

Financial Reports Period Ended June 30 2016

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 2016

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Tamworth Regional Council

General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Tamworth Regional Council.

(ii) Tamworth Regional Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

(iii) All figures presented in these financial statements are presented in Australian currency.

(iv) These financial statements were authorised for issue by the Council on 27 October 2016. Council has the power to amend and reissue these financial statements.

Tamworth Regional Council

General Purpose Financial Statements for the year ended 30 June 2016

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.

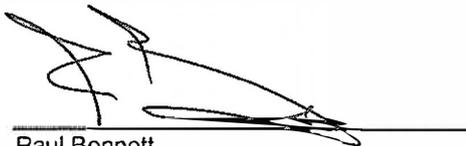
Signed in accordance with a resolution of Council made on 23 August 2016.



Col Murray
Mayor



Russell Webb
Councillor



Paul Bennett
General manager



Rick Sanderson
Responsible accounting officer

Tamworth Regional Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
60,681	Rates and annual charges	3a	61,511	58,919
29,658	User charges and fees	3b	38,991	44,134
3,956	Interest and investment revenue	3c	4,634	4,966
3,238	Other revenues	3d	4,313	2,937
20,860	Grants and contributions provided for operating purposes	3e,f	22,064	19,416
5,218	Grants and contributions provided for capital purposes	3e,f	24,983	17,262
123,611	Total income from continuing operations		156,496	147,634
Expenses from continuing operations				
43,567	Employee benefits and on-costs	4a	41,064	40,236
5,676	Borrowing costs	4b	5,789	6,026
24,866	Materials and contracts	4c	32,109	34,702
28,432	Depreciation and amortisation	4d	29,838	28,241
–	Impairment	4d	(11)	19
10,274	Other expenses	4e	9,512	52,771
–	Net losses from the disposal of assets	5	7,662	4,982
112,815	Total expenses from continuing operations		125,963	166,977
10,796	Operating result from continuing operations		30,533	(19,343)
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
10,796	Net operating result for the year		30,533	(19,343)
10,796	Net operating result attributable to Council		30,544	(19,404)
–	Net operating result attributable to non-controlling interests		(11)	61
5,578	Net operating result for the year before grants and contributions provided for capital purposes		5,550	(36,605)

¹ Original budget as approved by Council – refer Note 16

Tamworth Regional Council

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		30,533	(19,343)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	7,271	(20,550)
Total items which will not be reclassified subsequently to the operating result		7,271	(20,550)
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		6,874	(20,550)
Total comprehensive income for the year		37,407	(39,893)
Total comprehensive income attributable to Council		37,418	(39,954)
Total comprehensive income attributable to non-controlling interests		(11)	61

Tamworth Regional Council

Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	3,611	6,313
Investments	6b	103,987	132,499
Receivables	7	9,643	12,440
Inventories	8	1,080	1,377
Other	8	88	57
Non-current assets classified as 'held for sale'	22	1,517	2,515
Total current assets		119,926	155,201
Non-current assets			
Investments	6b	31,000	–
Receivables	7	384	392
Infrastructure, property, plant and equipment	9	1,377,713	1,343,001
Investment property	14	6,400	6,100
Intangible assets	25	2,247	2,217
Total non-current assets		1,417,744	1,351,710
TOTAL ASSETS		1,537,670	1,506,911
LIABILITIES			
Current liabilities			
Payables	10	8,002	9,942
Borrowings	10	5,360	5,002
Provisions	10	9,200	8,959
Total current liabilities		22,562	23,903
Non-current liabilities			
Payables	10	–	–
Borrowings	10	75,837	81,198
Provisions	10	17,203	17,149
Total non-current liabilities		93,040	98,347
TOTAL LIABILITIES		115,602	122,250
Net assets		1,422,068	1,384,661
EQUITY			
Retained earnings	20	1,025,090	994,546
Revaluation reserves	20	396,520	389,646
Council equity interest		1,421,610	1,384,192
Non-controlling equity interests		458	469
Total equity		1,422,068	1,384,661

Tamworth Regional Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		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 (as at 1/7/15)		994,546	389,646	1,384,192	469	1,384,661
c. Net operating result for the year		30,544	–	30,544	(11)	30,533
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	7,271	7,271	–	7,271
– Trsfer to revaluation reserve on asset disposal	20b (ii)	–	(397)	(397)	–	(397)
Other comprehensive income		–	6,874	6,874	–	6,874
Total comprehensive income (c&d)		30,544	6,874	37,418	(11)	37,407
Equity – balance at end of the reporting period		1,025,090	396,520	1,421,610	458	1,422,068

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		1,013,950	410,196	1,424,146	408	1,424,554
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		1,013,950	410,196	1,424,146	408	1,424,554
c. Net operating result for the year		(19,404)	–	(19,404)	61	(19,343)
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(20,550)	(20,550)	–	(20,550)
Other comprehensive income		–	(20,550)	(20,550)	–	(20,550)
Total comprehensive income (c&d)		(19,404)	(20,550)	(39,954)	61	(39,893)
Equity – balance at end of the reporting period		994,546	389,646	1,384,192	469	1,384,661

Tamworth Regional Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
60,681	Rates and annual charges		61,708	59,349
31,445	User charges and fees		42,538	48,524
3,956	Investment and interest revenue received		5,111	5,115
26,643	Grants and contributions		31,913	28,789
–	Bonds, deposits and retention amounts received		–	84
9,932	Other		10,049	7,018
Payments:				
(43,091)	Employee benefits and on-costs		(41,860)	(40,685)
(32,720)	Materials and contracts		(39,952)	(42,378)
(5,353)	Borrowing costs		(5,328)	(5,486)
–	Bonds, deposits and retention amounts refunded		(109)	(186)
(11,301)	Other		(11,432)	(14,973)
40,192	Net cash provided (or used in) operating activities	11b	52,638	45,171
Cash flows from investing activities				
Receipts:				
3,000	Sale of investment securities		–	–
–	Sale of infrastructure, property, plant and equipment		2,186	4,625
11	Deferred debtors receipts		23	25
Payments:				
–	Purchase of investment securities		(2,488)	(18,999)
(53,677)	Purchase of infrastructure, property, plant and equipment		(50,058)	(33,006)
(50,666)	Net cash provided (or used in) investing activities		(50,337)	(47,355)
Cash flows from financing activities				
Receipts:				
10,240	Proceeds from borrowings and advances		–	4,750
Payments:				
(5,016)	Repayment of borrowings and advances		(5,003)	(4,848)
5,224	Net cash flow provided (used in) financing activities		(5,003)	(98)
(5,250)	Net increase/(decrease) in cash and cash equivalents		(2,702)	(2,282)
6,313	Plus: cash and cash equivalents – beginning of year	11a	6,313	8,595
1,063	Cash and cash equivalents – end of the year	11a	3,611	6,313
Additional Information:				
	plus: Investments on hand – end of year	6b	134,987	132,499
	Total cash, cash equivalents and investments		138,598	138,812

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

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

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with standards issued by the AASB.

(iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had a material impact on reported financial position, performance or cash flows.

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

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

- (i) the write down of any asset on the basis of impairment (if warranted), and
- (ii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

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

(vi) Changes in accounting policies

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) Estimated fair values of infrastructure, property, plant and equipment,
- (ii) Estimated 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 it, and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

Where the condition is that the funds be specifically used for asset upgrades or new asset additions the income is classed as being provided for Capital Purposes. All other grants and contributions are classed as being provided for Operating Purposes.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

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

User charges, fees and other income

User charges, fees and other income (including parking fees) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. Parking fines are not recognised as income until payment is received (see Note 18 Assets Not Recognised).

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Other Income

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

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

The following entities have been included as part of the consolidated fund:

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

Due to their immaterial value and nature, the following committees, entities and operations have been excluded from consolidation:

- *Section 355 Committees*

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

<http://www.tamworth.nsw.gov.au/Council/Community-Engagement/-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 and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to these monies.

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Interests in other entities

Subsidiaries

Subsidiaries represent 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.

Council's consolidated financial statements incorporate the assets, liabilities & results of the subsidiary Central Northern Regional Library (CNRL).

Detailed information relating to CNRL that Council controls can be found at Note 19(a).

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

- cash on hand,
- deposits held at call with financial institutions,

- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and

(f) Investments and other financial assets

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

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

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

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

(i) Loans and receivables

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

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

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

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

General accounting and measurement of financial instruments:

(i) Recognition and de-recognition.

Council holds only financial assets classified as either "Cash" or "Held to Maturity" in accordance with its investment policy as such all investments are recorded at fair value.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired.

Impairment

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

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

As at June 30, 2016 Tamworth Regional Council had no impaired financial assets.

(ii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to

authorised investments prescribed under the Ministerial Local Government Investment Order.

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

(g) Fair value estimation – financial instruments

The fair value of financial assets is the 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.

(h) Receivables

Receivables are recognised at fair value, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Impairment losses are recognised in the Income Statement.

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.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(i) Inventories

(i) Raw materials and stores, work in progress and finished goods

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

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

(ii) Inventory held for distribution

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

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

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

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

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

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

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

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with

the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment** (as approximated by depreciated historical cost)
- **Operational land** (external valuation based on market valuation)
- **Community land** (Value assigned by the Valuer General NSW)
- **Land improvements** (as approximated by depreciated historical cost and external valuation)
- **Buildings – specialised/non-specialised** (external valuation)
- **Other structures** (as approximated by depreciated historical cost and external valuation)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks** (internal valuation and indexed annually)
- **Swimming pools** (as approximated by depreciated historical cost)
- **Other open space/recreational assets** (as approximated by depreciated historical cost and external valuation).
- **Other infrastructure** (as approximated by depreciated historical cost and external valuation).
- **Other assets** (as approximated by depreciated historical cost and external valuation)
- **Investment properties** – refer Note 1(p),

Initial recognition

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction. If the asset is one that is not normally traded such as drainage infrastructure then the unit rates assigned in internal valuation is used.

Subsequent costs

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

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

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

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

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

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ

materially from that which would be determined if the asset were revalued at the reporting date.

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

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

Capitalisation thresholds

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

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

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

Buildings & Land Improvements	
Park Furniture & Equipment	> \$10,000

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

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

Water & Sewer Assets	
Reticulation extensions	> \$10,000*
Other	> \$10,000*

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

Stormwater Assets	
Drains & Culverts	> \$10,000*
Other	> \$10,000*

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Bridge construction & reconstruction	> \$10,000*	- Swimming Pools	5 to 75 years
		- Other Open Space/ Recreational Assets	5 to 50 years
* or <\$10,000 if work performed has a significant impact on the useful life of the asset		- Other Infrastructure	5 to 50 years

Other Infrastructure Assets

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

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

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	1 to 10 years
- Office furniture	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 50 years

Other Equipment

- Playground equipment	5 to 20 years
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Buildings

- Buildings	20 to 200 years
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Stormwater Drainage

11 to 120 years

Transportation Assets

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

Water & Sewer Assets

5 to 100 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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Disposal and de-recognition

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

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

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

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

(l) Land under roads

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

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(m) 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 services, direct payroll and payroll-related costs of employees' time spent on the project.

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

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

Water Licences

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 1 to 5 years.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

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

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

(p) Investment property

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

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

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

Full revaluations are carried out every year.

The last full revaluation for Council's investment properties was dated 30 June, 2016.

(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Close down, restoration and remediation costs include the dismantling and demolition of

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

infrastructure, the removal of residual materials and the remediation of disturbed areas.

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

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

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

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

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

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

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

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property,

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

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

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

Council has no discontinued operations at June 30, 2016.

(s) Impairment of assets

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

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

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

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

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

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

Intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

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

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

(u) Borrowings

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

(v) Borrowing costs

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

There were no qualifying assets in the 2015/16 year.

(w) Provisions

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

- Council has a present legal or constructive obligation as a result of past events,

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

Wages and salaries payable, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

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

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

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

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

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 5 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 5 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

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

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

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 24/2/2016 and covers the period ended 30/06/2016.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an

expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 1,050,168.

The amount of additional contributions included in the total employer contribution advised above is \$45,964.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$585,440 as at 30 June 2016.

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(y) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

given to the time when each asset or liability is expected to be settled.

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

Exceptions

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

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

(z) Taxes

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

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST), as well as the state Payroll Tax for specific non-exempt operations (Water, Sewer and Cemeteries).

Goods and Services Tax (GST)

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

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

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.

