

Coffs Harbour City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“Coffs Harbour - the Healthy City, the Smart
City, the Cultural City for a Sustainable Future”



Coffs Harbour City 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 operations for Coffs Harbour City Council.
- (ii) Coffs Harbour City 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 28 October 2016. Council has the power to amend and reissue these financial statements.
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Coffs Harbour City Council

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

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

Coffs Harbour City Council

General Purpose Financial Statements

for the year ended 30 June 2016

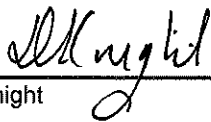
Statement by Councillors and Management

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:**

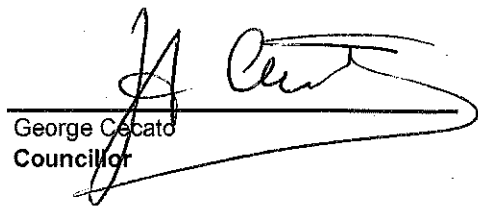
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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 13 October 2016.**


Denise Knight
Mayor



George Cecato
Councillor



Steve McGrath
General manager



Mark Griffiths
Responsible accounting officer

Coffs Harbour City Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016 \$ '000		Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
81,364	Rates and annual charges	3a	85,968	81,083
32,432	User charges and fees	3b	30,012	37,461
5,705	Interest and investment revenue	3c	6,829	7,358
9,375	Other revenues	3d	16,781	8,486
18,255	Grants and contributions provided for operating purposes	3e,f	20,641	17,829
16,678	Grants and contributions provided for capital purposes	3e,f	77,384	24,391
163,809	Total income from continuing operations		237,615	176,608
Expenses from continuing operations				
41,689	Employee benefits and on-costs	4a	42,808	41,159
12,892	Borrowing costs	4b	12,963	14,228
58,829	Materials and contracts	4c	49,073	49,819
48,131	Depreciation and amortisation	4d	43,773	44,517
—	Impairment	4d	—	—
6,448	Other expenses	4e	12,689	11,033
—	Net losses from the disposal of assets	5	2,001	3,772
—	Net share of interests in joint ventures and associates using the equity method	19	—	—
167,989	Total expenses from continuing operations		163,307	164,528
(4,180)	Operating result from continuing operations		74,308	12,080
Discontinued operations				
—	Net profit/(loss) from discontinued operations	24	—	—
(4,180)	Net operating result for the year		74,308	12,080
(4,180)	Net operating result attributable to Council		74,308	12,080
—	Net operating result attributable to non-controlling interests		—	—
(20,858)	Net operating result for the year before grants and contributions provided for capital purposes		(3,076)	(12,311)

¹ Original budget as approved by Council – refer Note 16

Coffs Harbour City 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)		74,308	12,080
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	36,909	(139,415)
Total items which will not be reclassified subsequently to the operating result		36,909	(139,415)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	551	–
Other movements in Reserves	20 (a)	(79)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		472	–
Total other comprehensive income for the year		37,381	(139,415)
Total comprehensive income for the year		111,689	(127,335)
Total comprehensive income attributable to Council		111,689	(127,335)
Total comprehensive income attributable to non-controlling interests		–	–

Coffs Harbour City Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	11,074	15,434
Investments	6b	54,489	50,413
Receivables	7	18,549	18,471
Inventories	8	1,876	1,960
Other	8	561	520
Non-current assets classified as 'held for sale'	22	1,492	532
Total current assets		88,041	87,330
Non-current assets			
Investments	6b	102,249	86,495
Receivables	7	2,392	2,596
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	1,862,598	1,777,892
Investments accounted for using the equity method	19	—	—
Investment property	14	2,798	3,698
Intangible assets	25	66,053	67,107
Total non-current assets		2,036,090	1,937,788
TOTAL ASSETS		2,124,131	2,025,118
LIABILITIES			
Current liabilities			
Payables	10	8,851	8,765
Borrowings	10	14,448	17,880
Provisions	10	13,523	14,108
Total current liabilities		36,822	40,753
Non-current liabilities			
Payables	10	341	216
Borrowings	10	164,017	178,562
Provisions	10	6,063	5,022
Total non-current liabilities		170,421	183,800
TOTAL LIABILITIES		207,243	224,553
Net assets		1,916,888	1,800,565
EQUITY			
Retained earnings	20	1,277,084	1,198,151
Revaluation reserves	20	639,804	602,414
Council equity interest		1,916,888	1,800,565
Non-controlling equity interests		—	—
Total equity		1,916,888	1,800,565

Coffs Harbour City 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)		1,198,151	602,414	1,800,565	–	1,800,565
a. Correction of prior period errors	20 (c)	4,634	–	4,634	–	4,634
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		1,202,785	602,414	1,805,199	–	1,805,199
c. Net operating result for the year		74,308	–	74,308	–	74,308
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	36,909	36,909	–	36,909
– Revaluations: other reserves	20b (ii)	–	551	551	–	551
– Other Transfers to Reserves	20a	(79)	–	(79)	–	(79)
Other comprehensive income		(79)	37,460	37,381	–	37,381
Total comprehensive income (c&d)		74,229	37,460	111,689	–	111,689
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		70	(70)	–	–	–
Equity – balance at end of the reporting period		1,277,084	639,804	1,916,888	–	1,916,888

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
2015						
Opening balance (as per last year's audited accounts)		1,179,041	741,829	1,920,870	–	1,920,870
a. Correction of prior period errors	20 (c)	7,030	–	7,030	–	7,030
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		1,186,071	741,829	1,927,900	–	1,927,900
c. Net operating result for the year		12,080	–	12,080	–	12,080
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(139,415)	(139,415)	–	(139,415)
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Other Transfers to Reserves	20a	–	–	–	–	–
Other comprehensive income		–	(139,415)	(139,415)	–	(139,415)
Total comprehensive income (c&d)		12,080	(139,415)	(127,335)	–	(127,335)
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		1,198,151	602,414	1,800,565	–	1,800,565

Coffs Harbour City 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:				
87,126	Rates and annual charges		86,004	80,937
31,440	User charges and fees		31,272	39,337
5,441	Investment and interest revenue received		7,759	7,063
26,154	Grants and contributions		39,759	28,354
–	Bonds, deposits and retention amounts received		198	97
7,656	Other		19,969	16,812
Payments:				
(40,961)	Employee benefits and on-costs		(43,122)	(41,716)
(43,746)	Materials and contracts		(53,881)	(56,963)
(13,230)	Borrowing costs		(12,472)	(13,966)
(14,351)	Other		(16,177)	(13,329)
45,529	Net cash provided (or used in) operating activities	11b	59,309	46,626
Cash flows from investing activities				
Receipts:				
3,508	Sale of investment securities		53,365	72,174
1,519	Sale of infrastructure, property, plant and equipment		1,221	3,600
39	Deferred debtors receipts		139	43
Payments:				
–	Purchase of investment securities		(72,644)	(72,348)
(32,900)	Purchase of infrastructure, property, plant and equipment		(27,695)	(30,087)
(27,834)	Net cash provided (or used in) investing activities		(45,614)	(26,618)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	2,200
Payments:				
(17,880)	Repayment of borrowings and advances		(18,055)	(18,806)
(17,880)	Net cash flow provided (used in) financing activities		(18,055)	(16,606)
(185)	Net increase/(decrease) in cash and cash equivalents		(4,360)	3,402
4,691	Plus: cash and cash equivalents – beginning of year	11a	15,434	12,032
4,506	Cash and cash equivalents – end of the year	11a	11,074	15,434
Additional Information:				
	plus: Investments on hand – end of year	6b	156,738	136,908
	Total cash, cash equivalents and investments		167,812	152,342

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Coffs Harbour City 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. These policies have been consistently applied to all years presented, unless otherwise stated.

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

(a) Basis of preparation

(i) Background

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

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

The Council is a not-for –profit entity for the purposes of preparing these financial statements.

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

AASBs are sector neutral and accordingly some accounting 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.

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 AASBs.

(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 any 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) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant 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.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates and assumptions

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(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 not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets/contributed 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 reporting date, the unused grant or contribution is disclosed in Note 3 (g).

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

User charges, fees and other income

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

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.

Dividend income

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

Other Income

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

(c) Principles of consolidation

These 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*
- *Airport Operations*
- *Telecommunications & New Technology*

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

- Woolgoolga Community Village Facility Management Committee
- Nana Glen Equestrian Centre Facility Management Committee
- Toormina Community Centre Facility Management Committee
- Eastern Dorrigo Community Hall Facility Management Committee
- Ayrshire Park Facility Management Committee
- Lowanna Community Hall Facility Management Committee
- Lower Bucca Community Hall Facility Management Committee
- Coramba Community Hall Facility Management Committee

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

Total income from continuing operations	\$114,510
Total expenditure from continuing operations	\$103,972
Total net assets held (i.e. equity)	\$342,354

Note:

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

(ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

A separate statement of monies held in the trust fund is available for inspection at the Council office by any person free of charge.

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

Unconsolidated structured entities

Unconsolidated structured entities represent 'special vehicles' that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities.

Detailed information relating to Council's interest in unconsolidated structured entities can be found at Note 19 (d).

(d) Leases

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

Finance leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

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
- bank overdrafts.

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

(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.

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

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

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

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

(ii) Loans and receivables

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Held-to-maturity investments

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

In contrast to the 'loans 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.

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

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

Council may also choose to reclassify financial assets that would meet the definition of loans and

receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Impairment

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

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

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

(iii) 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.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes)..

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(h) Receivables

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

Receivables (excluding rates 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, discounted at the effective interest rate.

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

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

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

(i) Inventories

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

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

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

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

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

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

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

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

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

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

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.

Coffs Harbour City Council

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

Note 1. Summary of significant accounting policies (continued)

(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)
- **Community land** (external valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures**
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks** (external valuation except for Dams which have been valued internally)
- **Swimming pools**
(as approximated by depreciated historical costs)
- **Other open space/recreational assets**
(as approximated by depreciated historical costs)
- **Other infrastructure** (internal valuation)
- **Other assets**
(as approximated by depreciated historical cost)
- **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.

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

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant 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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Plant and Equipment

Office Furniture	> \$2,000
Office Equipment	> \$2,000
Office Equipment - Communications	> \$1,000
Other Plant and Equipment	> \$2,000

Buildings and Land Improvements

Park Furniture and Equipment	> \$5,000
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Building

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

Water and Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

Transport Assets

Road construction and reconstruction	> \$5,000
Reseal/Re-sheet and major repairs:	> \$5,000
Bridge construction and reconstruction	> \$5,000

Library Assets

Reference Collection in its entirety	> \$1,000,000
Heritage Items	> \$5,000

Note common use library items will be expensed.

Other Infrastructure Assets

Swimming Pools	> \$5,000
Other Open Space/Recreational Assets	> \$5,000
Other Infrastructure	> \$5,000

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 and Equipment

- Office Equipment	3 to 7 years
- Office furniture	5 to 25 years
- Computer Equipment	3 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

- Playground equipment	15 to 20 years
- Benches, seats etc	10 to 20 years

Buildings

- Buildings	25 to 50 years
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Stormwater Drainage

- Drains	80 to 100 years
- Pipes, Pits and Culverts	60 to 120 years
- Gross Pollutant Traps	30 years

Coffs Harbour City Council

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

Note 1. Summary of significant accounting policies (continued)

Transportation Assets

- Sealed Roads: Surface	18-22 years
- Sealed Roads: Structure	52 years
- Unsealed roads	40 years
- Bridge: Concrete	120 years
- Bridge: Other	60 years
- Footpaths and Cycleways	100 years
- Kerb, Gutter and Paths	100 years

Water Assets

- Pump Stations	58 years
- Mains	66 to 81 years
- Treatment Plants	33 to 71 years
- Dams and Reservoirs	96 to 100 years
- Telemetry	20 to 26 years

Sewer Assets

- Pumping Stations	41 to 51 years
- Mains	34 to 80 years
- Ancillary	16 to 18 years
- Treatment Works	30 to 50 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	50 years
- Other Open Space/ Recreational Assets	15 to 50 years
- Other Infrastructure	15 to 50 years

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.

Disposal and derecognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

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.

Goodwill

Goodwill arising from a business combination is included in Intangibles in the Balance Sheet. Goodwill has an infinite useful life and is initially measured at cost, being the excess of the cost of

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

acquisition over the fair value if identifiable assets acquired as at the date of the business acquisition.

Council's goodwill has arisen from the acquisition of the Airport Security Car Park business in 2014.

After initial recognition goodwill is measured at cost less any accumulated impairment losses.

An impairment loss is recognised for the amount by which the cash generating units carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. To determine value in use, management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

Cash generating units to which goodwill has been allocated are tested for impairment at least annually.

Impairment losses for cash generating units reduce first the carrying amount of goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

(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 incorporate the assets, their values and depreciation charges within 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 are not occupied by Council.

Investment property is carried at fair value, representing a desk top valuation undertaken by external valuers in 2016.

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 five years with an appropriate index utilised each year in between full revaluations.

The last full revaluation for Council's investment properties was dated 30 June 2013.

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

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

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

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

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

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

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

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,

Coffs Harbour City 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.

The results of discontinued operations are presented separately on the face of the Income Statement.

(s) Impairment of assets

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

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

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

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

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

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

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

(v) Borrowing costs

Borrowing costs are expensed

(w) Provisions

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), 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, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Coffs Harbour City 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 February 2016 relating to the period ending 30 June 2015.

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 \$1,080,605.

The amount of additional contributions included in the total employer contribution advised above is \$870,609.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,856,000 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 June 2016.

(y) Self-insurance

Council does not self-insure.

Coffs Harbour City Council

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

Note 1. Summary of significant accounting policies (continued)

(z) 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 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.

(aa) Taxes

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

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

Goods 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 Balance Sheet are stated inclusive of any applicable GST.

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

Operating cash flows within the Cash Flow Statement are on a gross basis, 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.

(ab) 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.

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

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

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

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Council is yet to undertake a detailed assessment of the impact of AASB 9.

