4,692	4,838	–	146
Totals – functions	126,245	91,943	23,554	(10,748)
General purpose revenues ⁽¹⁾		50,318		50,318
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	126,245	142,261	23,554	39,570

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Tamworth Regional Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'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	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	130	390	520	1,770	130	–	–	–	223	1,937	2,160
Public subscription	–	–	–							–	–
Financial institutions	5,230	75,447	80,677	–	5,257	–	–	4,768	5,274	70,146	75,420
Other	–	–	–							–	–
Total loans	5,360	75,837	81,197	1,770	5,387	–	–	4,768	5,497	72,083	77,580
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	5,360	75,837	81,197	1,770	5,387	–	–	4,768	5,497	72,083	77,580

Notes: excludes (i) internal loans and (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 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act 1993*] for the year ended 30 June 2017

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General	16,000	560	16,000
Water			
Sewer			
Domestic waste management			
Gas			
Other			
Totals	16,000	560	16,000

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
General - Land Acq	Water	04/08/16	01/03/16	5	28/02/21	3.50%	8,000	280	8,000
General - Land Acq	Sewer	04/08/16	01/03/16	5	28/02/21	3.50%	8,000	280	8,000
Totals							16,000	560	16,000

Tamworth Regional Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,581	1,534
b. Engineering and supervision	2,282	2,709
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	659	625
b. Maintenance expenses	300	219
– Mains		
c. Operation expenses	488	499
d. Maintenance expenses	1,637	1,324
– Reservoirs		
e. Operation expenses	97	104
f. Maintenance expenses	243	79
– Pumping stations		
g. Operation expenses (excluding energy costs)	92	111
h. Energy costs	124	134
i. Maintenance expenses	133	138
– Treatment		
j. Operation expenses (excluding chemical costs)	2,139	2,066
k. Chemical costs	382	355
l. Maintenance expenses	945	650
– Other		
m. Operation expenses	–	8
n. Maintenance expenses	7	–
o. Purchase of water	1,011	851
3. Depreciation expenses		
a. System assets	4,711	4,478
b. Plant and equipment	96	23
4. Miscellaneous expenses		
a. Interest expenses	675	711
b. Revaluation decrements	–	–
c. Other expenses	919	1,144
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	65	64
5. Total expenses	18,586	17,826

Tamworth Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	4,944	4,757
b. Usage charges	7,336	7,134
7. Non-residential charges		
a. Access (including rates)	1,406	1,366
b. Usage charges	4,863	4,840
8. Extra charges	55	57
9. Interest income	1,373	1,375
10. Other income	500	577
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	58
b. Grants for pensioner rebates	200	206
c. Other grants	–	–
12. Contributions		
a. Developer charges	2,357	2,550
b. Developer provided assets	1,150	514
c. Other contributions	19	7
13. Total income	24,203	23,441
14. Gain (or loss) on disposal of assets	(531)	(208)
15. Operating result	5,086	5,407
15a. Operating result (less grants for acquisition of assets)	5,086	5,349

Tamworth Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	1,060	435
b. New assets for growth	1,235	1,034
c. Renewals	6,078	2,578
d. Plant and equipment	–	–
17. Repayment of debt	684	655
18. Totals	9,057	4,702
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	19,700	19,525
b. Residential (unoccupied, ie. vacant lot)	743	472
c. Non-residential (occupied)	2,084	1,957
d. Non-residential (unoccupied, ie. vacant lot)	56	51
23. Number of ETs for which developer charges were received	306 ET	461 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 363,250	\$ 368,478

Tamworth Regional Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	17,128	–	17,128
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	492	–	492
e. Sinking fund	–	–	–
f. Other	19,640	1,973	21,613
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	550	–	550
c. User charges	1,327	–	1,327
d. Other	–	8,000	8,000
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	214,974	214,974
b. Plant and equipment	–	18,564	18,564
29. Other assets	790	–	790
30. Total assets	39,927	243,511	283,438
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	702	–	702
33. Borrowings	725	10,762	11,487
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	1,427	10,762	12,189
36. NET ASSETS COMMITTED	38,500	232,749	271,249
EQUITY			
37. Accumulated surplus			175,078
38. Asset revaluation reserve			96,171
39. Other reserves			–
40. TOTAL EQUITY			271,249
Note to system assets:			
41. Current replacement cost of system assets			380,100
42. Accumulated current cost depreciation of system assets			(165,126)
43. Written down current cost of system assets			214,974