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

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

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

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

(aa) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

These include the following standards that are anticipated will impact on local government:

AASB 9 – Financial Instruments

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB ED 260 – Income of Not-for-Profit Entities

AASB16 – Leases

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

The full impact of the above 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.

(ab) Rounding of amounts

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

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(ac) 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.

(ad) 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 2016

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 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Governance	–	289	155	–	5,142	3,828	–	(4,853)	(3,673)	150	150	–	–
A Spirit of Community	5,040	6,210	6,064	24,557	24,597	22,560	(19,517)	(18,387)	(16,496)	2,161	2,617	185,183	180,530
A Prosperous Region	3,110	3,391	3,440	7,209	7,093	6,664	(4,099)	(3,702)	(3,224)	10	–	99,798	80,951
An Accessible Region	16,449	35,950	33,393	27,284	38,993	83,912	(10,835)	(3,043)	(50,519)	7,313	3,462	664,968	656,506
A Region for the Future	53,986	67,086	61,959	53,765	50,138	50,013	221	16,948	11,946	2,244	2,511	587,721	588,924
Total functions and activities	78,585	112,926	105,011	112,815	125,963	166,977	(34,230)	(13,037)	(61,966)	11,878	8,740	1,537,670	1,506,911
General purpose income ¹	45,026	43,570	42,623	–	–	–	45,026	43,570	42,623	10,501	10,649	–	–
Operating result from continuing operations	123,611	156,496	147,634	112,815	125,963	166,977	10,796	30,533	(19,343)	22,379	19,389	1,537,670	1,506,911

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 2016

Note 2(b). Council functions/activities – component descriptions

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

GOVERNANCE

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

A SPIRIT OF COMMUNITY

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

A PROSPEROUS REGION

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

AN ACCESSIBLE REGION

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

A REGION FOR THE FUTURE

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

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		20,664	19,595
Farmland		5,359	5,282
Mining		17	16
Business		5,366	5,199
Total ordinary rates		31,406	30,092
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,396	6,076
Stormwater management services		569	554
Water supply services		5,889	5,653
Sewerage services		16,385	15,699
Waste management services (non-domestic)		866	845
Total annual charges		30,105	28,827
TOTAL RATES AND ANNUAL CHARGES		61,511	58,919

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		10,883	8,919
Sewerage services		2,384	2,085
Total user charges		13,267	11,004
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		1,617	1,540
Private works – section 67		719	1,121
Regulatory/ statutory fees		452	386
Total fees and charges – statutory/regulatory		2,788	3,047
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		4,278	4,068
Cemeteries		268	257
Community centres		448	448
Country music festival		1,309	1,493
Hire charge council facilities		2,193	2,255
Parking fees		519	508
RMS (formerly RTA) charges (state roads not controlled by Council)		8,099	15,489
Sporting facilities		555	435
Sewerage services		882	284
Swimming centres		425	370
Venue ticket sales		124	189
Waste/recycling depot		3,478	3,802
Other		358	485
Total fees and charges – other		22,936	30,083
TOTAL USER CHARGES AND FEES		38,991	44,134

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		320	383
– Interest earned on investments (interest and coupon payment income)		4,314	4,583
TOTAL INTEREST AND INVESTMENT REVENUE		4,634	4,966
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		320	383
General Council cash and investments		1,472	1,915
Restricted investments/funds – external:			
Development contributions			
– Section 94		182	166
– Section 64		624	640
Water fund operations		1,071	1,041
Sewerage fund operations		965	821
Total interest and investment revenue recognised		4,634	4,966
(d) Other revenues			
Fair value increments – investment properties	14	300	50
Rental income – investment properties	14	524	475
Rental income – other council properties		809	676
Fines		418	399
Antenna leases		238	49
Commissions and agency fees		485	200
Easement compensation		–	20
Insurance rebate		37	88
Sales – general		664	414
Sponsorship income		45	27
Consultancy services		459	303
Other		334	236
TOTAL OTHER REVENUE		4,313	2,937

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	9,987	10,127	–	–
Pensioners' rates subsidies – general component	514	522	–	–
Total general purpose	10,501	10,649	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	206	210	–	–
– Sewerage	189	193	–	–
– Domestic waste management	173	177	–	–
– Other	–	–	–	–
Water supplies	96	–	58	603
Aged care	15	–	–	–
Bushfire and emergency services	454	439	92	18
Community care	751	734	–	–
Digital local government income	–	188	–	84
Disaster mitigation and rehabilitation	45	168	–	–
Environmental protection	20	145	1,215	–
Heritage and cultural	307	340	–	–
LIRS subsidy	122	133	–	–
Namoi Joint Organisation	150	150	–	–
Noxious weed control	98	254	–	–
Park upgrades	–	–	330	1,130
Recreation and culture	–	–	491	–
Street lighting	169	169	–	–
Training	42	46	–	–
Transport (roads to recovery)	5,527	1,849	–	–
Transport (other roads and bridges funding)	–	–	632	1,013
Transport (Airport)	–	–	243	–
Other	158	428	295	269
Total specific purpose	8,522	5,623	3,356	3,117
Total grants	19,023	16,272	3,356	3,117
Grant revenue is attributable to:				
– Commonwealth funding	16,002	12,866	140	547
– State funding	2,924	3,369	3,216	2,565
– Other funding	97	37	–	5
	19,023	16,272	3,356	3,117

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	–	29
S 94 – contributions towards amenities/services	–	–	1,373	1,244
S 94A – fixed development consent levies	–	–	285	582
S 64 – water supply contributions	–	–	2,539	2,316
S 64 – sewerage service contributions	–	–	955	907
Total developer contributions	–	–	5,152	5,078
Other contributions:				
Dedications (other than by S94)	–	–	16,090	8,995
Donations	16	–	–	–
Other councils – joint works/services	617	630	–	–
Other fund raising	–	24	–	–
RMS contributions (regional roads, block grant)	2,267	2,227	–	–
Sewerage (excl. section 64 contributions)	–	247	–	7
Tourism	116	–	4	–
Water supplies (excl. section 64 contributions)	–	–	2	2
Capital Works	–	–	371	–
Other	25	16	8	63
Total other contributions	3,041	3,144	16,475	9,067
Total contributions	3,041	3,144	21,627	14,145
TOTAL GRANTS AND CONTRIBUTIONS	22,064	19,416	24,983	17,262

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to 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	30,467	33,222
Add: grants and contributions recognised in the current period but not yet spent:	8,100	8,152
Less: grants and contributions recognised in a previous reporting period now spent:	(4,239)	(10,907)
Net increase (decrease) in restricted assets during the period	3,861	(2,755)
Unexpended and held as restricted assets	34,328	30,467
Comprising:		
– Specific purpose unexpended grants	4,003	4,512
– Developer contributions	30,325	25,955
	34,328	30,467

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		31,294	31,656
Travel expenses		587	586
Employee leave entitlements (ELE)		6,248	5,545
Superannuation		3,886	3,795
Workers' compensation insurance		817	630
Fringe benefit tax (FBT)		140	143
Payroll tax		279	316
Training costs (other than salaries and wages)		420	427
Other		220	223
Total employee costs		43,891	43,321
Less: capitalised costs		(2,827)	(3,085)
TOTAL EMPLOYEE COSTS EXPENSED		41,064	40,236
Number of 'full-time equivalent' employees (FTE) at year end		522	496
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		5,314	5,563
Total interest bearing liability costs expensed		5,314	5,563
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	475	463
Total other borrowing costs		475	463
TOTAL BORROWING COSTS EXPENSED		5,789	6,026
(c) Materials and contracts			
Raw materials and consumables		23,643	26,888
Contractor and consultancy costs		7,238	6,701
Auditors remuneration ⁽¹⁾		126	102
Legal expenses:			
– Legal expenses: planning and development		112	31
– Legal expenses: other		65	106
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		925	874
TOTAL MATERIALS AND CONTRACTS		32,109	34,702

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other consolidated entities):			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's external auditor		78	66
– Other assurance services – internal auditors		48	36
Total Auditor remuneration		126	102
2. Operating lease payments are attributable to:			
Buildings		614	519
Computers and photocopies		311	355
		925	874

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		(11)	19	2,988	3,233
Office equipment		–	–	53	53
Furniture and fittings		–	–	477	418
Land improvements (depreciable)		–	–	797	669
Infrastructure:					
– Buildings – non-specialised		–	–	1,388	1,193
– Buildings – specialised		–	–	167	167
– Other structures		–	–	1,348	1,176
– Roads		–	–	8,430	8,251
– Bridges		–	–	853	989
– Footpaths		–	–	255	277
– Stormwater drainage		–	–	2,465	1,765
– Water supply network		–	–	4,478	4,184
– Sewerage network		–	–	5,598	5,281
– Swimming pools		–	–	204	202
Other assets					
– Library books		–	–	309	295
– Other		–	–	134	108
Asset reinstatement costs	9 & 26	–	–	220	323
Intangible assets	25	–	–	104	84
Total depreciation and impairment costs		(11)	19	30,268	28,668
Less: capitalised costs		–	–	(430)	(427)
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		(11)	19	29,838	28,241

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		430	461
Bad and doubtful debts		225	838
Carbon tax expense		–	86
Contributions/levies to other levels of government		2,437	1,878
– Chaffey Dam augmentation		–	3,300 ¹
Councillor expenses – mayoral fee		40	38
Councillor expenses – councillors' fees		165	161
Councillors' expenses (incl. mayor) – other (excluding fees above)		119	120
Donations, contributions and assistance to other organisations (Section 356)		259	272
Electricity and heating		2,660	3,164
Fair value decrements – I,PP&E	9(a)	–	39,100 ²
Insurance		1,880	1,867
Public liability claim payout		–	195
Street lighting		681	665
Sustainability rebates		23	21
Telephone and communications		591	600
Other		2	5
TOTAL OTHER EXPENSES		9,512	52,771

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

2 The revaluation of Council's transport assets last year resulted in a net decrement of \$169M which was \$39.1M more than previous increments held in the Revaluation Reserve. See Note 27 for a full explanation of the revaluation.

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		1,336	1,345
Less: carrying amount of plant and equipment assets sold/written off		(1,537)	(1,492)
Net gain/(loss) on disposal		(201)	(147)
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(7,636)	(6,232)
Net gain/(loss) on disposal		(7,636)	(6,232)
Non-current assets classified as 'held for sale'			
Proceeds from disposal – non-current assets 'held for sale'		850	3,280
Less: carrying amount of 'held for sale' assets sold/written off		(675)	(1,883)
Net gain/(loss) on disposal		175	1,397
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(7,662)	(4,982)

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		3,611	–	6,313	–
Total cash and cash equivalents		3,611	–	6,313	–
Investments (Note 6b)					
– Long term deposits		103,987	31,000	132,499	–
Total investments		103,987	31,000	132,499	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		107,598	31,000	138,812	–
At year end all investments were classified as "held to maturity" in accordance with AASB 139 classifications.					
Investments					
a. 'Held to maturity' Investments	6(b-i)	103,987	31,000	132,499	–
		103,987	31,000	132,499	–
Note 6(b-i)					
Reconciliation of investments classified as 'held to maturity'					
Balance at the beginning of the year		132,499	–	113,500	–
Additions		243,488	31,000	18,999	–
Disposals (sales and redemptions)		(272,000)	–	–	–
Balance at end of year		103,987	31,000	132,499	–
Comprising:					
– Long term deposits		104,454	31,000	132,499	–
Total		103,987	31,000	132,499	–

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 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	107,598	31,000	138,812	–
attributable to:				
External restrictions (refer below)	83,115	20,770	106,324	–
Internal restrictions (refer below)	18,184	10,230	28,747	–
Unrestricted	6,299	–	3,741	–
	107,598	31,000	138,812	–

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – water (A)	492	–	–	492
Specific purpose unexpended loans – sewer (A)	2,040	–	(346)	1,694
External restrictions – included in liabilities	2,532	–	(346)	2,186

External restrictions – other

Developer contributions – general (D)	5,858	1,846	(1,471)	6,233
Developer contributions – water fund (D)	11,652	2,912	(115)	14,449
Developer contributions – sewer fund (D)	8,445	1,223	(25)	9,643
Specific purpose unexpended grants (F)	3,851	1,661	(2,194)	3,318
Specific purpose unexpended grants-sewer fund (F)	661	116	(92)	685
Water supplies (G)	29,135	–	(6,302)	22,833
Sewerage services (G)	25,376	–	(1,018)	24,358
Domestic waste management (G)	17,403	1,697	–	19,100
Deposits, retentions and bonds (G)	1,411	–	(331)	1,080
External restrictions – other	103,792	9,455	(11,548)	101,699
Total external restrictions	106,324	9,455	(11,894)	103,885