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

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

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 116 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

Coffs Harbour City Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(ac) Rounding of amounts

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

(ad) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ae) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Coffs Harbour City 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	–	–	–	1,554	1,519	1,374	(1,554)	(1,519)	(1,374)	–	–	–	–
Office of the General Manager	(20)	6	9	620	614	632	(640)	(608)	(623)	–	–	–	1
Financial Sustainability	4,312	4,009	2,020	860	1,466	510	3,452	2,543	1,510	–	–	–	–
Business Transformation	1,275	303	–	906	2,745	1,292	369	(2,442)	(1,292)	–	–	–	–
Community Facilities	1,906	1,984	1,967	325	494	421	1,581	1,490	1,546	–	50	288	2
CBD Masterplan Works	20	818	773	(413)	176	75	433	642	698	–	–	212	–
Jetty Foreshores	–	9	–	445	181	105	(445)	(172)	(105)	9	–	–	–
Coffs Coast Tourism and Marketing	–	–	818	–	3	1,894	–	(3)	(1,076)	–	102	26	85
Sustainable and Precinct Planning	9	429	415	1,562	2,183	1,977	(1,553)	(1,754)	(1,562)	343	320	–	9
Development Assessment and Building Services	1,880	1,985	1,881	2,710	2,387	2,454	(830)	(402)	(573)	–	–	12	73
Environmental Services	232	238	332	890	766	964	(658)	(528)	(632)	–	(1)	590	618
Public Health and Safety	153	213	233	686	767	694	(533)	(554)	(461)	–	2	6	74
Ranger Services	497	488	462	931	818	840	(434)	(330)	(378)	–	–	–	20
Domestic Waste Management	17,603	18,481	16,717	17,895	14,055	13,476	(292)	4,426	3,241	–	1	7,413	9,734
Non Domestic Waste Management	5,383	5,519	5,445	6,086	5,340	5,107	(703)	179	338	195	192	6,065	6,643
Commercial Property	–	2,075	–	–	467	–	–	1,608	–	–	–	11,629	–
Property Assets	1,064	1,372	10,353	2,568	2,578	5,083	(1,504)	(1,206)	5,270	–	–	128,215	143,663
Swimming Pools	1	–	–	627	364	549	(626)	(364)	(549)	–	–	2,415	2,483
Airport	7,508	7,087	6,669	5,564	5,529	5,517	1,944	1,558	1,152	104	–	82,920	85,831
Sports Unit	1,032	1,214	690	3,104	3,499	2,104	(2,072)	(2,285)	(1,414)	85	10	10,883	9,129

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 2(a). Council functions/activities – financial information (continued)

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
Legal and Audit Services	100	130	182	2,326	2,936	3,103	(2,226)	(2,806)	(2,921)	–	–	241	248
Rural Fire Services	1,657	1,002	2,291	1,609	974	1,858	48	28	433	1,001	2,290	2,773	6,812
Corporate Information Services	9	8	10	3,172	3,457	2,910	(3,163)	(3,449)	(2,900)	–	–	2,350	933
Telecommunications and New Technology	1,418	2,524	2,446	1,314	2,388	2,263	104	136	183	–	–	81	1,750
Finance	313	385	519	2,497	2,653	3,567	(2,184)	(2,268)	(3,048)	–	–	196,766	95,655
Plant	659	1,016	968	6,023	4,685	5,486	(5,364)	(3,669)	(4,518)	–	–	9,424	11,350
Program Support	160	240	–	1,258	1,251	167	(1,098)	(1,011)	(167)	–	–	–	–
Human Resources and Organisational Development	78	100	147	1,257	1,208	1,248	(1,179)	(1,108)	(1,101)	–	–	2	83
Customer Services	67	82	65	1,657	1,874	892	(1,590)	(1,792)	(827)	–	–	–	12
City Infrastructure Support	–	135	–	760	1,767	680	(760)	(1,632)	(680)	–	–	3,306	4
Sustainability	–	100	5	350	269	224	(350)	(169)	(219)	–	–	–	–
Asset Planning	–	–	–	323	86	172	(323)	(86)	(172)	–	–	–	–
Lifeguard Services	2	17	32	675	685	614	(673)	(668)	(582)	–	–	–	–
Library	170	273	227	1,956	2,088	1,825	(1,786)	(1,815)	(1,598)	228	183	254	94
Cultural Services	347	447	437	1,488	1,556	1,123	(1,141)	(1,109)	(686)	–	1	–	–
Community Services	49	242	345	999	1,204	1,329	(950)	(962)	(984)	70	96	20,359	19,229
Enterprise Coffs	342	310	308	1,804	1,554	884	(1,462)	(1,244)	(576)	33	27	–	16
Environmental Laboratory	414	549	458	518	521	525	(104)	28	(67)	–	–	107	170
City Services Operational Administration	36	47	30	977	1,047	875	(941)	(1,000)	(845)	–	–	2,754	2,820

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 2(a). Council functions/activities – financial information (continued)

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
Recreational Services	703	2,166	2,609	7,494	5,893	6,864	(6,791)	(3,727)	(4,255)	176	433	32,820	37,273
Regional Roads	1,315	1,829	2,408	2,415	678	2,110	(1,100)	1,151	298	1,829	2,408	1,962	53,746
Local Roads	1,865	66,282	4,056	14,968	17,258	13,599	(13,103)	49,024	(9,543)	2,728	2,392	506,801	392,671
Bridges	862	862	906	889	1,006	962	(27)	(144)	(56)	–	59	65,177	57,109
Footpaths, Cycleways and Bus Shelters	–	2,187	1,687	1,110	651	866	(1,110)	1,536	821	843	906	35,282	31,337
Parking	–	113	369	1,163	599	1,079	(1,163)	(486)	(710)	–	–	25,946	29,152
Quarries	310	6	–	310	56	106	–	(50)	(106)	–	–	2	291
Street and Toilet Cleaning	–	–	–	917	658	713	(917)	(658)	(713)	–	–	–	–
Drainage	2,424	2,843	3,056	3,907	2,432	3,353	(1,483)	411	(297)	11	434	152,685	128,185
Harbour and Jetty	–	–	–	198	1	122	(198)	(1)	(122)	–	–	–	–
City Works Private Works	4,196	2,837	9,739	3,763	2,699	6,727	433	138	3,012	–	–	7	64
Survey and Design	88	663	959	2,297	2,233	2,288	(2,209)	(1,570)	(1,329)	589	902	1,283	714
Street Lighting	157	148	148	960	843	861	(803)	(695)	(713)	148	148	–	151
Contracts and Subdivisions	76	286	232	476	227	390	(400)	59	(158)	–	–	–	–
General Fund Untied Funding	46,944	48,077	39,119	90	3,646	132	46,854	44,431	38,987	7,726	7,842	–	–
Water Supplies	23,054	23,799	23,048	20,465	18,039	18,539	2,589	5,760	4,509	259	256	355,356	384,872
Sewer Services	33,139	31,680	30,977	28,684	28,234	30,937	4,455	3,446	40	322	543	457,719	512,012
Oncost Recoveries	–	–	41	–	–	67	–	–	(26)	–	–	–	–
Operating result from continuing operations	163,809	237,615	176,608	167,989	163,307	164,528	(4,180)	74,308	12,080	16,699	19,596	2,124,131	2,025,118

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

Coffs Harbour City 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

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure, and legislative compliance.

OFFICE OF THE GENERAL MANAGER

Sister City Exchange programs, naturalisations, donations to community groups, Australia Day Committee, Web and Media Services, Election Expenses, Civic Receptions, Elected Member Expenses.

FINANCIAL SUSTAINABILITY

Reflects Special Rate Variations programs as approved by IPART.

COMMUNITY FACILITIES

Provision of major infrastructure i.e. regional roads, jetty structure, from special rate variation funding.

CBD MASTERPLAN WORKS

Upgrading of amenities, lighting, street and landscaping within Council's Central Business District.

JETTY FORESHORES

Upgrading of amenities, walkways, drainage, parking, lighting, street and landscaping within the Jetty Foreshores area.

COFFS COAST TOURISM AND MARKETING

Trade Exhibitions, Travel Shows, Tourism Promotion, Advertising and Promotions

SUSTAINABLE AND PRECINCT PLANNING

Local Environment Plan reviews, heritage programs, planning studies.

DEVELOPMENT ASSESSMENT AND BUILDING SERVICES

Compliance for construction and development. Drainage diagrams, sewer inspections, building inspections.

ENVIRONMENTAL SERVICES

Domestic Sewage supervision and administration, water quality monitoring, parks and street litter bins contract.

PUBLIC HEALTH AND SAFETY

Sullage collection, caravan park approvals, public pools inspection.

RANGER SERVICES

Rangers, stray animal management, parking inspectors.

DOMESTIC WASTE MANAGEMENT

Recycling, waste collection and processing, tip facilities.

NON DOMESTIC WASTE MANAGEMENT

Recycling, waste collection and processing, tip facilities, hazardous material disposal, concrete crushing, Clean Up Australia Day, tip fees.

Coffs Harbour City Council

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

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

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

COMMERCIAL PROPERTY

Valuation Services, land acquisition and development.

PROPERTY ASSETS

Maintenance, repair and operation of Council buildings. Management of leased facilities.

SWIMMING POOLS

Contractor costs for operation of swimming pools, pumps and equipment maintenance and repair.

AIRPORT

Maintenance, repair, operation and development of Regional Passenger Terminal, General Aviation Area and Aerodrome facilities.

SPORTS UNIT

Stadium Operations, Sports Facilities and Ovals Maintenance, Sports Events.

ADMINISTRATION

Provision of administration services, office equipment, furniture and fittings.

LEGAL AND AUDIT SERVICES

Internal audit, legal advice, insurance services.

RURAL FIRE SERVICES

Hazard reduction, brigade station operations, fire attendances.

CORPORATE INFORMATION SERVICES

Hardware and software acquisition and maintenance, rural house numbering, information technology conference, geographical information services, records management.

TELECOMMUNICATIONS AND NEW TECHNOLOGY

Telemetry Switchboard construction and sales, optical fibre provision, CCTV installation, and consultancy

FINANCE

Procurement, customer services, accounts payable, accounts receivable, investment management, asset accounting, water meter reading and billing, rates management, tax management.

PLANT

Fleet management, plant hire, mechanical workshop operations.

PROGRAM SUPPORT

Developer Contributions administration, environmental levy administration, budgeting.

HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT

Payroll services, training, selection, recruitment, induction, Occupational Health and Safety, Workers Compensation management, health and wellbeing program.

Coffs Harbour City Council

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

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

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

CUSTOMER SERVICES

Provision of administration and customer services.

CITY INFRASTRUCTURE SUPPORT

Two way radio operations, SES contributions.

SUSTAINABILITY

Sustainability services, environmental levy projects.

ASSET PLANNING

Development of asset management plans and strategies. Recording, monitoring and reviewing all assets disposed and acquired.

LIFEGUARD SERVICES

Beach patrols and beach safety education

LIBRARY SERVICES

Development, maintenance, and operation of library facilities. Collection processing.

CULTURAL SERVICES

Museum, Theatre, Art Gallery and Community Centre operations.

COMMUNITY SERVICES

Community engagement and consultation, aboriginal services and youth projects.

ENTERPRISE COFFS

Marketing, Buskers Festival, Farmers Markets, Investment Attraction, Business Development.

ENVIRONMENTAL LABORATORY

Water, waste water, soil, swimming pool testing for public and private sectors.

CITY SERVICES OPERATIONAL ADMINISTRATION

Works depots operations, development, maintenance and repairs.

RECREATIONAL SERVICES

Reserves, street trees and gardens maintenance. Noxious weeds control, cemeteries operations, nursery operations, tree farm operations, environmental levy projects, playgrounds, footbridges and boardwalks.

REGIONAL ROADS

Development and maintenance of regional roads, RTA block grant funding.

LOCAL ROADS

Urban Roads, rural roads sealed and unsealed maintenance, reseals, resheeting and rehabilitation. Roads and traffic Signs, transfer bins, kerb and gutter repairs.

BRIDGES

Maintenance and repair of concrete and timber bridges.

Coffs Harbour City Council

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

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

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

FOOTPATHS, CYCLEWAYS AND BUS SHELTERS

Footpaths, cycleways, bus shelters and street furniture construction, maintenance and repairs.

PARKING

Multi level and ground level car park construction, maintenance and repairs.

QUARRIES

Extraction, production and distribution of quarry materials.

STREET AND TOILET CLEANING

Street and toilet cleaning (including Marina public toilets).

DRAINAGE

Stormwater drainage improvement and nuisance flooding construction, maintenance and repair.

HARBOUR AND JETTY

Boat ramp dredging and maintenance. Historical jetty maintenance and repair.

CITY WORKS PRIVATE WORKS

External works undertaken to return a profit to the community by way of investment in local infrastructure and services.

SURVEY AND DESIGN

Road safety officer program, flood mitigation and stormwater works, coastal hazard and estuary studies, traffic safety works, private footpath crossings, road surveys.

STREET LIGHTING

Operations of street lighting.

CONTRACTS AND SUBDIVISION

Contracts management, supervision of subdivision works.

GENERAL FUND UNTIED FUNDING

General rates, environmental levy, investment, financial assistance grants and pensioner subsidy income.

WATER SUPPLIES

Maintenance, operation and construction of dams, reservoirs, pump stations, mains, chlorination plants, fluoridation plants, telemetry, regional water supply, standpipes and meters. Water quality monitoring & public awareness campaigns.

SEWER SERVICES

Maintenance, operation and construction of treatment works, pumping stations, sewers, sullage collection, reclaimed water, ocean outfall, biosolids disposal and reuse management. Public awareness campaigns.

ONCOST RECOVERIES

Employee Leave Entitlements, Workers Compensation Insurance, Superannuation Contributions.