Tamworth Regional Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,009	915
b. Engineering and supervision	2,319	2,448
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	429	483
b. Maintenance expenses	1,140	880
– Pumping stations		
c. Operation expenses (excluding energy costs)	211	183
d. Energy costs	90	80
e. Maintenance expenses	221	184
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	927	979
g. Chemical costs	170	157
h. Energy costs	576	576
i. Effluent management	23	13
j. Biosolids management	248	271
k. Maintenance expenses	1,065	789
– Other		
l. Operation expenses	159	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	5,789	5,598
b. Plant and equipment	91	83
4. Miscellaneous expenses		
a. Interest expenses	2,707	2,858
b. Revaluation decrements	–	–
c. Other expenses	51	110
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	59	58
5. Total expenses	17,284	16,665

Tamworth Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	15,074	14,535
7. Non-residential charges		
a. Access (including rates)	1,935	1,909
b. Usage charges	2,122	2,008
8. Trade waste charges		
a. Annual fees	75	73
b. Usage charges	551	611
c. Excess mass charges	553	505
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	1,333	1,227
11. Other income	267	383
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	184	189
c. Other grants	–	–
13. Contributions		
a. Developer charges	1,060	961
b. Developer provided assets	2,767	2,586
c. Other contributions	–	456
14. Total income	25,921	25,443
15. Gain (or loss) on disposal of assets	(165)	(102)
16. Operating result	8,472	8,676
16a. Operating result (less grants for acquisition of assets)	8,472	8,676

Tamworth Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	26	37
b. New assets for growth	2,767	106
c. Renewals	4,362	1,497
d. Plant and equipment	–	–
18. Repayment of debt	2,361	2,138
19. Totals	9,516	3,778
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	17,896	17,406
b. Residential (unoccupied, ie. vacant lot)	1,271	941
c. Non-residential (occupied)	1,678	1,572
d. Non-residential (unoccupied, ie. vacant lot)	97	85
24. Number of ETs for which developer charges were received	407 ET	482 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 334,208	\$ 338,407

Tamworth Regional Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	10,982	–	10,982
b. Special purpose grants	476	–	476
c. Accrued leave	–	–	–
d. Unexpended loans	1,694	–	1,694
e. Sinking fund	–	–	–
f. Other	27,231	2,139	29,370
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	1,156	–	1,156
c. User charges	505	–	505
d. Other	–	8,000	8,000
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	235,018	235,018
b. Plant and equipment	–	15,530	15,530
30. Other assets	2,261	282	2,543
31. Total assets	44,305	260,969	305,274
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	1,992	–	1,992
34. Borrowings	2,312	37,789	40,101
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	4,304	37,789	42,093
37. NET ASSETS COMMITTED	40,001	223,180	263,181
EQUITY			
38. Accumulated surplus			177,287
39. Asset revaluation reserve			85,894
40. Other reserves			–
41. TOTAL EQUITY			263,181
Note to system assets:			
42. Current replacement cost of system assets			308,515
43. Accumulated current cost depreciation of system assets			(73,497)
44. Written down current cost of system assets			235,018