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

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

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

G 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 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	5,965	10,615	(13,599)	2,981
Training	–	117	–	117
Employees leave entitlement	1,633	400	(281)	1,752
Internal Loan	–	–	(2,250)	(2,250)
Water Efficiency	–	50	(110)	(60)
Westdale Land	–	–	(237)	(237)
After school care	125	562	(571)	116
Airport	1,285	4,672	(5,455)	502
Aquatic and sport	60	–	(42)	18
Art gallery acquisition	1	–	–	1
Asset management projects	300	–	(47)	253
Asset renewal	500	200	(36)	664
Asset revaluation	86	15	(30)	71
Australia Day	4	–	–	4
Barraba playground equipment	10	–	–	10
Best mates challenge	11	–	–	11
Bushfire emergency	10	–	–	10
Caravan park	599	174	(24)	749
Central business district	1,163	1,000	(61)	2,102
Country music festival	1	–	–	1
Central Northern Regional Libraries	483	1,581	(1,544)	520
Cemetery	2	20	(19)	3
Civil construction	250	–	–	250
Councillor professional development	31	–	(1)	30
Council buildings	291	281	(181)	391
Floor recovery sports facilities	65	65	–	130
Drainage levy	955	2,867	(2,458)	1,364
Economic development	41	44	(36)	49
Election	130	90	–	220
Electricity/light bulb repair	7	3	(6)	4
Equine centre	35	26	(4)	57
Fibre textiles – council cont	9	19	–	28
Flood mitigation	349	125	(445)	29
Health and well being projects	10	–	(8)	2
Human services – risk and safety	8	–	(1)	7
Incomplete works	267	198	(119)	346
Information technology department	583	160	(197)	546
Innovation	–	155	–	155
International Women's Day	1	–	–	1
Labaratory equipment	97	51	(99)	49
Livestock marketing centre	37	–	–	37
Local works reserve	1,161	719	(819)	1,061
(continued on the next page...)				

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions (continued)				
Norsure insurance	144	303	(300)	147
Nundle Retirement Village	252	17	(12)	257
Nundle commons	6	6	(4)	8
Onsite sewerage management	28	–	–	28
Organisational development projects	68	–	(29)	39
Parks and horticulture – asset renewal	88	114	(94)	108
Pools asset renewals	23	35	(18)	40
Parking meters/car park	1,737	947	(1,435)	1,249
Property acquisition and development	1,634	949	(2,237)	346
Quarry remediation and renewal	325	71	–	396
Revotes – general fund	244	60	(134)	170
Risk and safety	72	18	(8)	82
Roads – asset renewal	200	5,311	(602)	4,909
Roadworks (FAG roads component)	1,010	4,013	(3,686)	1,337
Civil Construction Reserve	3,077	14,164	(14,483)	2,758
RFS equipment donations	3	–	–	3
Section 94 plan – council cont	500	257	–	757
Sister city	10	–	(2)	8
Sports venues – asset renewal	354	208	(45)	517
SRV – buildings	586	701	(352)	935
SRV – drainage	202	277	(372)	107
SRV – parks and recreation	54	59	(1)	112
SRV – sports and entertainment venues	511	212	(36)	687
SRV – transport	882	1,863	(1,686)	1,059
Tamworth sports dome	18	48	(19)	47
Village improvement fund	51	50	(46)	55
Waiving of fees and charges	2	3	(2)	3
Water billing equipment	82	–	–	82
Woolomin flood donations	19	–	–	19
Production Services	–	55	–	55
Total internal restrictions	28,747	53,950	(54,283)	28,414
TOTAL RESTRICTIONS	135,071	63,405	(66,177)	132,299

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		3,133	384	3,323	392
Interest and extra charges		767	–	819	–
User charges and fees		5,617	–	7,184	–
Accrued revenues					
– Interest on investments		763	–	1,177	–
– Other income accruals		–	–	66	–
Deferred debtors		46	–	69	–
Government grants and subsidies		751	–	1,060	–
Net GST receivable		456	–	414	–
Contributions		26	–	38	–
Insurance claim		–	–	451	–
Other debtors		76	–	37	–
Total		11,635	384	14,638	392
Less: provision for impairment					
Rates and annual charges		(876)	–	(877)	–
Interest and extra charges		(302)	–	(291)	–
User charges and fees		(814)	–	(1,030)	–
Total provision for impairment – receivables		(1,992)	–	(2,198)	–
TOTAL NET RECEIVABLES		9,643	384	12,440	392
Externally restricted receivables					
Water supply					
– Specific purpose grants		18	–	18	–
– Rates and availability charges		489	–	494	–
– Other		1,342	–	1,097	–
Sewerage services					
– Rates and availability charges		1,038	–	1,010	–
– Other		622	–	285	–
Domestic waste management		910	–	920	–
Total external restrictions		4,419	–	3,824	–
Internally restricted receivables					
RMS user charges		681	–	1,540	–
Airport		649	–	768	–
Internally restricted receivables		1,330	–	2,308	–
Unrestricted receivables		3,894	384	6,308	392
TOTAL NET RECEIVABLES		9,643	384	12,440	392

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 8.50% (2015 8.50%).
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 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		1,080	–	1,377	–
Total inventories at cost		1,080	–	1,377	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		1,080	–	1,377	–
(b) Other assets					
Prepayments		88	–	57	–
TOTAL OTHER ASSETS		88	–	57	–

Externally restricted assets

There are no restrictions applicable to the above assets.

(a) 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 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period								as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (via P/L)	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment												depreciation	impairment	
Capital work in progress	37,093	–	–	–	37,093	212	11,283	–	–	–	(17,814)	–	–	30,774	–	–	–	30,774
Plant and equipment	–	41,460	19,020	19	22,421	–	5,247	(1,536)	(2,988)	11	1,307	–	–	–	44,478	20,016	–	24,462
Office equipment	–	280	144	–	136	–	–	–	(53)	–	–	–	–	–	280	197	–	83
Furniture and fittings	–	5,262	2,518	–	2,744	110	38	–	(477)	–	478	–	–	–	5,833	2,940	–	2,893
Land:																		
– Operational land	–	68,464	–	–	68,464	–	17,057	–	–	–	2,396	(1,301)	–	–	86,616	–	–	86,616
– Community land	–	15,834	–	–	15,834	–	201	–	–	–	(665)	–	1,122	–	16,492	–	–	16,492
– Land under roads (post 30/6/08)	–	728	–	–	728	–	94	–	–	–	–	–	–	–	822	–	–	822
Land improvements – depreciable	–	20,068	7,314	–	12,754	211	1,668	(143)	(797)	–	8	–	129	–	21,679	7,849	–	13,830
Infrastructure:																		
– Buildings – non-specialised	–	110,588	35,476	–	75,112	207	657	–	(1,388)	–	3,145	–	–	–	114,613	36,880	–	77,733
– Buildings – specialised	–	21,868	1,798	–	20,070	–	–	–	(167)	–	–	–	–	–	21,868	1,965	–	19,903
– Other structures	–	50,510	12,985	–	37,525	57	1,977	(131)	(1,348)	–	(944)	–	(504)	–	108,605	71,973	–	36,632
– Roads	–	429,075	100,982	–	328,093	7,172	4,060	(5,318)	(8,430)	–	4,198	–	–	–	437,499	107,724	–	329,775
– Bridges	–	96,164	28,030	–	68,134	400	8,231	(1,143)	(853)	–	164	–	–	–	103,190	28,257	–	74,933
– Footpaths	–	16,625	8,329	–	8,296	971	–	–	(255)	–	1,314	–	–	–	18,910	8,584	–	10,326
– Stormwater drainage	–	267,677	85,240	–	182,437	295	1,362	(640)	(2,465)	–	1,145	–	–	–	269,312	87,178	–	182,134
– Water supply network	–	364,536	154,552	–	209,984	1,511	738	(158)	(4,478)	–	5,644	–	3,109	–	377,380	161,030	–	216,350
– Sewerage network	–	294,516	61,302	–	233,214	1,497	1,404	(103)	(5,598)	–	507	–	3,415	–	302,205	67,868	–	234,337
– Swimming pools	–	15,198	9,107	–	6,091	64	94	–	(204)	–	–	–	–	–	15,356	9,311	–	6,045
Other assets:																		
– Heritage collections	–	32	13	–	19	–	–	–	–	–	–	–	–	–	32	13	–	19
– Library books	–	3,296	2,671	–	625	–	315	–	(309)	–	–	–	–	–	1,269	638	–	631
– Art collection	–	3,382	–	–	3,382	–	50	–	–	–	–	–	–	–	3,432	–	–	3,432
– Other	–	5,345	877	–	4,468	–	–	–	(134)	–	–	–	–	–	5,188	854	–	4,334
Reinstatement, rehabilitation and restoration assets (refer Note 26):																		
– Tip assets	–	12,393	7,103	–	5,290	–	–	–	(213)	–	–	–	–	–	11,652	6,575	–	5,077
– Quarry assets	–	204	117	–	87	–	–	–	(7)	–	–	–	–	–	203	123	–	80
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	37,093	1,843,505	537,578	19	1,343,001	12,707	54,476	(9,172)	(30,164)	11	883	(1,301)	7,271	30,774	1,966,914	619,975	–	1,377,713

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 2016

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

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	10,941	–	–	10,941	15,373	–	–	15,373
Plant and equipment	–	72	57	15	–	72	55	17
Office equipment	–	34	27	7	–	34	27	7
Infrastructure	–	377,380	161,030	216,350	–	364,536	154,552	209,984
Total water supply	10,941	381,074	161,478	230,537	15,373	367,513	154,982	227,904
Sewerage services								
WIP	4,490	4	–	4,494	3,889	–	–	3,889
Office equipment	–	53	39	14	–	53	29	24
Land								
– Operational land	–	10,256	–	10,256	–	10,256	–	10,256
Buildings	–	1,183	109	1,074	–	1,183	70	1,113
Other structures	–	984	366	618	–	440	273	167
Infrastructure	–	302,205	67,868	234,337	–	294,516	61,302	233,214
Total sewerage services	4,490	314,685	68,382	250,793	3,889	306,448	61,674	248,663
Domestic waste management								
WIP	854	–	–	854	478	–	–	478
Plant and equipment	–	342	106	236	–	288	95	193
Land								
– Operational land	–	859	–	859	–	859	–	859
– Improvements - depreciable	–	4,263	949	3,314	–	4,469	1,066	3,403
Buildings	–	798	124	674	–	730	117	613
Other structures	–	2,571	1,249	1,322	–	2,088	613	1,475
Roads, Bridges, Footpaths	–	322	126	196	–	369	135	234
Tip Remediation	–	11,652	6,575	5,077	–	12,393	7,103	5,290
Other assets	–	1,441	166	1,275	–	1,441	131	1,310
Total DWM	854	22,248	9,295	13,807	478	22,637	9,260	13,855
TOTAL RESTRICTED I,PP&E	16,285	718,007	239,155	495,137	19,740	696,598	225,916	490,422

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		4,934	–	5,383	–
Payments received in advance		334	–	530	–
Accrued expenses:					
– Borrowings		185	–	199	–
– Salaries and wages		579	–	1,541	–
– Other expenditure accruals		103	–	127	–
Security bonds, deposits and retentions		1,121	–	1,230	–
ATO – net GST payable		–	–	180	–
Ticket monies held		143	–	181	–
Other		603	–	571	–
Total payables		8,002	–	9,942	–
Borrowings					
Loans – secured ¹		5,360	75,837	5,002	81,198
Total borrowings		5,360	75,837	5,002	81,198
Provisions					
Employee benefits:					
Annual leave		3,718	–	3,545	–
Long service leave		5,482	313	5,414	306
Sub-total – aggregate employee benefits		9,200	313	8,959	306
Asset remediation/restoration (future works) ²⁶		–	16,890	–	16,843
Total provisions		9,200	17,203	8,959	17,149
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		22,562	93,040	23,903	98,347
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		1,284	11,487	1,268	12,170
Sewer		3,196	40,101	2,837	42,461
Liabilities relating to externally restricted assets		4,480	51,588	4,105	54,631
Internally restricted assets					
Nil		–	–	–	–
Total liabilities relating to restricted assets		4,480	51,588	4,105	54,631
Total liabilities relating to unrestricted assets		18,082	41,452	19,798	43,716
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		22,562	93,040	23,903	98,347