Coffs Harbour City 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		29,711	27,104
Farmland		1,390	1,270
Business		7,537	7,052
Total ordinary rates		38,638	35,426
Special rates			
Environmental		1,186	1,153
Other		7	12
Total special rates		1,193	1,165
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		16,999	15,790
Stormwater management services		690	681
Water supply services		4,032	3,999
Sewerage services		22,556	22,324
Waste management services (non-domestic)		1,706	1,551
Other		154	147
Total annual charges		46,137	44,492
TOTAL RATES AND ANNUAL CHARGES		85,968	81,083

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Coffs Harbour City 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		13,747	13,095
Sewerage services		2,466	2,421
Waste management services (non-domestic)		2,999	2,755
Other		90	91
Total user charges		19,302	18,362
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		952	991
Construction certificates		551	219
Domestic sewerage system approval		356	241
Private works – section 67		244	8,744
Section 149 certificates (EPA Act)		161	153
Section 603 certificates		169	138
Town planning		747	728
Other		211	233
Total fees and charges – statutory/regulatory		3,391	11,447
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		5,313	6,135
Cemeteries		316	211
Community village income		66	66
Laboratory income		507	416
RMS (formerly RTA) charges (state roads not controlled by Council)		115	123
Sports stadium		155	97
Trade waste application fee		12	9
Watermain connections		375	374
Water supply recovery charges		113	75
Other		347	146
Total fees and charges – other		7,319	7,652
TOTAL USER CHARGES AND FEES		30,012	37,461

Coffs Harbour City 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)		378	372
– Interest earned on investments (interest and coupon payment income)		6,307	6,848
– Interest on deferred debtors		9	9
Dividend income		97	106
Fair value adjustments			
– Fair valuation movements in investments (at FV/held for trading)		–	(23)
Fair valuation of financial liabilities on recognition			
– Interest free (or favourable) loans and advances received		38	46
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>6,829</u>	<u>7,358</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		378	372
General Council cash and investments		3,017	2,255
Restricted investments/funds – external:			
Development contributions			
– Section 94		539	600
– Section 64		8	10
Water fund operations		1,081	1,533
Sewerage fund operations		1,768	2,439
Domestic waste management operations		–	102
Local infrastructure renewal scheme – interest subsidy		38	46
Other externally restricted assets		–	1
Total interest and investment revenue recognised		<u>6,829</u>	<u>7,358</u>

Coffs Harbour City 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
(d) Other revenues			
Fair value increments – investment properties	14	94	(14)
Rental income – investment properties	14	133	58
Rental income – other council properties		1,890	1,632
Fines		325	360
Airport parking		1,068	910
Banana sales from reuse trial		145	182
CDO Recoupment		7,869	–
Commissions and agency fees		281	178
Conferences		324	538
ICT projects and consultancy		440	589
Jetty theatre income		56	238
Nursery sales		262	300
Optical fibre lease		99	148
Recoverable rates legals		196	100
Reimbursements		790	359
Sale of switchboards		1,524	1,691
Sports stadium food and drink		456	464
Other		829	753
<u>TOTAL OTHER REVENUE</u>		<u>16,781</u>	<u>8,486</u>

Coffs Harbour City 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 – general component	4,897	5,010	–	–
Financial assistance – local roads component	1,966	1,977	–	–
Pensioners' rates subsidies – general component	864	854	–	–
Total general purpose	7,727	7,841	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	258	256	–	–
– Sewerage	251	249	–	–
Sewerage services	–	–	70	294
Boat Ramps & facilities	–	–	381	547
Bushfire and emergency services	453	517	548	1,773
Community care	69	16	8	69
Community centres	8	9	4	–
Economic development	33	129	70	–
Environmental protection	195	286	53	55
Flood studies and mitigation works	55	57	11	434
Footpaths and cycleways	–	–	35	77
Heritage and cultural	228	256	–	–
Library	134	133	94	50
Natural disaster	29	2,061	–	–
Noxious weeds	176	217	–	–
Orara River Health	115	70	–	–
Street lighting	148	148	–	–
Transport (roads to recovery)	2,687	932	–	–
Transport (other roads and bridges funding)	1,046	1,010	1,693	1,971
Other	–	139	120	–
Total specific purpose	5,885	6,485	3,087	5,270
Total grants	13,612	14,326	3,087	5,270
Grant revenue is attributable to:				
– Commonwealth funding	2,690	29	79	957
– State funding	10,917	14,285	2,992	4,304
– Other funding	5	12	16	9
	13,612	14,326	3,087	5,270

Coffs Harbour City 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 94 – contributions towards amenities/services	–	–	2,896	2,379
S 64 – water supply contributions	–	–	3,818	2,647
S 64 – sewerage service contributions	–	–	3,552	2,370
Total developer contributions	17	–	10,266	7,396
Other contributions:				
Caravan parks	22	137	–	–
Contributions to works	4,272	2,718	–	–
Diesel fuel rebate	122	111	–	–
Kerb and gutter	–	–	73	–
Local roads restoration	–	–	–	350
RMS contributions – Pine Creek handover	–	–	2,936	804
RMS Road Dedications (Solitary Way)	2,106	–	58,155	–
Section 355 committee – payroll processing	–	20	–	–
Subdivider dedications (other than by s94)	–	–	2,790	10,445
Vehicle lease payments	435	424	–	–
Other	72	93	77	126
Total other contributions	7,029	3,503	64,031	11,725
Total contributions	7,029	3,503	74,297	19,121
TOTAL GRANTS AND CONTRIBUTIONS	20,641	17,829	77,384	24,391

\$ '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	16,264	17,485
Add: grants and contributions recognised in the current period but not yet spent:	11,135	7,110
Less: grants and contributions recognised in a previous reporting period now spent:	(10,515)	(8,331)

Net increase (decrease) in restricted assets during the period **620** **(1,221)**

Unexpended and held as restricted assets **16,884** **16,264**

Comprising:

– Specific purpose unexpended grants	866	1,279
– Developer contributions	15,393	12,964
– Other contributions	625	2,021
	16,884	16,264

Coffs Harbour City 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		33,695	30,868
Travel expenses		63	67
Employee leave entitlements (ELE)		5,661	5,542
Superannuation – defined contribution plans		2,503	2,679
Superannuation – defined benefit plans		1,302	1,366
Workers' compensation insurance		2,143	1,581
Fringe benefit tax (FBT)		26	40
Payroll tax		482	470
Training costs (other than salaries and wages)		593	725
Protective clothing		169	138
Other		274	229
Total employee costs		46,911	43,705
Less: capitalised costs		(4,103)	(2,546)
TOTAL EMPLOYEE COSTS EXPENSED		42,808	41,159
Number of 'full-time equivalent' employees (FTE) at year end		495	488
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		12,608	13,878
Total interest bearing liability costs expensed		12,608	13,878
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	239	219
Interest applicable on interest free (and favourable) loans to Council		116	131
Total other borrowing costs		355	350
TOTAL BORROWING COSTS EXPENSED		12,963	14,228
(c) Materials and contracts			
Raw materials and consumables		12,968	14,119
Contractor and consultancy costs		34,834	34,589
Auditors remuneration ⁽¹⁾		108	72
Legal expenses:			
– Legal expenses: planning and development		639	501
– Legal expenses: other		456	486
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		68	52
TOTAL MATERIALS AND CONTRACTS		49,073	49,819

(continued on the next page...)

Coffs Harbour City 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:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		98	72
– Asset Management Review		10	–
Remuneration for audit and other assurance services		108	72
Total Auditor remuneration		108	72
2. Operating lease payments are attributable to:			
Buildings		68	52
		68	52

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	3,941	3,833
Office equipment		–	–	248	348
Furniture and fittings		–	–	148	152
Land improvements (depreciable)		–	–	498	928
Infrastructure:					
– Buildings – non-specialised		–	–	1,073	669
– Buildings – specialised		–	–	730	142
– Other structures		–	–	27	27
– Roads		–	–	12,550	12,806
– Bridges		–	–	736	721
– Footpaths		–	–	760	1,217
– Stormwater drainage		–	–	1,622	2,173
– Water supply network		–	–	5,719	5,592
– Sewerage network		–	–	12,504	13,166
– Swimming pools		–	–	84	84
– Other open space/recreational assets		–	–	712	624
Other assets					
– Other		–	–	248	217
Asset reinstatement costs	9 & 26	–	–	1,657	1,243
Intangible assets	25	–	–	853	851
Total depreciation and impairment costs		–	–	44,110	44,793
Less: capitalised costs		–	–	(337)	(276)
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	43,773	44,517

Coffs Harbour City 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:			
Bad and doubtful debts		50	13
Bank charges		201	281
Contributions/levies to other levels of government			
– Contributions to regional parks		114	162
– NSW Fire Brigade levy		370	435
– NSW Rural Fire Service levy		477	546
– Contributions to state parks		548	970
– Other contributions/levies		180	153
Councillor expenses – mayoral fee		40	39
Councillor expenses – councillors' fees		163	163
Councillors' expenses (incl. mayor) – other (excluding fees above)		42	43
Donations, contributions and assistance to other organisations (Section 356)		1,351	869
Electricity and heating		2,472	3,271
Insurance		2,006	2,369
Street lighting		842	855
Telephone and communications		248	644
Legal expenses for CDO Investment recoupment		3,415	–
Other		170	220
<u>TOTAL OTHER EXPENSES</u>		<u>12,689</u>	<u>11,033</u>

Coffs Harbour City Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		43	2,188
Less: carrying amount of property assets sold/written off		(198)	(4,658)
Net gain/(loss) on disposal		(155)	(2,470)
Plant and equipment			
Proceeds from disposal – plant and equipment		1,178	1,412
Less: carrying amount of plant and equipment assets sold/written off		(832)	(1,122)
Net gain/(loss) on disposal		346	290
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(2,118)	(1,592)
Net gain/(loss) on disposal		(2,118)	(1,592)
Investment properties			
Less: carrying amount of investment properties sold/written off		(74)	–
Net gain/(loss) on disposal		(74)	–
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		53,365	–
Less: carrying amount of financial assets sold/redeemed/matured		(53,365)	–
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,001)	(3,772)

Coffs Harbour City Council

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

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

		2016	2016	2015	2015
		Actual	Actual	Actual	Actual
\$ '000	Notes	Current	Non-current	Current	Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,812	–	4,155	–
Cash-equivalent assets ¹					
– Deposits at call		9,262	–	11,279	–
Total cash and cash equivalents		11,074	–	15,434	–
Investments (Note 6b)					
– Long term deposits		44,774	41,990	44,550	51,890
– NCD's, FRN's (with maturities > 3 months)		6,595	53,462	2,334	28,332
– Floating rate term deposits		–	2,000	1,500	2,000
– Unlisted equity securities		–	551	–	–
– Other long term financial assets		3,120	4,246	2,029	4,273
Total investments		54,489	102,249	50,413	86,495
TOTAL CASH ASSETS, CASH					
EQUIVALENTS AND INVESTMENTS					
		65,563	102,249	65,847	86,495

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

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'	11,074	–	15,434	–
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Investments

a. 'At fair value through the profit and loss'					
– 'Designated at fair value on initial recognition'	6(b-i)	9,715	57,708	4,362	32,605
b. 'Held to maturity'	6(b-ii)	44,774	43,990	46,051	53,890
c. 'Available for sale'	6(b-iii)	—	551	—	—
Investments		54,489	102,249	50,413	86,495

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

Coffs Harbour City Council

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

Note 6b. investments (continued)

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Balance at the beginning of the year	4,362	32,605	5,010	33,213
Revaluations (through the Income Statement)	–	–	(2)	20
Additions	3,198	33,946	–	27,816
Disposals (sales and redemptions)	(4,440)	(2,248)	(10,055)	(19,035)
Transfers between current/non-current	6,595	(6,595)	9,409	(9,409)
Balance at end of year	9,715	57,708	4,362	32,605
Comprising:				
– NCD's, FRN's (with maturities > 3 months)	6,595	53,462	2,333	28,332
– Other long term financial assets	3,120	4,246	2,029	4,273
Total	9,715	57,708	4,362	32,605
Note 6(b-ii)				
Reconciliation of investments classified as 'held to maturity'				
Balance at the beginning of the year	46,051	53,890	27,500	71,034
Additions	31,500	4,000	25,751	18,740
Disposals (sales and redemptions)	(46,051)	(626)	(42,500)	(584)
Transfers between current/non-current	13,274	(13,274)	35,300	(35,300)
Balance at end of year	44,774	43,990	46,051	53,890
Comprising:				
– Long term deposits	44,774	41,990	44,550	51,890
– Floating rate term deposits	–	2,000	1,500	2,000
– Other long term financial assets	–	–	1	–
Total	44,774	43,990	46,051	53,890
Note 6(b-iii)				
Reconciliation of investments classified as 'available for sale'				
Revaluation – transfer gain/(loss) to ARR in equity	551	–	–	–
Additions	(551)	551	–	–
Balance at end of year	–	551	–	–
Comprising:				
– Other long term maturity financial assets	–	551	–	–
Total	–	551	–	–

Coffs Harbour City Council

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

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	65,563	102,249	65,847	86,495
attributable to:				
External restrictions (refer below)	30,642	66,756	31,272	62,743
Internal restrictions (refer below)	30,260	35,493	33,257	23,752
Unrestricted	4,661	–	1,318	–
	65,563	102,249	65,847	86,495

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)	21,779	–	(1,929)	19,850
Specific purpose unexpended loans – sewer (A)	27,939	–	(1,012)	26,927
External restrictions – included in liabilities	49,718	–	(2,941)	46,777

External restrictions – other

Developer contributions – general (B)	12,835	3,410	(1,159)	15,086
Developer contributions – water fund (B)	105	3,835	(3,813)	127
Developer contributions – sewer fund (B)	24	3,568	(3,412)	180
Specific purpose unexpended grants (C)	(2)	868	–	866
Water supplies (D)	7,505	294	(214)	5,655
Sewerage services (D)	19,763	2,912	(7)	21,381
Domestic waste management (D)	4,006	17,890	(14,570)	7,326
Other	61	–	(61)	–
External restrictions – other	44,297	32,777	(23,236)	50,621
Total external restrictions	94,015	32,777	(26,177)	97,398

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D 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.