Tamworth Regional Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

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

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including 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 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	2,633	2,350	76,928	113,996	20%	26%	32%	18%	4%
	Buildings – specialised	–	–	1,583	1,472	19,798	21,917		100%			0%
	Sub-total	–	–	4,216	3,822	96,726	135,913	16.8%	37.9%	26.8%	15.1%	3.4%
Other structures	Other structures	450	450	2,240	2,674	26,044	90,564	0%	40%	55%	3%	2%
	Sub-total	450	450	2,240	2,674	26,044	90,564	0.0%	40.0%	55.0%	3.0%	2.0%
Roads	Sealed roads	–	–	3,302	3,791	207,506	296,452	51%	19%	11%	10%	9%
	Unsealed roads	–	–	5,329	5,348	24,298	33,572	53%	4%	5%	36%	2%
	Bridges	–	–	430	224	74,545	103,408	12%	76%	9%	1%	2%
	Footpaths	–	–	446	474	10,599	19,541	15%	15%	53%	15%	2%
	Other road assets	–	–	2,359	2,373	12,369	18,077	8%	35%	11%	43%	3%
	Bulk earthworks	–	–	–	–	87,500	87,744					100%
	Sub-total	–	–	11,866	12,210	416,817	558,794	33.2%	26.0%	10.0%	9.6%	21.1%

Tamworth Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	2,185	2,185	3,844	3,541	214,974	380,100	29%	33%	33%	5%	0%
	Sub-total	2,185	2,185	3,844	3,541	214,974	380,100	29.0%	33.0%	33.0%	5.0%	0.0%
Sewerage network	Sewerage network	4,723	4,723	3,060	2,597	235,018	308,515	48%	28%	22%	2%	0%
	Sub-total	4,723	4,723	3,060	2,597	235,018	308,515	48.0%	28.0%	22.0%	2.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	637	459	183,676	273,341	10%	24%	50%	14%	2%
	Sub-total	–	–	637	459	183,676	273,341	10.0%	24.0%	50.0%	14.0%	2.0%
Open space/recreational assets	Swimming pools	76	–	642	522	4,587	11,187	0%	15%	11%	31%	43%
	Open Space Assets	–	–	6,297	6,108	16,909	32,561	44%	26%	23%	4%	3%
	Sub-total	76	–	6,939	6,630	21,496	43,748	32.7%	23.2%	19.9%	10.9%	13.2%
	TOTAL – ALL ASSETS	7,434	7,358	32,802	31,933	1,194,751	1,790,975	28.4%	29.1%	26.9%	8.1%	7.6%

Notes:

- a Required maintenance is the amount identified in Council's asset management plans.
b Carrying amount and GRC figures will differ from Council's Asset Management Plans due to financial reporting capitalisation thresholds.

Infrastructure asset condition assessment 'key'

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

Tamworth Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>10,434</u>	38.95%	>= 100%	33.57%	48.64%
Depreciation, amortisation and impairment	<u>26,788</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>7,434</u>	0.62%	< 2%	0.71%	1.70%
Net carrying amount of infrastructure assets	<u>1,194,751</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>31,933</u>	0.97	> 1.00	1.00	0.94
Required asset maintenance	<u>32,802</u>				

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

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

Tamworth Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
Asset renewals ⁽²⁾		46.51%	47.89%	97.64%
Depreciation, amortisation and impairment	>= 100%			
	prior period:	35.40%	26.74%	36.04%
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard		1.02%	2.01%	0.07%
Net carrying amount of infrastructure assets	< 2%			
	prior period:	1.13%	2.52%	0.01%
3. Asset maintenance ratio				
Actual asset maintenance		0.92	0.85	1.00
Required asset maintenance	> 1.00			
	prior period:	0.96	0.94	1.10

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Tamworth Regional Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	33,013	33,984
Plus or minus adjustments ⁽²⁾	b	370	352
Notional general income	c = (a + b)	33,383	34,336
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	601	515
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	33,984	34,851
Plus (or minus) last year's carry forward total	l	6	6
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	6	6
Total permissible income	o = k + n	33,990	34,857
Less notional general income yield	p	33,984	34,983
Catch-up or (excess) result	q = o – p	6	(126)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	6	(126)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Tamworth Regional Council

To the Councillors of Tamworth Regional Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Tamworth Regional Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Tamworth Regional Council for 2017–18 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

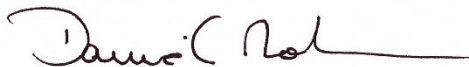
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



David Nolan
Director, Financial Audit Services

26 October 2017
SYDNEY