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 2016

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

\$ '000	Actual 2016	Actual 2015
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(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	7,360	7,167
Payables – security bonds, deposits and retentions	683	861
	<u>8,043</u>	<u>8,028</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	3,545	257	(145)	61	–	3,718
Long service leave	5,720	734	(169)	(490)	–	5,795
Asset remediation	16,843	–	(428)	475	–	16,890
TOTAL	26,108	991	(742)	46	–	26,403

- 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 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	3,611	6,313
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		3,611	6,313
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		30,533	(19,343)
Adjust for non-cash items:			
Depreciation and amortisation		29,838	28,241
Net losses/(gains) on disposal of assets		7,662	4,982
Non-cash capital grants and contributions		(16,090)	(8,995)
Impairment losses recognition – I,PP&E		(11)	19
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment properties		(300)	(50)
– Write offs relating to the fair valuation of I,PP&E		–	39,100
– Other		(397)	–
Unwinding of discount rates on reinstatement provisions		475	463
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,988	1,103
Increase/(decrease) in provision for doubtful debts		(206)	946
Decrease/(increase) in inventories		297	(223)
Decrease/(increase) in other assets		(31)	70
Increase/(decrease) in payables		(449)	(1,009)
Increase/(decrease) in accrued interest payable		(14)	77
Increase/(decrease) in other accrued expenses payable		(986)	327
Increase/(decrease) in other liabilities		(491)	165
Increase/(decrease) in employee leave entitlements		248	(729)
Increase/(decrease) in other provisions		(428)	27
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		52,638	45,171

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Other dedications		16,090	8,995
Total non-cash investing and financing activities		16,090	8,995
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		1,000	1,000
Credit cards/purchase cards		120	120
Total financing arrangements		1,120	1,120

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

Note 12. Commitments for expenditure

(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		56	96
Plant and equipment		–	60
Water & Sewer Infrastructure		2,582	75
Bridge Construction		–	220
Road Construction		–	622
Waste Infrastructure		139	276
Parks and Recreation		102	1,635
Footpaths		–	58
Information Technology		–	49
Airport		–	68
Land Acquisition		717	–
Total commitments		3,596	3,159
These expenditures are payable as follows:			
Within the next year		3,596	3,159
Total payable		3,596	3,159
Sources for funding of capital commitments:			
Unrestricted general funds		3,596	3,159
Total sources of funding		3,596	3,159

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(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		860	112
Later than one year and not later than 5 years		2,807	108
Later than 5 years		649	–
Total non-cancellable operating lease commitments		4,316	220

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

(d) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>12,912</u>	9.84%	5.70%	4.03%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>131,213</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>109,149</u>	69.88%	75.15%	74.35%
Total continuing operating revenue ⁽¹⁾	<u>156,196</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>32,392</u>	3.23x	3.83x	2.87x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>10,039</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>48,528</u>	4.50x	3.84x	3.42x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>10,792</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>3,106</u>	4.76%	5.33%	6.21%
Rates, annual and extra charges collectible	<u>65,197</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>138,598</u>	16.04 mths	15.3 mths	13.6 mths
Payments from cash flow of operating and financing activities	<u>8,640</u>			

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 2016

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 2015/16 result

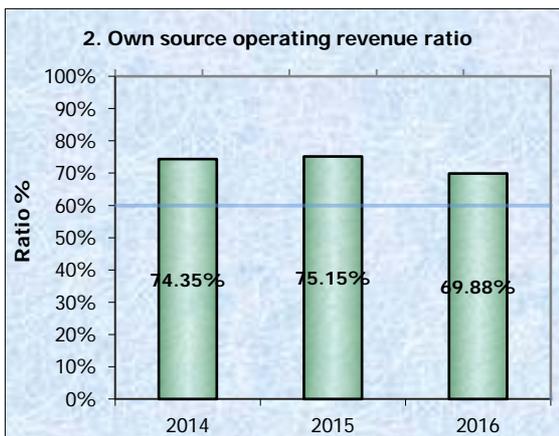
2015/16 ratio 9.84%

Council continues to improve the operating results of all funds providing greater scope for asset renewals, improving sustainability.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

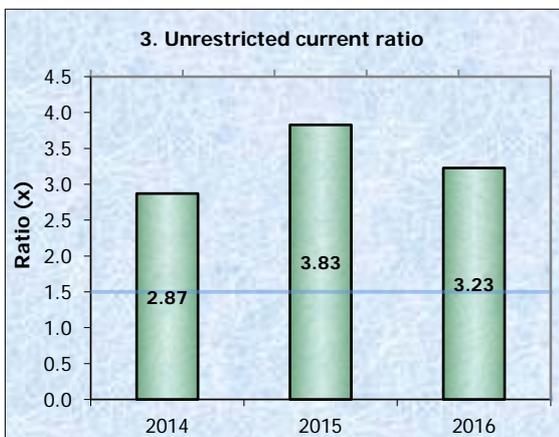
2015/16 ratio 69.88%

This ratio is well above the industry minimum 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 #24

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 2015/16 result

2015/16 ratio 3.23x

Despite a slight decrease from the prior year due to a longer term investment Council is well positioned to meet current liabilities.

Benchmark: ——— Minimum ≥ 1.50

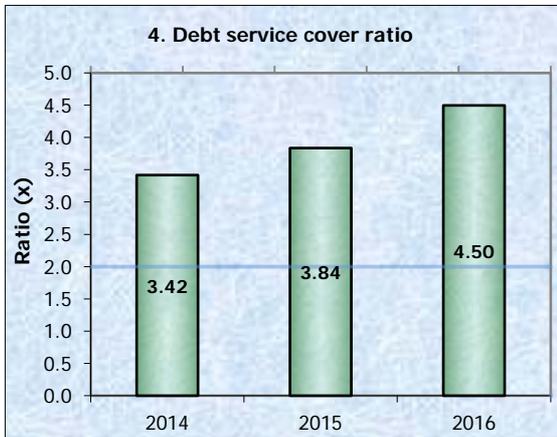
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

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 2015/16 result

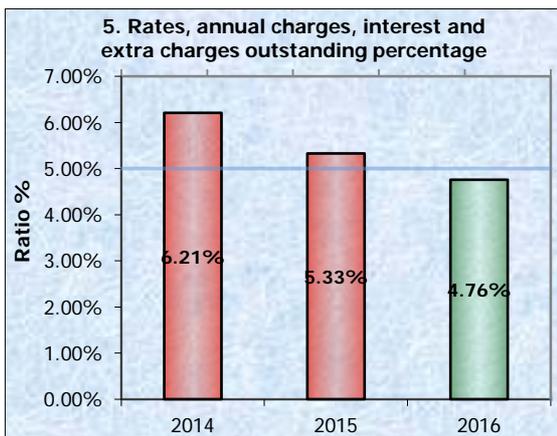
2015/16 ratio 4.50x

This ratio shows council has borrowed responsibly and is fairly distributing new capital works between current and future users of resources. Council's borrowings are well within Local Government benchmarks.

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

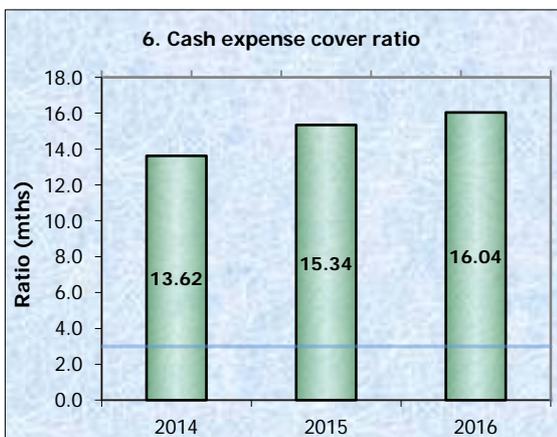
2015/16 ratio 4.76%

Council continues to assist ratepayers and debtors manage account balances whilst working towards reducing overall receivable balances. Implementation of councils' debt recovery policy has seen improvements in 2015/2016 bringing Council in line with industry standards.

Benchmark: ——— Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 ratio 16.04 mths

Council continues to be in a sound cash flow position. Though as shown in note 6c, most of councils cash reserves are externally and internally restricted for designated future needs.

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital ⁽⁶⁾ grants and contributions less operating expenses	11.36%	22.85%	6.29%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: -10.27%	12.03%	7.46%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	85.77%	83.52%	63.17%
Total continuing operating revenue ⁽¹⁾	prior period: 81.08%	86.12%	71.47%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	12.70x	5.62x	3.23x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 24.25x	9.40x	3.83x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	5.46x	2.67x	6.26x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 2.40x	2.10x	6.12x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	7.91%	6.28%	3.72%
Rates, annual and extra charges collectible	prior period: 8.03%	6.37%	4.53%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	32.42 mths	33.27 mths	10.10 mths
Payments from cash flow of operating and financing activities	prior period: 30.37 mths	31.11 mths	9.37 mths

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) Significant improvement in water ratio is due to one off capital contribution paid prior year to NSW Water.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>6,400</u>	<u>6,100</u>
Reconciliation of annual movement:			
Opening balance		6,100	6,050
– Net gain/(loss) from fair value adjustments		300	50
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>6,400</u>	<u>6,100</u>
(b) Valuation basis			
<p>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.</p> <p>The 2016 revaluations were based on independent assessments made by: Preston Rowe Patterson Reg Valuer No 186</p>			
(c) Leasing arrangements			
<p>Details of leased investment properties are as follows;</p> <p>Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:</p>			
Within 1 year		396	431
Later than 1 year but less than 5 years		360	652
Total minimum lease payments receivable		<u>756</u>	<u>1,083</u>
(d) Investment property income and expenditure – summary			
Rental income from investment properties:			
– Minimum lease payments		524	475
Direct operating expenses on investment properties:			
– that generated rental income		(255)	(282)
Net revenue contribution from investment properties		<u>269</u>	<u>193</u>
plus:			
Fair value movement for year		<u>300</u>	<u>50</u>
Total income attributable to investment properties		<u>569</u>	<u>243</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 2016

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 estimated to be the carrying value that approximates market value

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 2016

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 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 its 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:

- **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.

Council also limits its risk by restricting investments with ADI's and as at 30 June 2016 less than 1% of its investments were held outside of the four major banks this investment was held with Newcastle Permanent Building Society.

(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 interest rates. All Council investments are held to maturity and capital guaranteed. Failing a collapse by an ADI the value of the investment will be redeemed. Council investments are not subject to market fluctuations.

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
2016				
Possible impact of a 1% movement in interest rates	1,388	1,388	1,388	1,388
2015				
Possible impact of a 1% movement in interest rates	1,248	1,248	1,249	1,249

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates 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.

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:

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		11%	24%	49%	68%
Overdue		89%	76%	51%	32%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	–	2,004	–	7,695
< 1 year overdue	0 – 30 days overdue	1,442	3,501	1,820	1,584
1 – 2 years overdue	30 – 60 days overdue	1,231	764	1,114	339
2 – 5 years overdue	60 – 90 days overdue	281	227	372	339
> 5 years overdue	> 90 days overdue	563	2,006	409	1,358
		3,517	8,502	3,715	11,315
(iii) Movement in provision for impairment of receivables				2016	2015
Balance at the beginning of the year				2,198	1,252
+ new provisions recognised during the year				225	947
– amounts already provided for and written off this year				(431)	(1)
Balance at the end of the year				1,992	2,198

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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		
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
2015									
Trade/other payables	1,230	8,182	–	–	–	–	–	9,412	9,412
Loans and advances	–	5,003	5,307	5,335	5,467	5,772	59,316	86,200	86,200
Total financial liabilities	1,230	13,185	5,307	5,335	5,467	5,772	59,316	95,612	95,612

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:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	7,668	0.00%	9,412	0.00%
Loans and advances – fixed interest rate	62,205	6.33%	66,122	6.30%
Loans and advances – variable interest rate	18,992	6.17%	20,078	6.20%
	<u>88,865</u>		<u>95,612</u>	

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 23 June 2015.