Coffs Harbour City 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	8,943	9,527	(7,194)	11,276
Jetty Foreshores	–	5,091	–	5,091
Employees leave entitlement	6,683	13,702	(13,653)	6,732
T2S Savings	–	1,504	–	1,504
Renewable Energy	–	50	–	50
Airport	52	7,054	(6,859)	247
Asset renewal	1,999	5,010	–	7,009
Asset replacement	556	28	(584)	–
Business development	2,276	232	(2,508)	–
Car parking upgrade	1,080	43	–	1,123
CBD masterplan	1,490	959	(562)	1,887
Community facilities	1,580	1,955	(2,407)	1,128
EDP equipment	909	50	(959)	–
Environmental laboratory	963	849	(638)	1,174
Environmental levy	102	1,480	(1,393)	189
Flood mitigation works	2,321	1,151	–	3,472
Future fund	2,125	470	(37)	2,558
Future road network	2,266	458	(2,724)	–
General fund revotes	2,147	3,746	(2,147)	3,746
Jetty M&R	242	10	(252)	–
Non domestic waste management	1,986	6,049	(4,734)	3,301
Open space land	51	2	(53)	–
Other contributions	2,021	–	(2,021)	–
Project contingency	1,193	48	(241)	1,000
Projects – private works funding	3,393	3,412	(6,805)	–
RMS contributions – Pacific highway garden works	70	2	(72)	–
RMS contributions – Pine Creek hand over	2,182	85	(112)	2,155
RMS contributions - Sapphire to Woolgoolga	–	3,885	(107)	3,778
Technology Group	402	2,994	(2,958)	438
Unexpended grants	1,281	95	(751)	625
Unexpended loans	8,696	–	(1,426)	7,270
Total internal restrictions	57,009	69,941	(61,197)	65,753
TOTAL RESTRICTIONS	151,024	102,718	(87,374)	163,151

Coffs Harbour City 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		3,176	1,450	3,191	1,471
Interest and extra charges		448	397	448	348
User charges and fees		1,895	35	2,750	52
Private works		394	–	632	1
Accrued revenues					
– Interest on investments		1,420	–	2,437	–
– User charges and fees		2,477	–	1,867	–
Airport landing charges		1,359	43	1,019	42
Caravan parks		1,234	–	486	–
Economic development unit		2	–	4	–
Environmental lab		98	–	68	–
Deferred debtors		15	105	14	245
Government grants and subsidies		1,263	328	4,070	437
Lease rentals		24	–	25	–
Net GST receivable		664	–	425	–
Switchboard sales		473	–	611	–
Tip charges		276	–	249	–
Other debtors		3,391	34	231	–
Total		18,609	2,392	18,527	2,596
Less: provision for impairment					
Other debtors		(60)	–	(56)	–
Total provision for impairment – receivables		(60)	–	(56)	–
TOTAL NET RECEIVABLES		18,549	2,392	18,471	2,596
Externally restricted receivables					
Water supply					
– Rates and availability charges		119	102	136	106
– Other		3,913	28	4,442	31
Sewerage services					
– Rates and availability charges		659	560	736	571
– Other		1,324	6	1,108	48
Total external restrictions		6,015	696	6,422	756
Internally restricted receivables					
Nil					
Unrestricted receivables		12,534	1,696	12,049	1,840
TOTAL NET RECEIVABLES		18,549	2,392	18,471	2,596

Notes on debtors above:

- Rates and annual charges outstanding are secured against the property.
- 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.
- Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Coffs Harbour City 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		1,301	–	1,301	–
Trading stock		575	–	659	–
Total inventories at cost		1,876	–	1,960	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		1,876	–	1,960	–
(b) Other assets					
Prepayments		561	–	520	–
TOTAL OTHER ASSETS		561	–	520	–
Externally restricted assets					
Water					
Stores and materials		204	–	225	–
Total water		204	–	225	–
Sewerage					
Nil					
Domestic waste management					
Prepayments		–	–	258	–
Total domestic waste management		–	–	258	–
Other					
Nil					
Total externally restricted assets		204	–	483	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		2,233	–	1,997	–
TOTAL INVENTORIES AND OTHER ASSETS		2,437	–	2,480	–

Coffs Harbour City 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	WIP transfers	Adjustments and transfers	Discovered Assets (Prior Period Errors)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment												depreciation	impairment	
Capital work in progress	22,122	–	–	–	22,122	10,726	3,907	–	–	(9,571)	(101)	–	–	27,083	–	–	–	27,083
Plant and equipment	–	38,883	21,192	–	17,691	–	3,884	(829)	(3,941)	–	–	137	–	–	40,038	23,096	–	16,942
Office equipment	–	3,609	2,875	–	734	–	430	–	(248)	–	–	–	–	–	4,039	3,123	–	916
Furniture and fittings	–	3,525	1,776	–	1,749	–	13	–	(148)	–	–	–	–	–	3,538	1,924	–	1,614
Land:																		
– Operational land	–	117,598	–	–	117,598	–	–	(147)	–	–	–	–	2,042	–	119,493	–	–	119,493
– Community land	–	34,415	–	–	34,415	–	625	(329)	–	–	–	–	(1,408)	–	33,303	–	–	33,303
– Land under roads (post 30/6/08)	–	1,925	–	–	1,925	–	65	–	–	–	–	–	756	–	2,746	–	–	2,746
Land improvements – depreciable	–	17,562	13,681	–	3,881	208	163	–	(498)	32	–	30	–	–	20,016	16,200	–	3,816
Infrastructure:																		
– Buildings – non-specialised	–	58,446	10,066	–	48,380	–	20	–	(1,073)	42	–	–	1,097	–	54,866	6,400	–	48,466
– Buildings – specialised	–	51,365	4,749	–	46,616	–	397	(159)	(730)	590	–	725	1,481	–	54,965	6,045	–	48,920
– Other structures	–	1,212	509	–	703	–	–	–	(27)	–	–	–	–	–	1,212	536	–	676
– Roads	–	517,007	120,153	–	396,854	450	1,669	(928)	(12,550)	6,125	31,188	2,278	12,855	–	580,472	142,512	–	437,960
– Bridges	–	61,084	4,761	–	56,323	–	474	(151)	(736)	–	6,829	–	2,070	–	72,157	7,348	–	64,809
– Footpaths	–	42,639	7,215	–	35,424	619	1,166	(23)	(760)	13	1,489	86	1,178	–	47,426	8,234	–	39,192
– Bulk earthworks (non-depreciable)	–	124,532	–	–	124,532	636	325	(332)	–	101	5,048	120	4,043	–	134,473	–	–	134,473
– Stormwater drainage	–	176,713	40,663	–	136,050	1,127	934	(33)	(1,622)	555	13,088	294	2,256	–	195,852	43,203	–	152,649
– Water supply network	–	413,574	137,196	–	276,378	457	459	(67)	(5,719)	142	–	54	4,057	–	420,736	144,975	–	275,761
– Sewerage network	–	643,550	200,833	–	442,717	–	1,889	(150)	(12,504)	1,814	–	144	6,482	–	656,747	216,355	–	440,392
– Swimming pools	–	4,210	1,730	–	2,480	–	–	–	(84)	–	–	–	–	–	4,210	1,814	–	2,396
– Other open space/recreational assets	–	10,922	5,779	–	5,143	–	123	–	(712)	149	493	730	–	–	14,126	8,200	–	5,926
Other assets:																		
– Other	–	6,838	2,226	–	4,612	32	388	–	(248)	8	7	36	–	–	7,881	3,046	–	4,835
Reinstatement, rehabilitation and restoration assets (refer Note 26):																		
– Tip assets	–	5,286	3,721	–	1,565	–	–	–	(1,657)	–	322	–	–	–	5,608	5,378	–	230
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	22,122	2,334,895	579,125	–	1,777,892	14,255	16,931	(3,148)	(43,257)	–	58,363	4,634	36,909	27,083	2,473,904	638,389	–	1,862,598

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.

Coffs Harbour City Council

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

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	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	9,491	–	–	9,491	4,564	–	–	4,564
Plant and equipment	–	3,732	2,423	1,309	–	3,783	2,218	1,565
Office equipment	–	233	227	6	–	233	223	10
Land								
– Operational land	–	4,773	–	4,773	–	4,695	–	4,695
Infrastructure	–	420,737	144,975	275,762	–	413,574	137,196	276,378
Total water supply	9,491	429,475	147,625	291,341	4,564	422,285	139,637	287,212
Sewerage services								
WIP	3,460	–	–	3,460	2,698	–	–	2,698
Plant and equipment	–	3,640	2,450	1,190	–	3,638	2,418	1,220
Office equipment	–	70	45	25	–	52	36	16
Furniture and fittings	–	78	78	–	–	78	78	–
Land								
– Operational land	–	12,651	–	12,651	–	12,616	–	12,616
Infrastructure	–	656,747	216,354	440,393	–	643,550	200,833	442,717
Total sewerage services	3,460	673,186	218,927	457,719	2,698	659,934	203,365	459,267
Domestic waste management								
Plant and equipment	–	314	284	30	–	314	256	58
Office equipment	–	7	2	5	–	3	–	3
Land								
– Operational land	–	10,962	–	10,962	–	10,932	–	10,932
Buildings	–	2,031	284	1,747	–	1,948	221	1,727
Other structures	–	5,916	5,541	375	–	5,593	3,877	1,716
Other assets	–	408	48	360	–	408	40	368
Total DWM	–	19,638	6,159	13,479	–	19,198	4,394	14,804
TOTAL RESTRICTED I,PP&E	12,951	1,122,299	372,711	762,539	7,262	1,101,417	347,396	761,283

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

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

Coffs Harbour City 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		3,593	–	3,578	–
Goods and services – capital expenditure		1,003	–	731	–
Payments received In advance		1,471	–	1,322	–
Accrued expenses:					
– Borrowings		1,557	–	1,744	–
– Salaries and wages		27	–	235	–
– Other expenditure accruals		–	341	170	216
Security bonds, deposits and retentions		664	–	466	–
Waste levy		183	–	179	–
Workers compensation premium adjustment		209	–	209	–
Other		144	–	131	–
Total payables		8,851	341	8,765	216
Borrowings					
Loans – secured ¹		14,448	164,017	17,880	178,562
Total borrowings		14,448	164,017	17,880	178,562
Provisions					
Employee benefits:					
Annual leave		2,835	–	2,977	–
Sick leave		205	–	237	–
Long service leave		8,525	504	8,928	99
Accrued leave		130	–	152	–
ELE on-costs		1,828	325	1,814	251
Sub-total – aggregate employee benefits		13,523	829	14,108	350
Asset remediation/restoration (future works)	26	–	5,234	–	4,672
Total provisions		13,523	6,063	14,108	5,022
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		36,822	170,421	40,753	183,800
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		6,114	67,564	5,728	72,478
Sewer		7,218	78,164	9,897	84,201
Domestic waste management		183	5,234	179	4,672
Liabilities relating to externally restricted assets		13,515	150,962	15,804	161,351
Total liabilities relating to restricted assets		13,515	150,962	15,804	161,351
Total liabilities relating to unrestricted assets		23,307	19,459	24,949	22,449
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		36,822	170,421	40,753	183,800

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.

Coffs Harbour City Council

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

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

	Actual 2016	Actual 2015
\$ '000		

(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	10,816	11,694
	10,816	11,694

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	2,977	2,659	(2,801)	–	–	2,835
Sick leave	237	1,197	(1,230)	1	–	205
Long service leave	9,027	1,036	(1,658)	624	–	9,029
Other leave (enter detai	152	246	(268)	–	–	130
ELE on-costs	2,065	88	–	–	–	2,153
Asset remediation	4,672	323	–	239	–	5,234
TOTAL	19,130	5,549	(5,957)	864	–	19,586

- 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.
- 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.

Coffs Harbour City 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	11,074	15,434
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		11,074	15,434
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		74,308	12,080
Adjust for non-cash items:			
Depreciation and amortisation		43,773	44,517
Net losses/(gains) on disposal of assets		2,001	3,772
Non-cash capital grants and contributions		(61,182)	(12,144)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		–	23
– Investment properties		(94)	14
– Favourable financial liabilities (i.e. initial recognition at fair value)		(38)	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		116	46
Unwinding of discount rates on reinstatement provisions		562	398
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(17)	559
Increase/(decrease) in provision for doubtful debts		4	(19)
Decrease/(increase) in inventories		84	(382)
Decrease/(increase) in other assets		(41)	118
Increase/(decrease) in payables		15	(266)
Increase/(decrease) in accrued interest payable		(187)	(136)
Increase/(decrease) in other accrued expenses payable		(253)	(277)
Increase/(decrease) in other liabilities		364	(1,373)
Increase/(decrease) in employee leave entitlements		(106)	(304)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		59,309	46,626

Coffs Harbour City 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			
Bushfire grants		446	1,375
Other dedications (developer)		2,343	10,445
Future reinstatement costs re-measurement		239	219
Artworks donated		–	105
Total non-cash investing and financing activities		3,028	12,144
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		1,200	1,200
Loan facilities		178,465	196,442
Total financing arrangements		179,665	197,642
Amounts utilised as at balance date:			
– Credit cards/purchase cards		295	235
– Loan facilities		178,465	196,442
Total financing arrangements utilised		178,760	196,677

(ii) Secured loan liabilities

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

(e) Bank guarantees

The Council has provided 2 bank guarantees totalling \$77,689 in the ordinary course of business and the Council has provided no other guarantees.

Coffs Harbour City Council

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

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(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		–	68
Plant and equipment		–	289
Sewer network		284	48
Transport assets		2,059	324
Stormwater drainage		332	–
Other		1,581	214
Total commitments		4,256	943
These expenditures are payable as follows:			
Within the next year		4,256	943
Total payable		4,256	943
Sources for funding of capital commitments:			
Unrestricted general funds		3,640	538
Internally restricted reserves		616	289
Unexpended loans		–	116
Total sources of funding		4,256	943

Details of capital commitments

Council has tenders and contracts for capital works that are work in progress at balance date. The commitments for expenditure represent the balance of planned works that will be completed in the subsequent financial year.

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

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

Coffs Harbour City 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 20152014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(1,169)	-0.73%	-5.58%	-16.46%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	160,137			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	139,496	58.73%	76.10%	83.60%
Total continuing operating revenue ⁽¹⁾	237,521			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	51,180	4.10x	3.71x	1.95x
Current liabilities less specific purpose liabilities ^(3, 4)	12,491			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	55,567	1.79x	1.52x	1.11x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	31,018			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	5,471	5.96%	6.29%	6.49%
Rates, annual and extra charges collectible	91,804			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	97,838	8.17 mths	9.3 mths	9.2 mths
Payments from cash flow of operating and financing activities	11,976			

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).

Coffs Harbour City Council

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

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

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio -0.73%</p> <p>The Operating Performance Ratio has improved during the year. This can be attributed to the recovery of investments related to losses from the Global Financial Crisis of \$4.7 million and the increase in Rates due to the Special Rate Variation and reduction in borrowing costs.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 58.73%</p> <p>The own source operating revenue ratio has decreased during the financial year. This decrease is attributable to the effect that the road dedication of \$58 million has on the total continuing operational income used in the calculation of this ratio.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 4.10x</p> <p>The unrestricted current ratio increase is attributable to the reduction in current commitments for loan repayments attributable to ongoing reductions in borrowings and the reduction in commitments for employee entitlements attributable to restructure of the Council.</p>

Coffs Harbour City Council

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

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

<div><div>4. Debt service cover ratio</div><div><table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2013</td><td>1.2</td></tr><tr><td>2014</td><td>1.1</td></tr><tr><td>2015</td><td>1.5</td></tr><tr><td>2016</td><td>1.8</td></tr></table></div><div><div>Benchmark: Minimum ≥ 2.00</div><div>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</div></div></div>	Year	Ratio (x)	2013	1.2	2014	1.1	2015	1.5	2016	1.8	<div><div>Purpose of debt service cover ratio</div><div>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</div></div>	<div><div>Commentary on 2015/16 result</div><div><div>2015/16 ratio1.79x</div><div>The Debt Service Ratio has improved significantly during the year. This can be attributed to the recovery of investments related to losses from the Global Financial Crisis of \$4.7 million and the increase in Rates due to the Special Rate Variation and reduction in interest rates.</div></div></div>
Year	Ratio (x)											
2013	1.2											
2014	1.1											
2015	1.5											
2016	1.8											
<div><div>5. Rates, annual charges, interest and extra charges outstanding percentage</div><div><table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2013</td><td>6.48%</td></tr><tr><td>2014</td><td>6.49%</td></tr><tr><td>2015</td><td>6.29%</td></tr><tr><td>2016</td><td>5.96%</td></tr></table></div><div><div>Benchmark: Maximum $< 5.00\%$</div><div>Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</div></div></div>	Year	Ratio %	2013	6.48%	2014	6.49%	2015	6.29%	2016	5.96%	<div><div>Purpose of rates and annual charges outstanding ratio</div><div>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</div></div>	<div><div>Commentary on 2015/16 result</div><div><div>2015/16 ratio5.96%</div><div>The rates, annual charges, interest and extra charges outstanding ratio has been maintained during the year reflecting the recovery effort by Council.</div></div></div>
Year	Ratio %											
2013	6.48%											
2014	6.49%											
2015	6.29%											
2016	5.96%											
<div><div>6. Cash expense cover ratio</div><div><table><tr><th>Year</th><th>Ratio (mths)</th></tr><tr><td>2013</td><td>9.7</td></tr><tr><td>2014</td><td>9.2</td></tr><tr><td>2015</td><td>9.3</td></tr><tr><td>2016</td><td>8.2</td></tr></table></div><div><div>Benchmark: Minimum ≥ 3.00</div><div>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</div></div></div>	Year	Ratio (mths)	2013	9.7	2014	9.2	2015	9.3	2016	8.2	<div><div>Purpose of cash expense cover ratio</div><div>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</div></div>	<div><div>Commentary on 2015/16 result</div><div><div>2015/16 ratio8.17 mths</div><div>The cash expense cover ration has decreased during the year due to the reduction in cash and investments from investments in Infrastructure, Property, Plant and Equipment</div></div></div>
Year	Ratio (mths)											
2013	9.7											
2014	9.2											
2015	9.3											
2016	8.2											

Coffs Harbour City 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 grants and contributions less operating expenses	-7.27%	-18.30%	4.86%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: -10.30%	prior period: -24.08%	prior period: 0.39%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	81.65%	85.43%	50.92%
Total continuing operating revenue ⁽¹⁾	prior period: 82.12%	prior period: 89.15%	prior period: 71.56%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	0.21x	1.46x	4.10x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 0.32x	prior period: 0.19x	prior period: 3.71x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	0.99x	0.86x	5.13x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.80x	prior period: 0.77x	prior period: 4.70x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	5.38%	5.34%	6.21%
Rates, annual and extra charges collectible	prior period: 5.95%	prior period: 5.81%	prior period: 6.50%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	18.85 mths	17.10 mths	3.26 mths
Payments from cash flow of operating and financing activities	prior period: 12.94 mths	prior period: 15.07 mths	prior period: 6.55 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.

Coffs Harbour City 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>2,798</u>	<u>3,698</u>
Reconciliation of annual movement:			
Opening balance		3,698	3,712
– Classified as 'held for sale'		(994)	–
– Disposals during year		(74)	–
– Net gain/(loss) from fair value adjustments		94	(14)
– Other movements		74	–
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>2,798</u>	<u>3,698</u>
(b) Valuation basis			
The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2016 revaluations were based on independent assessments made by: APV Valuers & Asset Management			
(c) Leasing arrangements			
Details of leased investment properties are as follows;			
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:			
Within 1 year		57	136
Later than 1 year but less than 5 years		118	118
Total minimum lease payments receivable		<u>175</u>	<u>254</u>
The Council has lease agreement on properties with terms not exceeding 3 years. The rents are paid monthly and these rents are reviewed annually to movements in the Consumer Price Index or market value. Tenants have contractual obligations relating to property maintenance, insurance and outgoings			
(d) Investment property income and expenditure – summary			
Rental income from investment properties:			
– Minimum lease payments		133	58
Direct operating expenses on investment properties:			
– that generated rental income		(2)	(4)
– that did not generate rental income		–	(9)
Net revenue contribution from investment properties		<u>131</u>	<u>45</u>
plus:			
Fair value movement for year		<u>94</u>	<u>(14)</u>
Total income attributable to investment properties		<u>225</u>	<u>31</u>

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

Coffs Harbour City 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.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	11,074	15,434	11,074	15,434
Investments				
– 'Designated at fair value on initial recognition'	67,423	36,967	67,423	36,967
– 'Held to maturity'	88,764	99,941	88,764	99,941
– 'Available for sale'	551	–	551	–
Receivables	20,941	21,067	20,941	21,067
Total financial assets	188,753	173,409	188,753	173,409
Financial liabilities				
Payables	7,721	7,659	7,721	7,659
Loans/advances	178,465	196,442	208,649	223,279
Total financial liabilities	186,186	204,101	216,370	230,938

Fair value is determined as follows:

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

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

Coffs Harbour City 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's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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:

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 10% movement in market values	–	55	–	(55)
Possible impact of a 1% movement in interest rates	(128)	–	128	–
2015				
Possible impact of a 10% movement in market values	–	3,697	–	(3,697)
Possible impact of a 1% movement in interest rates	1,369	–	(1,369)	–

Coffs Harbour City 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.

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

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

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	77%	0%	85%
Overdue	100%	23%	100%	15%
	100%	100%	100%	100%

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	12,591	–	16,195
< 1 year overdue	0 – 30 days overdue	3,177	2,200	4,662	–
1 – 2 years overdue	30 – 60 days overdue	707	1,059	–	–
2 – 5 years overdue	60 – 90 days overdue	626	44	–	–
> 5 years overdue	> 90 days overdue	116	481	–	266
		4,626	16,375	4,662	16,461

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	56	75
+ new provisions recognised during the year	4	13
– amounts already provided for and written off this year	–	(32)
Balance at the end of the year	60	56

Coffs Harbour City 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	664	8,187	341	—	—	—	—	9,192	7,721
Loans and advances	—	25,945	25,050	24,593	24,579	28,147	121,462	249,776	178,465
Total financial liabilities	664	34,132	25,391	24,593	24,579	28,147	121,462	258,968	186,186
2015									
Trade/other payables	466	8,299	216	—	—	—	—	8,981	7,659
Loans and advances	—	30,136	25,339	24,444	23,988	23,973	144,130	272,010	196,442
Total financial liabilities	466	38,435	25,555	24,444	23,988	23,973	144,130	280,991	204,101

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	7,721	0.00%	7,659	0.00%
Loans and advances – fixed interest rate	178,465	6.64%	196,442	6.80%
	<u>186,186</u>		<u>204,101</u>	

Loan agreement breaches

There were no breaches of loan agreements during the financial year.

Coffs Harbour City 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	81,364	85,968	4,604	6%	F
User charges and fees	32,432	30,012	(2,420)	(7%)	U
Interest and investment revenue	5,705	6,829	1,124	20%	F
The budgeted expenditure on materials and capital projects did not proceed as expected and these unspent funds were invested realising higher investment revenue.					
Other revenues	9,375	16,781	7,406	79%	F
Other revenues were greater than budgeted due to the recovery of \$7.89 Million of CDO investments lost during the Global Financial Crisis.					
Operating grants and contributions	18,255	20,641	2,386	13%	F
Operating grants were greater than expected due to the Roads To Recovery funding that was \$1.75 Million higher than budgeted due to changes in the funding arrangements.					
Capital grants and contributions	16,678	77,384	60,706	364%	F
Capital contributions were higher than budgeted due to the RMS transfer of the Solitary Way Road for \$58.15 Million.					

Coffs Harbour City 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	41,689	42,808	(1,119)	(3%) U
Borrowing costs	12,892	12,963	(71)	(1%) U
Materials and contracts	58,829	49,073	9,756	17% F
The budgeted expenditure on materials and capital projects did not proceed as expected and these unspent funds were invested.				
Depreciation and amortisation	48,131	43,773	4,358	9% F
Other expenses	6,448	12,689	(6,241)	(97%) U
Other expenses were greater than budgeted due to legal costs of \$3.4 Million on the recovery of the \$7.89 Million of CDO investments lost during the Global Financial Crisis.				
Net losses from disposal of assets	—	2,001	(2,001)	0% U
Council did not budget for losses on disposal of assets				

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

Cash flows from operating activities	45,529	59,309	13,780	30.3% F
The budgeted expenditure on materials and capital projects did not proceed as expected and these unspent funds were invested. Funds were received from the recovery of CDO investments of \$4.5 Million.				
Cash flows from investing activities	(27,834)	(45,614)	(17,780)	63.9% U
The budgeted expenditure on materials and capital projects did not proceed as expected and these unspent funds were invested. Funds were received from the recovery of CDO investments of \$4.5 Million.				
Cash flows from financing activities	(17,880)	(18,055)	(175)	1.0% U

Coffs Harbour City 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					
Drainage	2,018	38	–	82	–	–	2,138	–
Roads	4,012	1,073	–	156	(1,013)	(69)	4,159	(69)
Traffic facilities	16	18	–	1	–	–	35	–
Parking	951	74	–	38	(29)	–	1,034	–
Open space	2,766	1,330	–	135	(33)	69	4,267	69
Community facilities	1,638	90	–	67	(26)	–	1,769	–
Other	928	273	–	41	(79)	–	1,163	–
S94 contributions – under a plan	12,329	2,896	–	520	(1,180)	–	14,565	–
Total S94 revenue under plans	12,329	2,896	–	520	(1,180)	–	14,565	–
S94 not under plans	506	–	–	19	(4)	–	521	–
S64 contributions	129	7,370	–	8	(7,200)	–	307	–
Total contributions	12,964	10,266	–	547	(8,384)	–	15,393	–

Coffs Harbour City 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

City Centre Car Parking

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					
Parking	449	63	–	18	(29)	–	501	–
Total	449	63	–	18	(29)	–	501	–

The following contribution plans have been adopted by Council and are available for public inspection free of cost:

- | | |
|--|---|
| a. Regional, District and Neighbourhood Facilities and Services | k. Water Supply Developer Services Plan |
| b. Local Roads, Trunk Drainage and Mines and Extractive Industries | l. Waste Water Treatment and Carrier System Developer Services Plan |
| c. West Coffs Harbour | m. Surf Rescue Facilities |
| d. North Boambee Valley (East) | n. West Woolgoolga |
| e. Moonee | o. Hearn's Lake/Sandy Beach |
| f. City Centre Car Parking | p. Corindi |
| g. Woolgoolga Car Parking | q. Park Beach |
| h. Coffs Harbour Road Network | r. South Coffs |
| i. North Bonville | s. Jetty Area Car Parking |
| j. Korora Rural Residential | |

Coffs Harbour City 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

Coffs Harbour Road Network

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	119	365	–	2	(465)	–	21	–
Total	119	365	–	2	(465)	–	21	–

Corindi

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	101	–	–	3	–	–	104	–
Open space	9	–	–	–	(5)	–	4	–
Community facilities	469	–	–	18	(5)	–	482	–
Total	579	–	–	21	(10)	–	590	–

Hearnes Lake / Sandy Beach

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	111	174	–	6	–	(69)	222	(69)
Open space	78	5	–	2	–	(15)	70	(15)
Total	189	179	–	8	–	(84)	292	(84)

Coffs Harbour City 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

Jetty Area Car Parking

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					
Parking	5	11	–	–	–	–	16	–
Total	5	11	–	–	–	–	16	–

Korora Rural Residential Release Area

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	146	79	–	7	–	–	232	–
Open space	178	27	–	7	–	–	212	–
Other	48	10	–	2	(7)	–	53	–
Total	372	116	–	16	(7)	–	497	–

Mines and Extractive Industries

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	124	4	–	3	(107)	–	24	–
Total	124	4	–	3	(107)	–	24	–

Coffs Harbour City 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

Moonee Release Area

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	62	–	–	3	–	–	65	–
Roads	1,669	198	–	67	(171)	–	1,763	–
Open space	263	99	–	12	–	–	374	–
Community facilities	298	48	–	13	–	–	359	–
Other	–	1	–	–	(1)	–	–	–
Total	2,292	346	–	95	(172)	–	2,561	–

North Boambee Valley (East)

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	345	21	–	14	–	–	380	–
Roads	33	23	–	2	–	–	58	–
Open space	142	6	–	6	–	–	154	–
Community facilities	63	17	–	3	–	–	83	–
Other	50	37	–	3	(1)	–	89	–
Total	633	104	–	28	(1)	–	764	–

Coffs Harbour City 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

North Bonville

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	184	13	–	8	–	–	205	–
Roads	(31)	51	–	(1)	(13)	–	6	–
Open space	185	5	–	7	–	–	197	–
Other	–	1	–	–	(1)	–	–	–
Total	338	70	–	14	(14)	–	408	–

Park Beach

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					
Traffic facilities	16	18	–	1	–	–	35	–
Parking	18	–	–	1	–	–	19	–
Open space	47	122	–	4	(1)	–	172	–
Total	81	140	–	6	(1)	–	226	–

Coffs Harbour City 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

Regional, District and Neighbourhood Facilities and Services

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					
Open space	1,685	1,050	–	89	(24)	84	2,884	84
Community facilities	18	22	–	1	(21)	–	20	–
Other	382	186	–	17	(69)	–	516	–
Total	2,085	1,258	–	107	(114)	84	3,420	84

South Coffs

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	–	146	–	–	(129)	–	17	–
Open space	–	12	–	–	(2)	–	10	–
Total	–	158	–	–	(131)	–	27	–

Surf Rescue Facilities

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					
Other	71	37	–	4	–	–	112	–
Total	71	37	–	4	–	–	112	–

Coffs Harbour City 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

West Coffs

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	1,427	4	–	57	–	–	1,488	–
Roads	1,330	10	–	50	(118)	–	1,272	–
Open space	158	3	–	7	(1)	–	167	–
Community facilities	790	3	–	32	–	–	825	–
Other	347	–	–	14	–	–	361	–
Total	4,052	20	–	160	(119)	–	4,113	–

West Woolgoolga

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	410	23	–	17	(10)	–	440	–
Open space	21	1	–	1	–	–	23	–
Other	30	1	–	1	–	–	32	–
Total	461	25	–	19	(10)	–	495	–

Woolgoolga Car Parking

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					
Parking	479	–	–	19	–	–	498	–
Total	479	–	–	19	–	–	498	–

Coffs Harbour City 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

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	146	–	–	5	–	–	151	–
Open space	2	–	–	–	–	–	2	–
Community facilities	175	–	–	6	(4)	–	177	–
Other	183	–	–	8	–	–	191	–
Total	506	–	–	19	(4)	–	521	–

Coffs Harbour City 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.