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	2016 Budget	2016 Actual	2016 ----- Variance* -----		
REVENUES					
Rates and annual charges	60,681	61,511	830	1%	F
User charges and fees	29,658	38,991	9,333	31%	F
Favourable increases were mainly due to; RMS ordered works projects (\$5.3M F), Water usage charges (\$1.9M F), Trade waste charges (\$1.2M F) and Waste disposal charges (\$0.4M F).					
Interest and investment revenue	3,956	4,634	678	17%	F
The favourable increase was due to higher than expected rates on deposits and higher than expected levels of deposits being maintained due to deferred works.					
Other revenues	3,238	4,313	1,075	33%	F
Favourable increases relate mainly to; Fair Value adjustments for which there was no budget (\$300k F), new consultancy services (\$225k F), new leases (\$240k F) and income items incorrectly coded as fees in the original budget (\$440k F).					
Operating grants and contributions	20,860	22,064	1,204	6%	F
Capital grants and contributions	5,218	24,983	19,765	379%	F
The favourable increases came from; Dedicated assets for which there was no budget (\$15.6M F), new grants for airport and waste operations (\$2.5M F), net increase from developer contribution plans (\$0.7M F) and a contribution to specific capital expenditure (\$0.4M F).					

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*		
EXPENSES					
Employee benefits and on-costs	43,567	41,064	2,503	6%	F
Borrowing costs	5,676	5,789	(113)	(2%)	U
Materials and contracts	24,866	32,109	(7,243)	(29%)	U
The increase was due mainly to increased private and RMS ordered works (\$5M U) and works coded as capital in the original budget that were expensed (\$2M U).					
Depreciation and amortisation	28,432	29,838	(1,406)	(5%)	U
Impairment expenses	–	(11)	11	0%	F
Council does not budget for impairment expenses.					
Other expenses	10,274	9,512	762	7%	F
The favourable result is mainly due to a decrease in electricity costs (\$1.1M F) offset by a contribution which was coded as materials expense in the original budget (\$300k U).					
Net losses from disposal of assets	–	7,662	(7,662)	0%	U
Council does not budget for losses on disposal of assets.					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	40,192	52,638	12,446	31.0%	F
Favourable variations relate to increased income from; rates and annual charges (\$1.0M), interest on investments (\$1.1M), grants and contributions (\$3.6M) and user charges and fees (\$11.0M). This was offset by expenditure variations including savings for electricity (\$1.1M F) and employee costs (\$1.2M F) and additional costs for user charges (\$5.4M U) and capital works expensed (\$2.0M U).					
Cash flows from investing activities	(50,666)	(50,337)	329	(0.6%)	F
The net variation includes; investments increased rather than reduced due to favourable operating results (\$7.0M U), proceeds from asset sales not in original budget (\$2.2M F) and net reduction in capital works (\$3.2M F).					
Cash flows from financing activities	5,224	(5,003)	(10,227)	(195.8%)	U
The variation is due to loan proceeds not required due to deferred works (\$10.2M U).					

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	1,282	575	–	39	(161)	–	1,735	–
Parking	58	–	–	2	–	–	60	–
Open space	1,415	205	–	44	(715)	–	949	–
Community facilities	292	80	–	9	(59)	–	322	–
Rural Fire Service	222	10	–	8	–	–	240	–
Studies	116	14	–	4	–	–	134	–
Garbage Disposal	4	–	–	–	–	–	4	–
Mines & Extractive Industry	837	128	–	26	(181)	–	810	–
Rural Traffic Generating	3	–	–	–	–	–	3	–
Cycleways	271	31	–	8	(140)	–	170	–
Tamworth Regional S94 Direct Plan	418	330	–	12	(20)	–	740	–
Tamworth Regional S94 Indirect Plan	742	291	–	23	(195)	–	861	–
S94 contributions – under a plan	5,660	1,664	–	175	(1,471)	–	6,028	–
Total S94 revenue under plans	5,660	1,664	–	175	(1,471)	–	6,028	–
S94 not under plans	170	–	–	6	–	–	176	–
S93F planning agreements	29	–	–	1	–	–	30	–
S64 contributions	20,096	3,511	–	624	(140)	–	24,091	–
Total contributions	25,955	5,175	–	806	(1,611)	–	30,325	–

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	44	–	–	1	–	–	45	–
Roads - Manilla	13	–	–	–	–	–	13	–
Roads - Parry	423	40	–	13	(8)	–	468	–
Roads - Tamworth Urban	696	259	–	22	(153)	–	824	–
Parking - Tamworth	58	–	–	2	–	–	60	–
Drainage Hills Plains	5	–	–	–	–	–	5	–
Open Space - Barraba	7	–	–	1	–	–	8	–
Open Space - Manilla - Active	11	1	–	–	–	–	12	–
Open Space - Tamworth	845	8	–	26	(378)	–	501	–
Open Space - Tamworth Urban	540	188	–	17	(337)	–	408	–
Hills Plains Open Space & Recreation	7	8	–	–	–	–	15	–
Community Facilities - Hills Plain	46	–	–	1	(5)	–	42	–
Community Facilities - Tamworth	61	25	–	2	(33)	–	55	–
Community Facilities - Tamworth Urban	185	55	–	6	(21)	–	225	–
Rural Fire Service - Barraba	18	–	–	1	–	–	19	–
Rural Fire Service - Manilla	6	–	–	–	–	–	6	–
Rural Fire Service - Nundle	9	–	–	1	–	–	10	–
Rural Fire Service - Parry	189	10	–	6	–	–	205	–
Studies - Hills Plain East	30	–	–	1	–	–	31	–
Studies - Tamworth Urban	86	14	–	3	–	–	103	–

(continued on the next page...)

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN (continued)

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					
Garbage Disposal - Nundle	4	–	–	–	–	–	4	–
Mines & Extractive Industry - Parry	837	128	–	26	(181)	–	810	–
Rural Traffic Generating - Parry	3	–	–	–	–	–	3	–
Tamworth Urban Cycleway	139	24	–	4	(10)	–	157	–
Cycleways - Tamworth	132	7	–	4	(130)	–	13	–
Tamworth Regional (Roads)	263	218	–	8	–	–	489	–
Hills Plains Roads	106	276	–	3	–	–	385	–
Tamworth Regional (Open Space & Rec)	140	91	–	4	(20)	–	215	–
Tamworth Regional (Plan Preparation)	15	21	–	–	–	–	36	–
Tamworth S94A (Indirect Plan)	742	291	–	23	(195)	–	861	–
S93 Planning Agreements	29	–	–	1	–	–	30	–
Total	5,689	1,664	–	176	(1,471)	–	6,058	–

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	56	–	–	2	–	–	58	–
Roads	86	–	–	3	–	–	89	–
Subdivision Works	28	–	–	1	–	–	29	–
Total	170	–	–	6	–	–	176	–

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	11,651	2,550	–	362	(115)	–	14,448	–
Sewer	8,445	961	–	262	(25)	–	9,643	–
Total	20,096	3,511	–	624	(140)	–	24,091	–

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 30/6/2016 \$200,000.

At June 30, 2016 Councils guarantee is limited to \$240,000. Early in July 2016 Council increased this loan guarantee to \$260,000.

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

(iii) Other guarantees

Council has provided a loan guarantee for the Tamworth Gymnastic Club but as at June 30 this loan had not been drawn down.

2. Other liabilities

(i) Third party claims

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

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

(ii) Public Liability

Council is involved in a public liability legal matter where judgement was found in favour of the plaintiff for damages to be assessed with costs, at a future date to be determined. To date Council has only been asked for 50% compensation with regards to costs and disbursements. An amount is yet to be determined with regards to damages.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities (continued)

(ii) Public Liability (continued)

However there is no insurance cover available to Council against any potential loss. At the current time the value of the claim cannot be accurately determined.

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

(iii) Statewide Limited

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

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

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

(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 Council's 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.

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

Tamworth Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

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 2016

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	
		2016	2015	2016	2015
Central Northern Regional Libraries	Provision of library resources & services for its member Councils				
Interests in Subsidiary					
Council's interest in Subsidiary		62%	62%		62%
Non-controlling interest in Subsidiary		38%	38%		38%

The nature and extent of significant restrictions relating to the Subsidiary

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

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

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

Other disclosures

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

Reporting dates of Subsidiary

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

Summarised financial information for the Subsidiary

	2016	2015
Summarised statement of comprehensive income		
Revenue	1,582	1,606
Expenses ¹	(1,610)	(1,449)
Profit for the period	(28)	157
Total comprehensive income ⁽²⁾	(28)	157
⁽²⁾ Non-controlling interest share	(11)	61
⁽¹⁾ Expenses include 58k adjustment prior year		
Summarised statement of financial position	2016	2015
Current assets	529	499
Non-current assets	676	734
Total assets	1,205	1,233
Net assets ⁽³⁾	1,205	1,233
⁽³⁾ Non-controlling interest share	458	469
Summarised statement of cash flows	2016	2015

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		994,546	1,013,950
a. Net operating result for the year		30,544	(19,404)
Balance at end of the reporting period		<u>1,025,090</u>	<u>994,546</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		396,520	389,646
Total		<u>396,520</u>	<u>389,646</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		389,646	410,196
– Revaluations for the year	9(a)	7,271	(20,550)
– Other movements		(397)	–
– Balance at end of year		<u>396,520</u>	<u>389,646</u>
TOTAL VALUE OF RESERVES		<u>396,520</u>	<u>389,646</u>
(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.			

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	6,123	16,528	38,860
User charges and fees	12,277	3,381	23,333
Interest and investment revenue	1,432	1,227	1,975
Other revenues	274	115	3,924
Grants and contributions provided for operating purposes	212	305	21,547
Grants and contributions provided for capital purposes	3,125	3,887	17,971
Total income from continuing operations	23,443	25,443	107,610
Expenses from continuing operations			
Employee benefits and on-costs	1,969	1,960	37,135
Borrowing costs	711	2,858	2,220
Materials and contracts	8,250	5,231	18,628
Depreciation and amortisation	4,501	5,681	19,656
Impairment	–	–	(11)
Other expenses	2,024	874	6,614
Net losses from the disposal of assets	208	103	7,351
Total expenses from continuing operations	17,663	16,707	91,593
Operating result from continuing operations	5,780	8,736	16,017
Net operating result for the year	5,780	8,736	16,017
Net operating result attributable to each council fund	5,780	8,736	16,028
Net operating result attributable to non-controlling interests	–	–	(11)
Net operating result for the year before grants and contributions provided for capital purposes	2,655	4,849	(1,954)

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 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	–	–	3,611
Investments	29,404	28,320	46,263
Receivables	1,849	1,660	6,134
Inventories	–	–	1,080
Other	–	–	88
Non-current assets classified as 'held for sale'	–	–	1,517
Total current assets	31,253	29,980	58,693
Non-current assets			
Investments	8,370	8,060	14,570
Receivables	8,000	8,000	384
Infrastructure, property, plant and equipment	230,537	250,789	896,387
Investment property	–	–	6,400
Intangible assets	774	1,177	296
Total non-current assets	247,681	268,026	918,037
TOTAL ASSETS	278,934	298,006	976,730
LIABILITIES			
Current liabilities			
Payables	600	835	6,567
Borrowings	684	2,361	18,315
Provisions	–	–	9,200
Total current liabilities	1,284	3,196	34,082
Non-current liabilities			
Borrowings	11,487	40,101	24,249
Provisions	–	–	17,203
Total non-current liabilities	11,487	40,101	41,452
TOTAL LIABILITIES	12,771	43,297	75,534
Net assets	266,163	254,709	901,196
EQUITY			
Retained earnings	169,992	168,815	686,283
Revaluation reserves	96,171	85,894	214,455
Total equity	266,163	254,709	901,196

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 2016

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

\$ '000	2016	2016	2015	2015
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	1,517	–	2,515	–
Total non-current assets 'held for sale'	1,517	–	2,515	–
Disposal group assets 'held for sale'				
None				
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>1,517</u>	<u>–</u>	<u>2,515</u>	<u>–</u>

(ii) Details of assets and disposal groups

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

\$ '000	Assets 'held for sale'	
	2016	2015
(iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations		
Opening balance	2,515	2,515
Less: carrying value of assets/operations sold	(675)	–
Balance still unsold after 12 months:	1,840	2,515
Less: assets no longer classified as 'held for sale'	(1,718)	–
Plus new transfers in:		
– Assets 'held for sale'	1,301	–
– 'Development and Selling Costs'	94	–
Closing balance of 'held for sale' non-current assets and operations	<u>1,517</u>	<u>2,515</u>

Refer to Note 27. Fair value measurement for fair value measurement information.