Amount of employer contributions recognised as an expense for the year ending 30/6/16 was \$1,080,605. Employers are required to contribute additional contributions to assist in extinguishing this deficit. The annual amount of additional contributions payable until the deficit is extinguished is \$870,609.

(ii) 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.

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

The Council has provided 2 bank guarantees totalling \$77,689 in the ordinary course of business and apart from these guarantees and the guarantees listed above the council has no other guarantees.

Coffs Harbour City 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

(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) 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.

(iii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

(iii) Potential land acquisitions due to planning restrictions imposed by Council (continued)

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

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 and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's 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 representing 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.

(iii) RMS Land under Dedicated Road

The RMS transferred the Sapphire to Woolgoolga Road to Council control during the year ended 30 June 2016 together with a contribution towards future road maintenance. The land under the road is expected to be transferred during the year ended 30 June 2016 upon finalisation by the RMS of relevant acquisitions, transfer of titles and government gazette.

Coffs Harbour City 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%.

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

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

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Coffs Harbour City 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 has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council did not consolidate the following structured entities:

1. Coffs Coast State Park Trust

Council has been appointed by the Minister for Crown Land as the Corporate Manager. Pursuant to section 92(1) of the Crown Land Acts 1989, Coffs Harbour City Council was appointed as the trustee of the Coffs Coast State Park Trust as gazetted on 22 September 2000.

The Coffs Coast State Park Trust undertakes business operations within the State Park including the operation of Park Beach Holiday Park and Sawtell Beach Holiday Park. The operations are fully self funded by Coffs Coast State Park Trust.

Nature of risks relating to the Unconsolidated Structured Entity

There are no risks to Council relating to the Coffs Coast State Park Trust.

Since the inception of the Coffs Coast State Park Trust on 22 September 2000, no agreement exists between the entities that requires Council to provide financial support to the Trust or accept liability for any reporting losses.

Coffs Harbour City Council

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

Note 19. Interests in other entities (continued)

\$ '000

(d) Unconsolidated structured entities (continued)

2. Woolgoolga Beach Reserve Trust

Council has been appointed by the Minister for Crown Land as the Corporate Manager. Pursuant to section 92(1) of the Crown Land Acts 1989, Coffs Harbour City Council was appointed as the trustee of the Woolgoolga Beach Reserve Trust as gazetted on 19 July 2002.

The Woolgoolga Beach Reserve Trust undertakes business operations within the Reserve including the operation of Woolgoolga Beach Holiday Park. The operations are fully self funded by Woolgoolga Beach Trust.

Nature of risks relating to the Unconsolidated Structured Entity

There are no risks to Council relating to the Woolgoolga Beach Reserve Trust.

Since the inception of the Woolgoolga Beach Reserve Trust on 19 July 2003, no agreement exists between the entities that requires Council to provide financial support to the Trust or accept liability for any reporting losses.

3. Coffs Harbour Technology Park Limited

Coffs Harbour Technology Park Limited is an unlisted public company that's principal activity is the commercial letting of premises that the company has built on leasehold land. The company was established as a venture with Council, Southern Cross University and NSW TAFE to provide facilities as a focus for technology and technology service providers. The Council holds one third of the share capital, has made unsecured loans to the company and the Council General Manager is a director of the company.

The Council's potential share of the net tangible assets of the company are insignificant to Council's operations and financial position and accordingly the interest in this entity has not been included in this financial report.

Nature of risks relating to the Unconsolidated Structured Entity

There are no risks to Council relating to the Coffs Harbour Technology Park Limited.

Since the inception of the Coffs Harbour Technology Park Limited on 31 May 2001, no agreement exists between the entities that requires Council to provide financial support to the Company or accept liability for any reporting losses.

Non-contractual financial support provided

Council initially provided financial support to Coffs Harbour Technology Park Limited in the form of unsecured loans and share capital equity to provide funds for asset construction and operational costs.

Current intention to provide financial support

Council has no current intention to provide financial support to the Unconsolidated Structured Entity.

(e) Subsidiaries, joint arrangements and associates not recognised

None.

Coffs Harbour City 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)		1,198,151	1,179,041
a. Correction of prior period errors	20 (c)	4,634	7,030
b. Other comprehensive income (excl. direct to reserves transactions)		(79)	–
c. Net operating result for the year		74,308	12,080
d. Transfers between equity		70	–
Balance at end of the reporting period		1,277,084	1,198,151
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		639,253	602,414
– ‘Available for sale’ financial investments revaluation reserve		551	–
Total		639,804	602,414
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		602,414	741,829
– Revaluations for the year	9(a)	36,909	(139,415)
– Transfer to retained earnings for asset disposals		(70)	–
– Balance at end of year		639,253	602,414
‘Available for sale’ financial investments revaluation reserve			
– Unrealised gain (loss) in value for the year		551	–
– Balance at end of year		551	–
TOTAL VALUE OF RESERVES		639,804	602,414

(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.

‘Available for sale’ financial investments revaluation reserve

– The ‘available for sale’ financial investments revaluation reserve is used to account for the fair value movements in all financial assets so classified that remain on hand at year end.

Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve.

Coffs Harbour City 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 (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
During the 2016 financial year assets were discovered in the following Note 9 categories (written down values disclosed) as a result of the migration to a new asset management register. The assets were discovered when Council's asset technicians were undertaking the migration of assets to Council's new asset software system.			
- Sewer		144	—
- Water		54	—
- Airport Building		725	—
- Roads & Footpaths		2,363	—
- Stormwater Drainage		294	—
- Land		30	—
- Earthworks		120	—
- Open Space & Recreational		730	—
- Plant & Equipment		137	—
- Other		37	—
Correction of errors as disclosed in last year's financial statements:			
During the 2015 financial year assets were discovered in the following Note 9 categories (written down values disclosed) as a result of the revaluation of transport and stormwater drainage assets. The assets were discovered by Council's asset technicians while undertaking field inspections or identified while carrying out construction in the area and updated within Council's GIS system.			
- Roads		—	2,446
- Bridges		—	758
- Footpaths		—	2,521
- Stormwater drainage		—	1,302
Additional fencing assets were also identified during field inspections and corrected to the open space/recreational asset class.			
		—	3
Council does not deem it sufficiently material to disclose a third statement of financial position or restate prior year comparatives.			
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/14		4,634	7,030
(relating to adjustments for the 30/6/14 reporting year end and prior periods)			
Total prior period adjustments – prior period errors		4,634	7,030

(d) Voluntary changes in accounting policies

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

Coffs Harbour City 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	4,095	22,817	59,056
User charges and fees	14,513	2,740	12,759
Interest and investment revenue	1,070	1,787	3,972
Other revenues	88	156	16,537
Grants and contributions provided for operating purposes	382	348	19,911
Grants and contributions provided for capital purposes	4,058	4,343	68,983
Total income from continuing operations	24,206	32,191	181,218
Expenses from continuing operations			
Employee benefits and on-costs	3,154	4,184	35,470
Borrowing costs	5,153	6,131	1,679
Materials and contracts	3,595	5,102	40,376
Depreciation and amortisation	6,618	12,811	24,344
Impairment	–	–	–
Other expenses	3,084	4,799	4,806
Net losses from the disposal of assets	67	150	1,784
Total expenses from continuing operations	21,671	33,177	108,459
Operating result from continuing operations	2,535	(986)	72,759
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	2,535	(986)	72,759
Net operating result attributable to each council fund	2,535	(986)	72,759
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(1,523)	(5,329)	3,776

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.

Coffs Harbour City 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	874	1,002	9,198
Investments	7,820	12,333	34,336
Receivables	4,162	2,549	11,838
Inventories	204	–	1,672
Other	–	–	561
Non-current assets classified as 'held for sale'	–	–	1,492
Total current assets	13,060	15,884	59,097
Non-current assets			
Investments	20,018	32,734	49,497
Receivables	–	–	2,392
Inventories	–	–	–
Infrastructure, property, plant and equipment	291,341	457,719	1,113,538
Investments accounted for using the equity method	–	–	–
Investment property	–	–	2,798
Intangible assets	64,015	–	2,038
Total non-current assets	375,374	490,453	1,170,263
TOTAL ASSETS	388,434	506,337	1,229,360
LIABILITIES			
Current liabilities			
Payables	1,200	1,181	6,470
Borrowings	4,914	6,037	3,497
Provisions	–	–	13,523
Total current liabilities	6,114	7,218	23,490
Non-current liabilities			
Payables	–	–	341
Borrowings	67,564	78,164	18,289
Provisions	–	–	6,063
Total non-current liabilities	67,564	78,164	24,693
TOTAL LIABILITIES	73,678	85,382	48,183
Net assets	314,756	420,955	1,181,177
EQUITY			
Retained earnings	182,737	284,368	809,979
Revaluation reserves	132,019	136,587	371,198
Total equity	314,756	420,955	1,181,177

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.

Coffs Harbour City 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	1,492	–	532	–
Total non-current assets 'held for sale'	1,492	–	532	–
Disposal group assets 'held for sale'				
None				
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>1,492</u>	<u>–</u>	<u>532</u>	<u>–</u>

(ii) Details of assets and disposal groups

All land parcels currently classified as held for sale are expected to be sold during the year ended 30 June 2017.

(iii) Disposal group liabilities

Nil

\$ '000	Assets 'held for sale'	
	2016	2015
(iv) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations		
Opening balance	532	1,487
Balance still unsold after 12 months:	532	1,487
Less: assets no longer classified as 'held for sale'	–	(1,487)
Plus new transfers in:		
– Assets 'held for sale'	960	532
Closing balance of 'held for sale' non-current assets and operations	<u>1,492</u>	<u>532</u>

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

Coffs Harbour City 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 28/10/16.

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 aware of the following 'non-adjusting events' that merit disclosure:

Coffs Coast Resource Recovery Facility - Fire

The Council was notified of a fire at the waste processing facility located at England's Road Coffs Harbour on 27 July 2016. This waste processing facility is operated by Biomass Solutions (Coffs Harbour) Pty Ltd ('the operator') under contract from Council.

The buildings and plant damaged in the fire are owned by the operator and are subject to claims made by the operator with their insurers. The operator has represented to Council that their insurance cover is adequate and the facility will be restored to operation during the year ended 30 June 2017.

The estimated future financial effect on the Council is an increase in the NSW Government Waste Levy charged for unprocessed waste interned in landfill and the additional Council operational costs related to collection, transport and burial or alternative processing system for the unprocessed waste.

Whilst waste is diverted away from the Biomass Resource Recovery Facility, no "processing fees" are payable to the operator for any waste not so processed.

At the time of signing the financial statements the future financial effect on the Council of the fire in the waste processing facility could not be reliably estimated due to the uncertainty over the time taken to restore the facility to operating condition and the impact of alternative waste management procedures adopted by Council and the operator.

Coffs Harbour City Council

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

Note 24. Discontinued operations

\$ '000

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

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)	75,837	75,486
Accumulated amortisation (1/7)	(8,730)	(7,879)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	67,107	67,607
Movements for the year		
– Purchases	92	351
– Amortisation charges	(853)	(851)
– Gross book value written off	(946)	–
– Accumulated amortisation charges written off	653	–
Closing values:		
Gross book value (30/6)	74,983	75,837
Accumulated amortisation (30/6)	(8,930)	(8,730)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE¹</u>	<u>66,053</u>	<u>67,107</u>

¹ The net book value of intangible assets represent:

– Software	118	459
– Regional water supply scheme (right to receive water from Clarence Valley Council)	64,015	64,728
– Goodwill on purchase of commercial operation	1,920	1,920
	66,053	67,107

Coffs Harbour City 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
Waste facility	2020	5,234	4,672
Balance at end of the reporting period	10(a)	5,234	4,672

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:

- the final land fill capping costs were estimated in July 2012 and have been adjusted annually by reference to the Cost Index provided by the Institute of Public Works Engineering Australasia.
- the life of the waste facility is estimated based upon 51,000 cubic metres of fill being placed annually and a remaining landfill capacity of 298,000 cubic metres assessed at the most recent survey 25 June 2015.

Reconciliation of movement in provision for year:

Balance at beginning of year	4,672	4,274
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	323	179
Amortisation of discount (expensed to borrowing costs)	239	219
Total – reinstatement, rehabilitation and restoration provision	5,234	4,672

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Coffs Harbour City 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

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'

During a reporting period Council will measure non-current assets classified as held for sale at fair value on a non-recurring basis if their carrying amount is higher than their fair value and therefore the assets need to be written down to fair value. They are measured at the lower of their carrying amount and fair value less costs to sell. During the current reporting period, there were no assets measured at fair value on a non-recurring basis. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

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:

Fair value measurement hierarchy				
2016	Level 1	Level 2	Level 3	Total
	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– ‘Designated at fair value on initial recognition’	63,177	4,246	–	67,423
– ‘Available for sale’	–	551	–	551
Total financial assets	63,177	4,797	–	67,974
Investment properties				
Buildings	–	284	–	284
Land	–	2,514	–	2,514
Total investment properties	–	2,798	–	2,798

Coffs Harbour City 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)

2016	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				
Infrastructure, property, plant and equipment				
Plant and equipment	—	—	16,942	16,942
Office equipment	—	—	916	916
Furniture and fittings	—	—	1,614	1,614
Operational land	—	—	119,493	119,493
Community land	—	—	33,303	33,303
Land under roads (post 30/6/08)	—	—	2,746	2,746
Land improvements – depreciable	—	—	3,816	3,816
Buildings – non-specialised	—	—	48,466	48,466
Buildings – specialised	—	—	48,920	48,920
Other structures	—	—	676	676
Roads	—	—	437,960	437,960
Bridges	—	—	64,809	64,809
Footpaths	—	—	39,192	39,192
Bulk earthworks (non-depreciable)	—	—	134,473	134,473
Stormwater drainage	—	—	152,649	152,649
Water supply network	—	—	275,761	275,761
Sewerage network	—	—	440,392	440,392
Swimming pools	—	—	2,396	2,396
Other open space/recreational assets	—	—	5,926	5,926
Other assets	—	—	4,835	4,835
Tip asset	—	—	230	230
Total infrastructure, property, plant and equipment	—	—	1,835,515	1,835,515
Non-recurring fair value measurements				
Non-current assets classified as ‘held for sale’				
Operating land	—	1,492	—	1,492
Total NCA’s classified as ‘held for sale’	—	1,492	—	1,492
2015				
Financial assets				
Investments				
– ‘Designated at fair value on initial recognition’	31,764	5,203	—	36,967
Total financial assets	31,764	5,203	—	36,967
Investment properties				
Buildings	—	348	—	348
Land	—	3,350	—	3,350
Total investment properties	—	3,698	—	3,698

Coffs Harbour City 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	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				
Infrastructure, property, plant and equipment				
Plant and equipment	—	—	17,691	17,691
Office equipment	—	—	734	734
Furniture and fittings	—	—	1,749	1,749
Operational land	—	—	117,598	117,598
Community land	—	—	34,415	34,415
Land under roads (post 30/6/08)	—	—	1,925	1,925
Land improvements – depreciable	—	—	3,881	3,881
Buildings – non-specialised	—	10,403	37,977	48,380
Buildings – specialised	—	—	46,616	46,616
Other structures	—	—	703	703
Roads	—	—	396,854	396,854
Bridges	—	—	56,323	56,323
Footpaths	—	—	35,424	35,424
Bulk earthworks (non-depreciable)	—	—	124,532	124,532
Stormwater drainage	—	—	136,050	136,050
Water supply network	—	—	276,378	276,378
Sewerage network	—	—	442,717	442,717
Swimming pools	—	—	2,480	2,480
Other open space/recreational assets	—	—	5,143	5,143
Other assets	—	—	4,612	4,612
Tip asset	—	—	1,565	1,565
Total infrastructure, property, plant and equipment	—	10,403	1,745,367	1,755,770
Non-recurring fair value measurements				
Non-current assets classified as 'held for sale'				
Operating land	—	532	—	532
Total NCA's classified as 'held for sale'	—	532	—	532

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

(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 (i.e. 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 listed as follows.

Infrastructure, Property, Plant & Equipment

Community Land

Assets within the "Community Land" class are:

- Council owned land and
- Care Control Management land [Crown] of which Council derives current and future economic benefits arising from the use of the land asset.

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer-General. Currently all Council assets in this asset class are based on UCV. Additional assets are recorded at replacement cost. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

Operational Land

Council's operational land includes all of Council's land classified as operational land under Local Government Act1993. The total area of land at the time of the last valuation was 10,319,898 m2.

Council's operational land is valued on an annual basis with a comprehensive valuation completed and revalued every five years. APV Valuers Pty Ltd completed the last valuation in June 2013.

Council's operational land was valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses.

Remaining useful life, condition of asset, future cash flow from the use of asset is also considered when determining the fair value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Land Under Roads (post 30/6/08)

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.

This asset class is classified as Level 3 asset as significant inputs used in the valuation methodology are unobservable. Valuation techniques remained the same for this reporting period.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Land Improvements Depreciable

The land improvements asset class consists of recreational surfaces across different playgrounds and parks, Council values these land improvements internally using replacement cost, asset condition, the remaining useful life and residual value. Replacement costs (unit rates) and useful lives of Council's land improvement assets were determined using technical knowledge from council staff (engineers and asset management) and contractor information. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, dimensions and residual value.

The condition of each asset was determined by completing field inspections using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Stormwater Drainage

The stormwater drainage asset class consists of Council's pits and pipes. Council staff completed the valuation of these assets internally using replacement cost approach and the last valuation was completed in June 2015. Independent consultants, Jeff Roorda and Associates and Common Thread Consulting, were engaged to assist with the determination of replacement costs and useful lives.

Replacement costs (using a combination of unit rates derived from NSW Office of Water reference rates, Rawlinsons rates and construction costs) and useful lives for stormwater drainage assets were determined through a combination of historic data, survey through GPS and technical knowledge of Council staff, which resulted in standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, and residual value. The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by assumptions based on age and CCTV investigations undertaken across a representative selection of Council's drainage network.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Recreational Assets

The jetties, viewing platforms, ramps, fences, shade-sails, stairs, pontoons and parks and sport shelters fall under other structures.

Replacement costs (unit rate) and useful lives were determined using technical knowledge from council staff. Other significant inputs considered in the valuation of these assets are condition rating, remaining useful life, patterns of consumption, dimensions, components and residual value.

The condition of each asset was determined by completing field inspections using the 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Buildings - Non specialised and Specialised

Council engaged APV Valuers Pty Ltd. to value all buildings and shelters in 2013. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset. Council's buildings are separated into commercial, community and operational assets.

Specialised Buildings

Specialised buildings were valued using the cost approach using professionally qualified registered valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

As such these assets were classified as having been valued using level 3 valuation inputs.

Valuation techniques remained the same for this reporting period.

Non Specialised Buildings

Commercial buildings have been generally derived using a combination of sales direct comparison approach and capitalisation of income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre.

The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Valuation techniques remained the same for this reporting period.

Bulk Earthworks

This asset class is major earth works undertaken at the initial construction of road assets and is the formation component of a road segment. Bulk earthworks are non-depreciable and are re-valued to fair value on the same 5 year cycle as road assets.

The cost approach was adopted to value council's road formations with the replacement costs (based on unit rates) determined by preparing estimates of typical road constructions using Council's cost estimating principles and contracted rates. As bulk earthworks have an infinite remaining useful life the most significant input into this valuation approach are the dimensions of the asset.

This asset class is categorised as Level 3 as the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

Roads

Council's roads are componentised into pavement and surface and further separated into segments for inspection and valuation. The full revaluation of road assets is undertaken on a 5 year cycle.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

The valuation, which is completed by Council's Asset and Pavement Engineers, was completed in June 2015. Independent consultants, Jeff Roorda and Associates and Common Thread Consulting, were engaged to assist with the determination of replacement costs and useful lives.

The Cost approach was adopted to value Council roads. The replacement costs (based on unit rates), useful lives and conditions were determined by preparing estimates of typical road constructions using Council's cost estimating principles. These rates have been benchmarked against known recent subdivision construction rates and also compared with rates from other sources including Rawlinson's Australian Construction Rates.

Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, residual value and type of road.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

Bridges

Council's bridges register consists of all pedestrian and vehicle access bridges. The valuation of bridge assets was completed in June 2015 as part of the overall Transport category revaluation.

The calculation of unit rates for bridges has been based on a series of project construction costs (estimated or actual). A sample of 5 projects was taken which represent a range of bridge sizes and construction types (concrete and timber). The costs used in the analysis were based on figures derived from Council 'Work Order' system or from estimates provided by Council's bridge construction supervisor.

For both the timber and concrete bridges the total cost and area for each component were used to derive an average unit cost for the component.

Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, residual value and type of road.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

Footpaths

Council's footpath and cycleway networks consist of on-road and off-road paths which may be concrete, sealed or unsealed. For the purpose of asset accounting, on-road paths are considered part of the road network. Off-road paths are the subject of this section. Unit rates for concrete paths have been developed based on actual construction costs. For both unsealed and sealed paths, rates have been extrapolated from road construction rates during the recent June 2015 valuation.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

Swimming Pool

Swimming pools include all assets located within the facility. APV Valuers Pty Ltd valued the building components of the swimming pools in June 2013.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

These were valued using the cost approach using professionally qualified registered valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence, other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

As such these assets were classified as having been valued using level 3 valuation inputs.

Valuation techniques remained the same for this reporting period.

Plant & Equipment, Office Equipment and Furniture & Fittings

This asset category includes:

- Plant & Equipment – Motor vehicles, trucks, mowers, earthmoving equipment
- Office Equipment – Computer equipment
- Furniture & Fittings – Chairs, desks, cabinets, display systems

These assets are valued at cost in Council's books and reported at fair value due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3.

Valuation techniques remained the same for this reporting period.

Water Network

The water network includes all water supply related assets located within the council area. The assets were described by the valuers as complex and non- separable meaning that they cannot function independently.

The valuation of these assets was carried out by CPE Associates in the June 2012. The assets were valued based on depreciated replacement cost approach based on the NSW Reference Rates Manual of Water, Supply, Sewerage and Stormwater published by Ministry of Energy and Utilities in July 2003. The tables were updated in July 2012.

As much of the data was taken from data sources such as the 2007 valuation, GIS files and detailed schedules for only recently constructed treatment plants there has been estimation involved. The approach which estimated the replacement cost for each asset required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as Level 3.

Sewer Network

The sewer network includes all sewer related assets located within the council area. The assets were described by the valuers as complex and non- separable meaning that they cannot function independently.

The valuation of these assets was carried out by CPE Associates in the June 2012. The assets were valued based on depreciated replacement cost approach based on the NSW Reference Rates Manual of Water, Supply, Sewerage and Stormwater published by Ministry of Energy and Utilities in July 2003. The tables were updated in July 2012.

As much of the data was taken from data sources such as the 2007 valuation, GIS files and detailed schedules for only recently constructed treatment plants there has been estimation involved. The approach

Coffs Harbour City Council

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

Note 27. Fair value measurement (continued)

which estimated the replacement cost for each asset required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as Level 3.

Tip Asset

Council has one operational landfill site at present, being the England's Road Waste Management Facility. Council undertakes 6 monthly surveys of the landfill and have undertaken some volume calculations of sections and total landfill capacity. The estimated time of rehabilitation remains difficult to determine due to:

The dynamic nature of the site and waste generation rates/management in the region

The operational performance of the Coffs Coast Resource Recovery Facility (operated under contract by Biomass Solutions (Coffs Harbour) Pty Ltd) also remains dynamic

Other landfilling reduction projects are currently under consideration. At current landfilling rates we estimate that the landfill may require rehabilitation by 2018/19 Financial Year.

Funds for rehabilitation are provisioned on an ongoing basis from 2012/13 due to the commencement of final capping. In August 2012, a consultant prepared a report for Council which more fully defines the Council's preferred 'final capping plan' which is the major component of the rehabilitation of the site.

The costs as provided in 2006, indexed to CPI (or construction index) can be considered appropriate at this time. Whilst Council received a consultant's costing report with regard to final capping costs in August 2012 that report relies on assumptions including that the NSW Environment Protection Authority agrees to Council's request for a Licence Variation to amend the proposed 'final capping plan'.

The approach estimated the replacement cost for each asset required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3.

Other Structures

Council's Other Structures consist of fencing and viewing platforms. The last valuation for other structures was carried out in June 2011. The calculation of Unit Rates for Other Structures has been based on a series of project construction costs (estimated or actual).

Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, residual value and type of road. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Others (Artwork & Sculptures)

Council engaged APV Valuers Pty Ltd to value all artwork, memorabilia and monuments in June 2011.

This information was updated into Council's public art register. The valuation was based on Mark IV advisory ISR insurance policy wording issued by Insurance Council of Australia. The insurable value is the assessment of value which would indemnify the council in the event of a loss.

Where a depth in the market could be identified we have assessed the value was assessed in accordance with AASB 116.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

Coffs Harbour City Council

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

Note 27. Fair value measurement (continued)

(4). Fair value measurements using inputs other than quoted prices (Level 2) and significant unobservable inputs (Level 3).**a. The following tables present the changes in Level 2 and Level 3 Fair Value Asset Classes.****Infrastructure, Property, Plant & Equipment**

	Community Land	Land Under Roads (post 30/6/08)	Land Improvements Depreciable	Stormwater Drainage	Total
Opening balance 30/06/14	37,029	1,980	3,701	184,983	-
Adjustments & Transfer from/(to) another class	33	-	-	-	33
Purchases/Disposals (GBV)	(2,998)	806	1,107	6,108	5,023
Depreciation and Impairment	-	-	(928)	(2,173)	(3,101)
Revaluation Increments to Equity (ARR)	-	(860)	-	(52,868)	(53,728)
Closing Balance 30/6/15	34,415	1,925	3,881	136,050	176,271
Adjustments & Transfer from/(to) another class	-	-	62	13,937	13,999
Purchases/Disposals (GBV)	296	65	371	2,028	2,760
Depreciation and Impairment	-	-	(498)	(1,622)	(2,120)
Revaluation Increments to Equity (ARR)	(1,408)	756	-	2,256	1,604
Closing Balance 30/6/16	33,303	2,746	3,816	152,649	192,514

Coffs Harbour City Council

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

Note 27. Fair value measurement (continued)

	Other Structure	Buildings Specialised	Buildings Non Specialised	Other Assets	Total
Opening balance 30/06/14	730	49,016	47,083	4,178	
Adjustments & Transfer from/(to) another class	-	(2,615)	(236)	76	(2,775)
Purchases/Disposals (GBV)	-	259	1,288	577	2,124
Depreciation and Impairment	(27)	(142)	(669)	(217)	(1,055)
Revaluation Increments to Equity (ARR)	-	97	915	-	1,012
Closing Balance 30/6/15	703	46,616	48,380	4,612	100,311
Adjustments & Transfer from/(to) another class	-	1,315	42	51	1,408
Purchases/Disposals (GBV)	-	238	20	420	678
Depreciation and Impairment	(27)	(730)	(1,073)	(248)	(2,078)
Revaluation Increments to Equity (ARR)	-	1,481	1,097	-	2,578
Closing Balance 30/6/16	676	48,920	48,466	4,835	102,897