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (30 June 2016) 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 27/10/16.

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 2016.

(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 2016 and which are only indicative of conditions that arose after 30 June 2016.

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 2016

Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	2,328	263
Accumulated amortisation (1/7)	(111)	(27)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	2,217	236
Movements for the year		
– Purchases	25	116
– Other capitalised costs	109	1,949
– Amortisation charges	(104)	(84)
Closing values:		
Gross book value (30/6)	2,462	2,328
Accumulated amortisation (30/6)	(215)	(111)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>2,247</u>	<u>2,217</u>

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	
		2016	2015
Quarry and tip rehabilitation		16,890	16,843
Balance at end of the reporting period	10(a)	<u>16,890</u>	<u>16,843</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.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

- actual time frame waste facilities and quarries will be in operation
- future EPA requirements for waste facility capping

Reconciliation of movement in provision for year:

Balance at beginning of year	16,843	16,353
Amounts capitalised to new or existing assets:		
– reversal of excess expenditure to provision	–	27
Amortisation of discount (expensed to borrowing costs)	475	463
Expenditure incurred attributable to provisions	(428)	–
Total – reinstatement, rehabilitation and restoration provision	<u>16,890</u>	<u>16,843</u>

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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 and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

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

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

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

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

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

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 2016

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):

2015	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	30/06/15	–	4,000	–	4,000
474 Peel street	30/06/15	–	1,300	–	1,300
561 Peel street	30/06/15	–	800	–	800
Total investment properties		–	6,100	–	6,100
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/14	–	–	22,421	22,421
Office equipment	30/06/14	–	–	136	136
Furniture and fittings	30/06/14	–	–	2,744	2,744
Land – operational	30/06/13	–	–	68,464	68,464
Land under roads (post 30/6/08)		–	–	728	728
Land improvements – depreciable	30/06/14	–	–	12,755	12,755
Buildings	30/06/13	–	–	95,182	95,182
Other structures	30/06/11	–	–	43,616	43,616
Road and footpath infrastructure	30/06/15	–	–	404,523	404,523
Stormwater drainage	30/06/15	–	–	182,438	182,438
Water supply network	30/06/13	–	–	209,984	209,984
Sewerage network	30/06/13	–	–	233,215	233,215
Heritage assets	30/06/14	–	–	18	18
Library books	30/06/14	–	–	625	625
Art collection	30/06/14	–	–	3,382	3,382
Other assets	30/06/14	–	–	4,468	4,468
Land – community	30/06/13	–	–	15,834	15,834
Reinstatement Assets	30/06/12	–	–	5,377	5,377
Total infrastructure, property, plant and equipment		–	–	1,305,910	1,305,910
Non-recurring fair value measurements					
Non-current assets classified as ‘held for sale’					
Land	30/06/13	–	2,515	–	2,515
Total NCA’s classified as ‘held for sale’		–	2,515	–	2,515

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 June 30, 2016 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 2016

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 24, Appendix I; as such community land has been valued using the NSW Valuer General's valuations. For this reason Council is unable to provide neither observable nor unobservable valuation techniques and valuation is being reported at Level 3.

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

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

Land Under Roads

Councils recognised land under roads have had Fair Value derived using the Englobio 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 2016

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 2016

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 – 1/7/14	1,377,539	1,377,539
Transfers from/(to) another asset class	5,104	5,104
Purchases (GBV)	23,265	23,265
Disposals (WDV)	(9,555)	(9,555)
Depreciation and impairment	(28,280)	(28,280)
FV gains – other comprehensive income	(59,648)	(59,648)
Closing balance – 30/6/15	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

Tamworth Regional Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 (30/6/16) \$'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 2016

Note 27. Fair value measurement (continued)

Class	Fair value (30/6/16) \$'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 2016

Note 28. 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
TO TAMWORTH REGIONAL COUNCIL
S417(2) REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS**

Report on the Financial Report

We have audited the accompanying financial report of Tamworth Regional Council ("the Council"), which comprises the statement of financial position as at 30 June 2016, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the *Local Government Act 1993*.

Councillors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

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

Independence

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

Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13 part 3 Division 2 (the "Division");
- (b) the financial report:
 - i. has been presented in accordance with the requirements of this Division;
 - ii. is consistent with the Council's accounting records;
 - iii. presents fairly the Council's financial position as at 30 June 2016, the results of its operations and its cash flows for the year then ended; and
 - iv. is in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that we have become aware of during the course of the audit.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Tamworth Regional Council ("the Council") for the year ended 30 June 2016 included on Tamworth Regional Council's website. The Councillors of the Council are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.



PROSPERITY AUDIT SERVICES



LUKE MALONE
Partner

27 October 2016
Sydney

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

Dear Cr Murray,

**SUBJECT: SECTION 417(3) - REPORT ON THE CONDUCT OF THE AUDIT
FOR THE YEAR ENDED 30 JUNE 2016**

We have completed the audit of the financial report for Tamworth Regional Council for the year ended 30 June 2016 in accordance with Section 415 of the *Local Government Act 1993*.

We have conducted an independent audit of the financial report in order to express an opinion on it to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. We performed procedures to assess whether in all material aspects the financial report presents fairly, in accordance with the *Local Government Act 1993*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of the its operations and cash flows.

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

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls. Our audit did not include an analysis of the prudence of business decisions made by Councillors or management.

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

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

1. Operating result
2. Cash and investments position
3. Infrastructure, property, plant and equipment
4. Working capital
5. Performance indicators
6. General

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Operating result

The net operating result before capital grants and contributions for the year ended 30 June 2016 was a surplus of \$5.55m compared with a deficit of \$36.61m for the year ended 30 June 2015. An improvement of \$42.16m.

The key difference in the Council's performance for the 2016 financial year compared to the 2015 financial year was the \$39.10m revaluation decrement recognised for road assets in the 2015 financial year. A similar revaluation decrement was not recognised in the 2016 financial year.

Council's increase in rates and annual charges was in line with the IPART peg rate of 2.4%.

Cash and investments

Council maintained a cash and investment balance of \$138.60m as at 30 June 2016, compared to a balance of \$138.81m as at 30 June 2015. The movement in cash during the 2016 financial year is attributable to the following:

Cash flows from operating activities

Cash provided by operating activities amounting to \$52.64m (2015: \$45.17m) representing an increase of \$7.47m. Significant cash flows for the 2016 financial year included:

1. Receipt of rates and annual charges, and user charges and fees \$104.25m (2015: \$107.87m);
2. Receipt of investment revenue of \$5.11m (2015: \$5.12m);
3. Receipt of grants and contributions of \$31.91m (2015: \$28.79m);
4. Payments to employees of \$41.86m (2015: \$40.69m);
5. Payments for materials and contracts of \$39.52m (2015: \$42.38m); and
6. Interest payments of \$5.33m (2015: \$5.49m).

Cash flows from investing activities

Net cash used in investing activities totalled \$50.34m (2015: \$47.36m), an increase of \$2.98m. These cash flows were substantially comprised of payments for infrastructure, property, plant and equipment of \$50.06m (2015: \$33.01m).

Cash flows from financing activities

Net cash used in financing activities totalled \$5.00m (2015: \$0.10m), reflective of the repayment of borrowings in the 2016 financial year.

Restricted / Unrestricted components of cash and investment balances:

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

The following table highlights the composition of the Council's cash balances between restricted (external and internal restrictions) and unrestricted components for the past five years:

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Total cash and investments	138,598	138,812	122,095	125,312	108,570
Less: Externally restricted items	(103,885)	(106,324)	(98,023)	(101,062)	(83,085)
Less: Internally restricted items	(28,414)	(28,747)	(21,506)	(23,129)	(22,179)
Unrestricted cash and investments	6,299	3,741	2,566	1,121	3,306

Infrastructure, property, plant and equipment

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

Under direction from the Division of Local Government, the Council revalued community land, other assets and land improvements using fair value methodologies at 30 June 2016. The last comprehensive revaluation of these assets occurred as at 30 June 2011. The valuation movements noted as a result of the revaluation to these assets were an increment of \$1.12m, a decrement of \$0.50m, and an increment of \$0.13m respectively.

The fair value of community land was valued in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24 i.e. based on the NSW Valuer General's valuations.

The fair value of other assets and land improvements were valued based on the depreciated replacement cost approach for each asset taking into account a range of factors including condition, location and construction material. Council engaged an independent valuer to assist in the valuation process for other assets.

There were no changes to Council's valuation processes during the year.

The revaluation adjustments have been recognised in other comprehensive income.

Working capital

Council's net current assets reduced by \$33.93m from \$131.30m as at 30 June 2015 to \$97.36m as at 30 June 2016. This was primarily attributable to the reclassification of a \$31.00m investment from current to non-current during the 2016 financial year.

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Current assets	119,926	155,201	139,650	150,999	127,937
Current liabilities	(22,562)	(23,903)	(24,866)	(29,254)	(28,053)
Working capital	97,364	131,298	114,784	121,745	99,884

As a substantial portion of Council's net current assets are restricted in nature, it remains important that care is exercised in the management of the working capital position to minimise liquidity risks. Further analysis of the Council's working capital illustrates the improvement in the unrestricted current ratio which has been included below under Performance indicators.

Performance indicators

Note 13 to the financial report identifies a number of Local Government industry indicators for performance measurement. These performance indicators have been outlined below for the past five years:

Ratio	2016 %	2015 %	2014 %	2013 %	2012 %
Operating performance ratio ¹	9.8	5.7	4.0	(0.3)	(0.2)
Own source operating revenue ²	70	75	74	71	72
Unrestricted current ratio ³	323	383	287	349	284
Debt service cover ratio ⁴	450	384	342	323	292
Rates outstanding ratio ⁵	4.8	5.3	6.2	7.2	7.0
Cash expense cover ratio ⁶	16	15	14	15	17

- ¹ The operating performance ratio measures Council's achievement of containing operating expenditure within operating revenue. This ratio improved during the year and remained above the industry benchmark of 0%.
- ² The own source operating revenue ratio measures fiscal flexibility i.e. the degree of reliance on external funding sources such as operating grants and contributions. This ratio declined to 70% during the year but remained above the industry benchmark of 60%.
- ³ The unrestricted current ratio assesses the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council. This ratio improved during the year and remained above the industry benchmark of 150%.
- ⁴ The debt service cover ratio measures the availability of operating cash to service debt including interest, principal and lease payments. This ratio improved during the year and remained above the industry benchmark of 200%.
- ⁵ The rates outstanding ratio assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts. This ratio improved during the year and fell within the industry benchmark of 5% for the first time.
- ⁶ The cash expense cover ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow. This ratio improved during the year and remained above the industry benchmark of 3 months.

Council meets the industry benchmark for all performance indicators and accordingly, is considered to be in a sound and stable financial position.

General

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

This auditor's report relates to the financial reports of Tamworth Regional Council for the year ended 30 June 2016 included on Tamworth Regional Council's web site. The Councillors of the Council are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.

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

Yours faithfully,

Prosperity Audit Services

PROSPERITY AUDIT SERVICES



LUKE MALONE
Partner

27 October 2016
Sydney

Tamworth Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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



Tamworth Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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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 2016

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 23 August 2016.



Col Murray
Mayor



Russell Webb
Councillor



Paul Bennett
General manager



Rick Sanderson
Responsible accounting officer

Tamworth Regional Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	6,123	6,074
User charges	11,974	9,770
Fees	303	342
Interest	1,432	1,412
Grants and contributions provided for non-capital purposes	212	210
Profit from the sale of assets	–	–
Other income	274	212
Total income from continuing operations	20,318	18,020
Expenses from continuing operations		
Employee benefits and on-costs	1,969	2,440
Borrowing costs	711	717
Materials and contracts	8,250	7,025
Depreciation and impairment	4,501	4,212
Water purchase charges	851	775
Loss on sale of assets	208	229
Calculated taxation equivalents	42	30
Debt guarantee fee (if applicable)	62	54
Chaffey Dam Augmentation Contribution	307	3,300
Other expenses	1,173	1,217
Total expenses from continuing operations	18,074	19,999
Surplus (deficit) from continuing operations before capital amounts	2,244	(1,979)
Grants and contributions provided for capital purposes	3,125	4,028
Surplus (deficit) from continuing operations after capital amounts	5,369	2,049
Less: corporate taxation equivalent (30%) [based on result before capital]	(673)	–
SURPLUS (DEFICIT) AFTER TAX	4,696	2,049
Plus opening retained profits	164,585	175,843
Plus/less: prior period adjustments	–	(13,326)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	42	30
– Debt guarantee fees	62	54
– Corporate taxation equivalent	673	–
Less:		
– Tax equivalent dividend paid	(66)	(65)
– Surplus dividend paid	–	–
Closing retained profits	169,992	164,585
Return on capital %	1.3%	-0.6%
Subsidy from Council	2,048	8,145
Calculation of dividend payable:		
Surplus (deficit) after tax	4,696	2,049
Less: capital grants and contributions (excluding developer contributions)	(2,611)	(1,712)
Surplus for dividend calculation purposes	2,085	337
Potential dividend calculated from surplus	1,042	169

Tamworth Regional Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	16,528	15,844
User charges	2,423	2,121
Liquid trade waste charges	882	284
Fees	76	86
Interest	1,227	1,090
Grants and contributions provided for non-capital purposes	305	439
Other income	115	53
Total income from continuing operations	21,556	19,917
Expenses from continuing operations		
Employee benefits and on-costs	1,960	2,060
Borrowing costs	2,858	2,984
Materials and contracts	5,231	5,251
Depreciation and impairment	5,681	5,330
Loss on sale of assets	103	570
Calculated taxation equivalents	186	188
Debt guarantee fee (if applicable)	218	228
Other expenses	874	1,144
Total expenses from continuing operations	17,111	17,755
Surplus (deficit) from continuing operations before capital amounts	4,445	2,162
Grants and contributions provided for capital purposes	3,887	2,700
Surplus (deficit) from continuing operations after capital amounts	8,332	4,862
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,334)	(649)
SURPLUS (DEFICIT) AFTER TAX	6,999	4,213
Plus opening retained profits	160,139	209,401
Plus/less: prior period adjustments	–	(54,481)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	186	188
– Debt guarantee fees	218	228
– Corporate taxation equivalent	1,334	649
Less:		
– Tax equivalent dividend paid	(60)	(59)
– Surplus dividend paid	–	–
Closing retained profits	168,815	160,139
Return on capital %	2.9%	2.1%
Subsidy from Council	–	2,364
Calculation of dividend payable:		
Surplus (deficit) after tax	6,999	4,213
Less: capital grants and contributions (excluding developer contributions)	(1,301)	(1,793)
Surplus for dividend calculation purposes	5,698	2,420
Potential dividend calculated from surplus	2,849	1,210

Tamworth Regional Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	–	–	7,337	6,993
Fees	4,278	4,068	3,973	4,178
Interest	–	–	2	5
Grants and contributions provided for non-capital purposes	–	–	183	685
Other income	394	376	38	14
Total income from continuing operations	4,672	4,444	11,533	11,875
Expenses from continuing operations				
Employee benefits and on-costs	708	781	1,177	1,335
Borrowing costs	88	91	466	454
Materials and contracts	2,945	2,661	8,305	7,180
Depreciation and impairment	785	631	529	544
Loss on sale of assets	–	15	185	–
Calculated taxation equivalents	166	168	–	7
Debt guarantee fee (if applicable)	7	7	–	–
Other expenses	231	404	68	256
Total expenses from continuing operations	4,930	4,758	10,730	9,776
Surplus (deficit) from continuing operations before capital amounts	(258)	(314)	803	2,099
Grants and contributions provided for capital purposes	243	–	1,225	–
Surplus (deficit) from continuing operations after capital amounts	(15)	(314)	2,028	2,099
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(241)	(630)
SURPLUS (DEFICIT) AFTER TAX	(15)	(314)	1,787	1,469
Plus opening retained profits	20,144	25,573	13,576	14,498
Plus/less: prior period adjustments	–	(1,919)	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	166	168	–	7
– Debt guarantee fees	7	7	–	–
– Corporate taxation equivalent	–	–	241	630
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	(3,371)	–	(3,028)
Closing retained profits	20,302	20,144	15,604	13,576
Return on capital %	-0.4%	-0.5%	9.2%	18.4%
Subsidy from Council	1,098	1,477	–	–

Tamworth Regional Council

Statement of Financial Position – Council's Water Supply Business Activity as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	29,404	41,279
Receivables	1,849	1,609
Inventories	–	–
Total current assets	31,253	42,888
Non-current assets		
Investments	8,370	–
Receivables	8,000	–
Inventories	–	–
Infrastructure, property, plant and equipment	230,537	227,904
Intangible assets	774	666
Total non-current assets	247,681	228,570
TOTAL ASSETS	278,934	271,458
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	600	613
Borrowings	684	655
Provisions	–	–
Total current liabilities	1,284	1,268
Non-current liabilities		
Borrowings	11,487	12,170
Total non-current liabilities	11,487	12,170
TOTAL LIABILITIES	12,771	13,438
NET ASSETS	266,163	258,020
EQUITY		
Retained earnings	169,992	164,585
Revaluation reserves	96,171	93,435
Council equity interest	266,163	258,020
TOTAL EQUITY	266,163	258,020

Tamworth Regional Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	28,320	36,522
Receivables	1,660	1,295
Total Current Assets	29,980	37,817
Non-current assets		
Investments	8,060	–
Receivables	8,000	–
Infrastructure, property, plant and equipment	250,789	248,663
Intangible assets	1,177	1,177
Total non-current assets	268,026	249,840
TOTAL ASSETS	298,006	287,657
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	835	699
Borrowings	2,361	2,138
Provisions	–	–
Total current liabilities	3,196	2,837
Non-current liabilities		
Borrowings	40,101	42,461
Provisions	–	–
Total non-current liabilities	40,101	42,461
TOTAL LIABILITIES	43,297	45,298
NET ASSETS	254,709	242,359
EQUITY		
Retained earnings	168,815	160,139
Revaluation reserves	85,894	82,220
Council equity interest	254,709	242,359
Non-controlling equity interest	–	–
TOTAL EQUITY	254,709	242,359

Tamworth Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

\$ '000	Airport		Waste	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	38	1,285	15,083	18,186
Receivables	649	768	910	920
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	687	2,053	15,993	19,106
Non-current assets				
Investments	–	–	4,340	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	42,785	41,539	13,808	13,855
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
Total non-current assets	42,785	41,539	18,148	13,855
TOTAL ASSETS	43,472	43,592	34,141	32,961
LIABILITIES				
Current liabilities				
Bank overdraft	–	553	–	936
Payables	183	214	67	62
Borrowings	50	46	–	–
Provisions	–	–	–	–
Total current liabilities	233	813	67	998
Non-current liabilities				
Payables	–	–	–	–
Borrowings	1,281	1,331	–	–
Provisions	–	–	16,569	16,531
Total non-current liabilities	1,281	1,331	16,569	16,531
TOTAL LIABILITIES	1,514	2,144	16,636	17,529
NET ASSETS	41,958	41,448	17,505	15,432
EQUITY				
Retained earnings	20,302	20,144	15,604	13,576
Revaluation reserves	21,656	21,304	1,901	1,856
Council equity interest	41,958	41,448	17,505	15,432
TOTAL EQUITY	41,958	41,448	17,505	15,432

Tamworth Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

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Tamworth Regional Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies

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

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

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

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

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

National Competition Policy

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

The framework for its application is set out in the June 1996 government policy statement, *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 standards for disclosure. 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)

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

Water supply systems servicing the area of Tamworth Regional Council.

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

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

c. **Tamworth Regional Airport**

Tamworth Regional Airport Facility.

d. **Tamworth Regional Council Waste Management**

Tamworth Regional Council Waste Management Facilities.

Category 2

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

None

Monetary amounts

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

Tamworth Regional Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

As required by the NSW Office of Water (Department of Primary Industries) 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 in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$482,000 of combined land values attracts 0%. For that valued from \$482,001 to \$2,947,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,947,000, 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 Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage 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 against the Best-Practice Management of Water Supply and Sewerage 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 each reported business activity.

While 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 or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

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

Local government rates and charges

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

Loan 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 2016

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

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

(iv) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	104,000
(ii)	Number of assessments multiplied by \$3/assessment	66,015
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	66,015
(iv)	Amounts actually paid for tax equivalents	66,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,042,400
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	594,135
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	6,940,400

2016 Surplus	2,084,800	2015 Surplus	337,000	2014 Surplus	4,518,600
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	594,135
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	66,000
(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 2016

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

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

2016

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	22,008
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)]	%	59.99%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	216,350
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	11,406
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	4,047
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.65%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	58

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 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

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	404,000
(ii)	Number of assessments multiplied by \$3/assessment	60,012
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	60,012
(iv)	Amounts actually paid for tax equivalents	60,012

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	2,848,750
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	540,108
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	9,734,800

2016 Surplus	5,697,500	2015 Surplus	2,420,400	2014 Surplus	1,616,900
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	540,108
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	60,000
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	<input type="checkbox"/>

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 2016

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

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	24,216
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	234,337
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	7,958
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,640
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 (s48) + plant and equipment (s34b)]	%	4.22%
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	45,914
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.86%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	5,687
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)]	%	3.47%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	126
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.91%

Tamworth Regional Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

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

2016

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-3.75%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		- 16,678 967
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	13,899
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	395

- 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 TO TAMWORTH REGIONAL COUNCIL

Report on the Financial Report

We have audited the accompanying financial statements, being the special purpose financial statements of Tamworth Regional Council (the Council), which comprises the statements of financial position by business activity as at 30 June 2016 and the income statements by business activity for the year then ended, a summary of significant accounting policies, other explanatory notes and the Statement by Councillors and Management.

Responsibility of the Councillors for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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Standards Legislation.

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

Auditor's Opinion

In our opinion, the financial statements of the Council presents fairly, in all material respects, the financial position by Business Activity of Tamworth Regional Council as of 30 June 2016 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting and Restriction on Distribution

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

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the special purpose financial statements of Tamworth Regional Council (the Council) for the year ended 30 June 2016 included on Tamworth Regional Council's web site. The Councillors of the Council are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.



PROSPERITY AUDIT SERVICES



LUKE MALONE
Partner

27 October 2016
Sydney

Tamworth Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

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



Tamworth Regional Council

Special Schedules

for the year ended 30 June 2016

Contents

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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 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	5,003	289	–	(4,714)
Administration	4,522	662	25	(3,835)
Public order and safety				
Fire service levy, fire protection, emergency services	1,265	458	102	(705)
Enforcement of local government regulations	93	57	–	(36)
Animal control	305	57	–	(248)
Total public order and safety	1,663	572	102	(989)
Health	167	150	–	(17)
Environment				
Noxious plants and insect/vermin control	341	116	–	(225)
Other environmental protection	288	106	–	(182)
Solid waste management	9,574	10,961	1,224	2,611
Street cleaning	668	–	–	(668)
Drainage	2,599	586	712	(1,301)
Stormwater management	155	111	–	(44)
Total environment	13,625	11,880	1,936	191
Community services and education				
Administration and education	117	–	–	(117)
Social protection (welfare)	64	65	165	166
Aged persons and disabled	557	577	–	20
Children's services	1,219	658	–	(561)
Total community services and education	1,957	1,300	165	(492)
Housing and community amenities				
Public cemeteries	395	268	–	(127)
Public conveniences	320	–	–	(320)
Street lighting	686	169	–	(517)
Town planning	1,066	1,284	35	253
Other community amenities	34	–	–	(34)
Total housing and community amenities	2,501	1,721	35	(745)
Water supplies	16,734	18,900	3,113	5,279
Sewerage services	15,750	21,281	3,881	9,412

Tamworth Regional Council

Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,466	919	–	(1,547)
Museums	139	6	–	(133)
Art galleries	1,130	195	–	(935)
Community centres and halls	544	95	4	(445)
Performing arts venues	1,549	460	–	(1,089)
Other cultural services	193	18	–	(175)
Sporting grounds and venues	4,010	680	4	(3,326)
Swimming pools	1,673	581	–	(1,092)
Parks and gardens (lakes)	3,059	29	655	(2,375)
Other sport and recreation	73	2	90	19
Total recreation and culture	14,836	2,985	753	(11,098)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,997	394	–	(1,603)
Other mining, manufacturing and construction	(218)	–	–	218
Total mining, manufacturing and const.	1,779	394	–	(1,385)
Transport and communication				
Urban roads (UR) – local	17,076	5,500	13,710	2,134
Urban roads – regional	918	220	–	(698)
Sealed rural roads (SRR) – local	1,461	7	–	(1,454)
Sealed rural roads (SRR) – regional	584	2,047	432	1,895
Unsealed rural roads (URR) – local	4,730	–	40	(4,690)
Unsealed rural roads (URR) – regional	13	–	–	(13)
Bridges on UR – local	19	–	–	(19)
Bridges on SRR – local	1,741	122	–	(1,619)
Bridges on URR – local	12	–	–	(12)
Bridges on regional roads	307	265	–	(42)
Parking areas	969	964	–	(5)
Footpaths	385	–	523	138
Aerodromes	4,218	4,672	243	697
Other transport and communication	6,795	8,166	2	1,373
Total transport and communication	39,228	21,963	14,950	(2,315)
Economic affairs				
Camping areas and caravan parks	45	174	13	142
Other economic affairs	8,153	5,672	10	(2,471)
Total economic affairs	8,198	5,846	23	(2,329)
Totals – functions	125,963	87,943	24,983	(13,037)
General purpose revenues ⁽¹⁾		43,570		43,570
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	125,963	131,513	24,983	30,533

(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 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	130	520	650	–	130	–	–	–	130	390	520
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	4,762	80,678	85,440	–	4,763	–	–	5,314	5,230	75,447	80,677
Other	110	–	110	–	110	–	–	–	–	–	–
Total loans	5,002	81,198	86,200	–	5,003	–	–	5,314	5,360	75,837	81,197

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 2016

\$'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	187	16,000
Totals	16,000	187	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			8,000	93	8,000
General - Land Acq	Sewer	04/08/16	01/03/16	5			8,000	94	8,000
Totals							16,000	187	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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,534	1,455
b. Engineering and supervision	2,709	2,902
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	625	621
b. Maintenance expenses	219	271
– Mains		
c. Operation expenses	499	489
d. Maintenance expenses	1,324	1,121
– Reservoirs		
e. Operation expenses	104	109
f. Maintenance expenses	79	112
– Pumping stations		
g. Operation expenses (excluding energy costs)	111	77
h. Energy costs	134	159
i. Maintenance expenses	138	192
– Treatment		
j. Operation expenses (excluding chemical costs)	2,066	2,074
k. Chemical costs	355	265
l. Maintenance expenses	650	576
– Other		
m. Operation expenses	8	1
n. Maintenance expenses	–	–
o. Purchase of water	851	797
3. Depreciation expenses		
a. System assets	4,478	4,184
b. Plant and equipment	23	28
4. Miscellaneous expenses		
a. Interest expenses	711	717
b. Revaluation decrements	–	–
c. Other expenses	1,144	3,475
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	64	65
5. Total expenses	17,826	19,690

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	4,757	4,544
b. Usage charges	7,134	5,551
7. Non-residential charges		
a. Access (including rates)	1,366	1,530
b. Usage charges	4,840	4,219
8. Extra charges	57	78
9. Interest income	1,375	1,334
10. Other income	577	559
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	58	602
b. Grants for pensioner rebates	206	210
c. Other grants	–	–
12. Contributions		
a. Developer charges	2,550	2,317
b. Developer provided assets	514	1,041
c. Other contributions	7	2
13. Total income	23,441	21,987
14. Gain (or loss) on disposal of assets	(208)	(229)
15. Operating result	5,407	2,068
15a. Operating result (less grants for acquisition of assets)	5,349	1,466

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	435	3,654
b. New assets for growth	1,034	1,041
c. Renewals	2,578	1,914
d. Plant and equipment	–	–
17. Repayment of debt	655	542
18. Totals	4,702	7,151
Non-operating funds employed		
19. Proceeds from disposal of assets	–	4,750
20. Borrowing utilised	–	–
21. Totals	–	4,750
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	19,525	18,578
b. Residential (unoccupied, ie. vacant lot)	472	1,075
c. Non-residential (occupied)	1,957	1,786
d. Non-residential (unoccupied, ie. vacant lot)	51	236
23. Number of ETs for which developer charges were received	– ET	424 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 368,478	\$ 372,169

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	14,449	–	14,449
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	492	–	492
e. Sinking fund	–	–	–
f. Other	14,463	8,370	22,833
26. Receivables			
a. Specific purpose grants	18	–	18
b. Rates and availability charges	489	–	489
c. User charges	1,316	–	1,316
d. Other	26	8,000	8,026
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	216,350	216,350
b. Plant and equipment	–	14,187	14,187
29. Other assets	–	774	774
30. Total assets	31,253	247,681	278,934
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	600	–	600
33. Borrowings	684	11,487	12,171
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	1,284	11,487	12,771
36. NET ASSETS COMMITTED	29,969	236,194	266,163
EQUITY			
37. Accumulated surplus			169,992
38. Asset revaluation reserve			96,171
39. TOTAL EQUITY			266,163
Note to system assets:			
40. Current replacement cost of system assets			377,380
41. Accumulated current cost depreciation of system assets			(161,030)
42. Written down current cost of system assets			216,350

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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	915	1,056
b. Engineering and supervision	2,448	2,266
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	483	445
b. Maintenance expenses	880	838
– Pumping stations		
c. Operation expenses (excluding energy costs)	183	178
d. Energy costs	80	100
e. Maintenance expenses	184	233
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	979	1,126
g. Chemical costs	157	54
h. Energy costs	576	741
i. Effluent management	13	31
j. Biosolids management	271	405
k. Maintenance expenses	789	887
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	5,598	5,281
b. Plant and equipment	83	50
4. Miscellaneous expenses		
a. Interest expenses	2,858	2,984
b. Revaluation decrements	–	–
c. Other expenses	110	94
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	58	59
5. Total expenses	16,665	16,828

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	14,535	13,915
7. Non-residential charges		
a. Access (including rates)	1,909	1,847
b. Usage charges	2,008	1,889
8. Trade waste charges		
a. Annual fees	73	262
b. Usage charges	611	301
c. Excess mass charges	505	61
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	1,227	1,090
11. Other income	383	111
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	189	193
c. Other grants	–	–
13. Contributions		
a. Developer charges	961	907
b. Developer provided assets	2,586	1,786
c. Other contributions	456	254
14. Total income	25,443	22,616
15. Gain (or loss) on disposal of assets	(102)	(569)
16. Operating result	8,676	5,219
16a. Operating result (less grants for acquisition of assets)	8,676	5,219

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	37	90
b. New assets for growth	106	1,786
c. Renewals	1,497	549
d. Plant and equipment	–	–
18. Repayment of debt	2,138	2,020
19. Totals	3,778	4,445
Non-operating funds employed		
20. Proceeds from disposal of assets	–	67
21. Borrowing utilised	–	–
22. Totals	–	67
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	17,406	17,215
b. Residential (unoccupied, ie. vacant lot)	941	804
c. Non-residential (occupied)	1,572	1,575
d. Non-residential (unoccupied, ie. vacant lot)	85	87
24. Number of ETs for which developer charges were received	– ET	469 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 338,407	\$ 342,453

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	9,643	–	9,643
b. Special purpose grants	685	–	685
c. Accrued leave	–	–	–
d. Unexpended loans	1,694	–	1,694
e. Sinking fund	–	–	–
f. Other	16,298	8,060	24,358
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	1,038	–	1,038
c. User charges	622	–	622
d. Other	–	8,000	8,000
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	234,337	234,337
b. Plant and equipment	–	16,452	16,452
30. Other assets	–	1,177	1,177
31. Total assets	29,980	268,026	298,006
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	835	–	835
34. Borrowings	2,361	40,101	42,462
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	3,196	40,101	43,297
37. NET ASSETS COMMITTED	26,784	227,925	254,709
EQUITY			
38. Accumulated surplus			168,815
39. Asset revaluation reserve			85,894
40. TOTAL EQUITY			254,709
Note to system assets:			
41. Current replacement cost of system assets			302,205
42. Accumulated current cost depreciation of system assets			(67,868)
43. Written down current cost of system assets			234,337

Tamworth Regional Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2016

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 2016

\$'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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	–		1,749	2,081	97,636	136,481	22%	29%	22%	21%	6%
	Sub-total	–	–	1,749	2,081	97,636	136,481	22.0%	29.0%	22.0%	21.0%	6.0%
Other structures	Other structures	–		4,075	4,075	36,632	108,605		100%			0%
	Sub-total	–	–	4,075	4,075	36,632	108,605	0.0%	100.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	–		3,196	3,540	260,491	344,748	56%	17%	10%	9%	8%
	Unsealed roads	–		4,665	5,095	54,642	71,131	55%	4%	5%	35%	1%
	Bridges	–		307	602	74,933	103,190	13%	75%	9%	1%	2%
	Footpaths	–		437	534	10,326	18,910	16%	15%	52%	15%	2%
	Other road assets	–		1,235	2,255	14,642	21,620	9%	36%	8%	44%	3%
	Sub-total	–	–	9,840	12,026	415,034	559,599	44.8%	26.7%	10.5%	12.4%	5.6%

Tamworth Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	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	2,440		16,790	16,092	216,350	377,380	29%	33%	33%	5%	0%
	Sub-total	2,440	–	16,790	16,092	216,350	377,380	29.0%	33.0%	33.0%	5.0%	0.0%
Sewerage network	Sewerage network	5,912		17,170	16,194	234,337	302,205	48%	28%	21%	2%	1%
	Sub-total	5,912	–	17,170	16,194	234,337	302,205	48.0%	28.0%	21.0%	2.0%	1.0%
Stormwater drainage	Stormwater drainage	–		563	464	182,134	269,312	9%	26%	50%	15%	0%
	Sub-total	–	–	563	464	182,134	269,312	9.0%	26.0%	50.0%	15.0%	0.0%
Open space/recreational assets	Swimming pools	76		734		6,045	15,356		70%	30%		0%
	Sub-total	76	–	734	–	6,045	15,356	0.0%	70.0%	30.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	8,428	–	50,921	50,932	1,188,168	1,768,938	31.6%	33.2%	23.5%	9.2%	2.4%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

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 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>8,454</u>	33.57%	48.64%	92.65%
Depreciation, amortisation and impairment	<u>25,186</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>8,428</u>	0.70%	1.70%	2.30%
Carrying value of infrastructure assets	<u>1,201,998</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>50,932</u>	1.00	0.94	0.99
Required asset maintenance	<u>50,921</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 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	35.40%	26.74%	36.04%
Depreciation, amortisation and impairment			
prior period:	45.75%	10.40%	63.92%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	1.13%	2.52%	0.01%
Carrying value of infrastructure assets			
prior period:	4.36%	4.23%	0.14%
3. Asset maintenance ratio			
Actual asset maintenance	0.96	0.94	1.10
Required asset maintenance			
prior period:	0.82	0.81	0.98

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 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	31,656	33,013
Plus or minus adjustments ⁽²⁾	b	590	370
Notional general income	c = (a + b)	32,246	33,383
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
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	774	601
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	33,020	33,984
Plus (or minus) last year's carry forward total	l	(1)	6
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	(1)	6
Total permissible income	o = k + n	33,019	33,990
Less notional general income yield	p	33,013	33,984
Catch-up or (excess) result	q = o – p	6	6
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	6

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.

SPECIAL SCHEDULE NO. 8 - INDEPENDENT AUDITOR'S REPORT TO TAMWORTH REGIONAL COUNCIL

Report on Special Schedule No. 8

We 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 ended 30 June 2016.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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**SPECIAL SCHEDULE NO. 8 - INDEPENDENT AUDITOR'S REPORT
TO TAMWORTH REGIONAL COUNCIL (CONT'D)**

Independence

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

Auditor's Opinion

In our opinion, Special Schedule No. 8 of Tamworth Regional Council for the year ended 30 June 2016 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting and Restriction on Distribution

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

Matters Relating to the Electronic Presentation of Special Schedule No. 8

This auditor's report relates to Special Schedule No. 8 of Tamworth Regional Council for the year ended 30 June 2016 included on Tamworth Regional Council's web site. The Councillors of the Council are responsible for the integrity of the Tamworth Regional Council web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the original signed audited financial report to confirm the information included in the audited financial report presented on this website.



PROSPERITY AUDIT SERVICES



LUKE MALONE
Partner

27 October 2016
Sydney