	Roads	Bridges	Footpaths	Bulk Earthworks	Total
Opening balance 30/06/14	387,629	61,817	41,892	216,186	-
Adjustments & Transfer from/(to) another class	(2,851)	-	-	-	(2,851)
Purchases/Disposals (GBV)	3,881	795	1,198	345	6,219
Depreciation and Impairment	(12,806)	(721)	(1,217)	-	(14,744)
Revaluation Increments to Equity (ARR)	6,351	(5,569)	(6,449)	(91,998)	(97,665)
Closing Balance 30/6/15	396,854	56,323	35,424	124,532	613,133
Adjustments & Transfer from/(to) another class	39,591	6,829	1,588	5,269	53,277
Purchases/Disposals (GBV)	1,191	323	1,762	629	3,905
Depreciation and Impairment	(12,531)	(736)	(760)	-	(14,027)
Revaluation Increments to Equity (ARR)	12,855	2,070	1,178	4,043	20,146
Closing Balance 30/6/16	437,960	64,809	39,192	134,473	676,434

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

	Water Network	Sewer Network	Swimming Pools	Recreational Assets	Total
Opening balance 30/06/14	277,499	438,986	2,564	5,337	-
Adjustments & Transfer from/(to) another class	-	(14)	-	3	(11)
Purchases/Disposals (GBV)	1,177	11,981	-	427	13,585
Depreciation and Impairment	(5,592)	(13,166)	(84)	(624)	(19,466)
Revaluation Increments to Equity (ARR)	3,294	4,929	-	-	8,223
Closing Balance 30/6/15	276,378	442,717	2,480	5,143	726,718
Adjustments & Transfer from/(to) another class	196	1,958	-	1,372	3,526
Purchases/Disposals (GBV)	849	1,739	-	123	2,711
Depreciation and Impairment	(5,719)	(12,504)	(84)	(712)	(19,019)
Revaluation Increments to Equity (ARR)	4,057	6,482	-	-	10,539
Closing Balance 30/6/16	275,761	440,392	2,396	5,926	724,475

	Office Equipment	Plant and Equipment	Furniture and Fittings	Tip Asset	Total
Opening balance 30/06/14	931	17,379	1,888	2,629	-
Adjustments & Transfer from/(to) another class	-	-	-	179	179
Purchases/Disposals (GBV)	151	4,144	13	-	4,308
Depreciation and Impairment	(348)	(3,833)	(152)	(1,243)	(5,576)
Closing Balance 30/6/15	734	17,691	1,749	1,565	21,739
Adjustments & Transfer from/(to) another class	-	137	-	322	459
Purchases/Disposals (GBV)	430	3,055	13	-	3,498
Depreciation and Impairment	(248)	(3,941)	(148)	(1,657)	(5,994)
Closing Balance 30/6/16	916	16,942	1,614	230	19,702

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

		Operating Land	Total
Opening balance 30/06/14		117,504	117,504
Adjustments & Transfer from/(to) another class		989	989
Purchases/Disposals (GBV)		(1,661)	(1,661)
Depreciation and Impairment		765	765
Closing Balance 30/6/15		117,598	117,598
Adjustments & Transfer from/(to) another class		-	-
Purchases/Disposals (GBV)		(147)	(147)
Revaluation Increments to Equity (ARR)		2,042	2,042
Closing Balance 30/6/16		119,493	119,493

Coffs Harbour City 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
Community Land	33,303	Unit Rates	Unimproved Capital Value per square metre provided by Valuer General Cost of newly acquired assets
Land Under Roads	2,746	Unit rates	Unimproved Capital Value per square metre provided by Valuer General Englobo Valuation Basis
Operational Land	119,493	Rate per square metre	Rate per square metre
Furniture and Fittings, Office Equipment and Plant and Equipment.	1,614	Replacement Cost	Gross replacement cost Asset condition Remaining useful life Residual value
Buildings (Specialised & Non Specialised)	97,386	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other Structures	676	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Roads	437,960	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

Coffs Harbour City 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
Bridges	64,809	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Footpaths	39,192	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Stormwater Drainage	152,649	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Water Supply Network	275,761	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Sewer Network	440,392	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Tip Asset	230	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Swimming Pools	2,396	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

Coffs Harbour City 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
Recreational Assets	5,926	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Bulk Earthworks	134,473	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Land Improvements - Depreciable	3,816	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other Assets	4,835	Insurance Values (Artworks, Sculptures) <u>Non artworks/sculptures:</u> Gross replacement cost Asset condition Remaining useful life Residual value	Insurance Values (Artworks, Sculptures) <u>Non artworks/sculptures:</u> Gross replacement cost Asset condition Remaining useful life Residual value

Investment properties

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Buildings	284	Commercial buildings have been generally derived using a combination of capitalisation of income approach and a sales comparison approach	Long term rental yields in a potentially volatile market
Land	2,514	Level 2 valuation inputs were used to value land held in freehold title as well as land used for special purposes which is restricted in use under current zoning rules	Sales prices of comparable land sites Price per square metre

Coffs Harbour City Council

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

Note 27. Fair value measurement (continued)

Non-current assets classified as 'held for sale'

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Land	1,492	Level 2 valuation inputs were used to value land held in freehold title as well as land used for special purposes which is restricted in use under current zoning rules	Replacement cost

(5). Highest and best use

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

Coffs Harbour City Council

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

Note 28. Council information and contact details

Principal place of business:

Corner Coff and Castle Streets
Coffs Harbour NSW 2450

Contact details
Mailing address:

Locked Bag 155
Coffs Harbour NSW 2450

Opening hours:

8:30am to 4:30pm
Monday to Friday

Telephone: 02 6648 4000

Facsimile: 02 6648 4199

Internet: www.coffsharbour.nsw.gov.au

Email: coffs.council@chcc.nsw.gov.au

Officers
GENERAL MANAGER

Steve McGrath

Elected members
MAYOR

Denise Knight

RESPONSIBLE ACCOUNTING OFFICER

Mark Griffioen

PUBLIC OFFICER

Lisa Garden

AUDITORS

Thomas Noble & Russell
Level 2
26 Bounty Street
Lismore NSW 2480

Other information

ABN: 79 126 214 487

**COFFS HARBOUR CITY COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements of Coffs Harbour City Council ("the Council"), which comprises the statement of financial position as at 30 June 2016, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

Our audit responsibility does not extend to the original budget information included in the income statement, statement of cash flows, Note 2(a) and Note 16 material budget variation explanations, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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 the Australian professional accounting bodies.

Opinion

In our opinion:

- a) The Council's accounting records have been kept in accordance with the requirements of the *Local Government Act, 1993*, Chapter 13, Part 3, Division 2;
- b) The financial statements:
 - i. Have been prepared in accordance with the requirements of this Division;
 - ii. Are consistent with the Council's accounting records;
 - iii. Present fairly, in all material respects, the Council's financial position as at 30 June 2016, and of its performance and its cash flows for the year then ended; and
 - iv. Are in accordance with applicable Accounting Standards;
- 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 statements that have come to light in the course of the audit.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Coffs Harbour City Council for the financial year ended 30 June 2016 published in the annual report and included on Council's website. The Council is responsible for the integrity of the Council's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 28th day of October 2016

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS



.....
A J BRADFELD (Partner)
Registered Company Auditor

Coffs Harbour City Council

Report to Council under s417 of the Local Government Act 1993
30 June 2016



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Overview

We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2016, in accordance with Section 415 of the *Local Government Act 1993*. The financial reports that have been subject to independent audit are the:

- General purpose financial report; and
- Special purpose financial report.

Unmodified independent audit reports have been issued to the Council for the 2016 year and these are attached to each financial report. Further commentary as required by the *Local Government Act 1993* is provided in this report.

This report should be read in conjunction with our audit opinion on the general purpose financial report provided under Section 417(2) of the *Local Government Act 1993*. Section 417 (3) of the *Local Government Act 1993* requires us to consider and provide comment on the material items affecting the general purpose financial report and other matters pertinent to the audit.

Income Statement









This section provides Council with an overview of your financial results and includes commentary on key elements of the financial statements.





Consolidated Operating Result	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Revenues from continuing operations	152,362	152,217	<p>Council's consolidated surplus from all activities for 2016 was \$74,308,000. This compares to a surplus in 2015 of \$12,080,000.</p> <p>Refer to the 'Material Revenue and Expense Movements' section of this report for audit comments in relation to material movements in operating results.</p>
Expenses from continuing operations	(114,121)	(116,239)	
Result from continuing operations before depreciation, significant items, capital revenue and loss on disposal of assets	38,241	35,978	
Less: depreciation expense	(43,773)	(44,517)	
Operating result after depreciation and before significant items, capital revenue and loss on disposal of assets	(5,532)	(8,539)	
<i>Significant items impacting the operating result:</i>			
Class action recovery of CDO investments	7,869	-	
Legal expenses on recovery of CDO investments	(3,412)	-	
Loss on disposal of assets	(2,001)	(3,772)	
Operating result before capital revenue	(3,076)	(12,311)	
Capital grants and contributions	77,384	24,391	
Operating result from all activities	74,308	12,080	

Results by Fund

Operating Result by Fund	General		Water		Sewer	
	Current Year (\$'000)	Prior Year (\$'000)	Current Year (\$'000)	Prior Year (\$'000)	Current Year (\$'000)	Prior Year (\$'000)
Revenues from continuing operations	104,366	111,981	20,148	19,752	27,848	28,358
Expenses from continuing operations	(78,919)	(87,105)	(14,986)	(15,478)	(20,216)	(21,530)
Result from continuing operations before depreciation, significant items, capital revenue and loss on disposal of assets	25,447	24,876	5,162	4,274	7,632	6,828
Less: depreciation expense	(24,344)	(24,408)	(6,618)	(6,608)	(12,811)	(13,501)
Operating result after depreciation and before significant items, capital revenue and loss on disposal of assets	1,103	468	(1,456)	(2,334)	(5,179)	(6,673)
Significant items impacting the operating result:						
Class action recovery of CDO investments	7,869	-	-	-	-	-
Legal expenses on recovery of CDO investments	(3,412)	-	-	-	-	-
Loss on disposal of assets	(1,784)	(2,975)	(67)	(126)	(150)	(671)
Operating result before capital revenue	3,776	(2,507)	(1,523)	(2,460)	(5,329)	(7,344)
Capital grants and contributions	68,983	17,461	4,058	3,913	4,343	3,017
Operating result from all activities	72,759	14,954	2,535	1,453	(986)	(4,327)

Material Revenue and Expense Movements

Line Item	Increase / (Decrease)	Audit Comment
Revenues		
Rates & Annual Charges	 4,885,000	Partly attributable to the annual rate rise and the special rate variation approved by the Minister for Local Government totalling 8.14%. Also annual charges increased by \$1,645,000 (3.7%).
User Charges and Fees	 7,449,000	Private Works – section 67 decreased by \$8,500,000 mainly due to one off construction works carried out by Council in alliance with RMS on the Cook Drive / Pacific Highway intersection upgrade in 2014/15. Private Works – section 67 can fluctuate year on year depending on project activity.
Other Revenue	 8,295,000	Largely attributable to recovery of \$7,869,000 for previously impaired CDO investments as a result of class legal action.
Natural disaster funding - Capital	 2,032,000	More grant funding was received in 2014/15 to repair damage related to major flooding events in prior periods.
Transport (Roads to Recovery) - Operating	 1,755,000	The Federal Government has allocated additional Roads to Recovery funding for the 2015/2016 and 2016/2017 financial years.
Developer Contributions	 2,870,000	Developer contributions can fluctuate depending on the level of development activity and timing of receipt of contributions.
Other Contributions - Capital	 52,306,000	With the Sapphire to Woolgoolga section of the Pacific Highway upgrade completed, the old Pacific Highway (now Solitary Islands Way) has been established as a local access road with Coffs Harbour City Council taking over control of the road from RMS including responsibility for future maintenance works and operational considerations.
Other Contributions - Operating	 3,526,000	As part of the handover negotiations of the old Pacific Highway, RMS agreed to contribute a lump sum payment of \$5,731,000 for Council to undertake maintenance and renewal works. \$3,625,000 of this lump sum funding relates to renewal works and \$2,106,000 relates to maintenance works.

Line Item	Increase / (Decrease)	Audit Comment
Expenses		
Employee benefits and on-costs	 1,649,000	Largely attributable to local government state award increases.
Borrowing Costs	 1,270,000	Attributable to repayment of borrowings and no new borrowings during the year.
Other Expenses	 1,656,000	Attributable to one off legal fees incurred during the year in relation to the recovery of previously impaired CDO investments.
Net losses from disposal of assets	 1,771,000	A number of one off disposals of assets during the 2014/15 financial year.

Income Statement Ratios

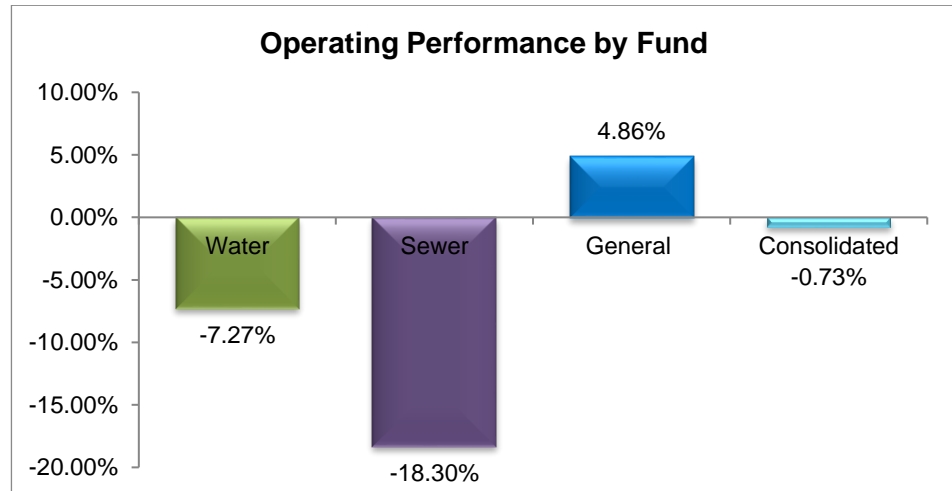
Operating Performance Ratio

This ratio measures a Council's achievement of containing operating expenditure within operating revenue (achieving a surplus after depreciation but before capital items). The benchmark is greater than 0%.

As illustrated, Council's Water and Sewer Funds have an operating deficit after depreciation but before capital items.

Council should improve the operating performance of the Water and Sewer Funds to achieve the greater than 0% benchmark.

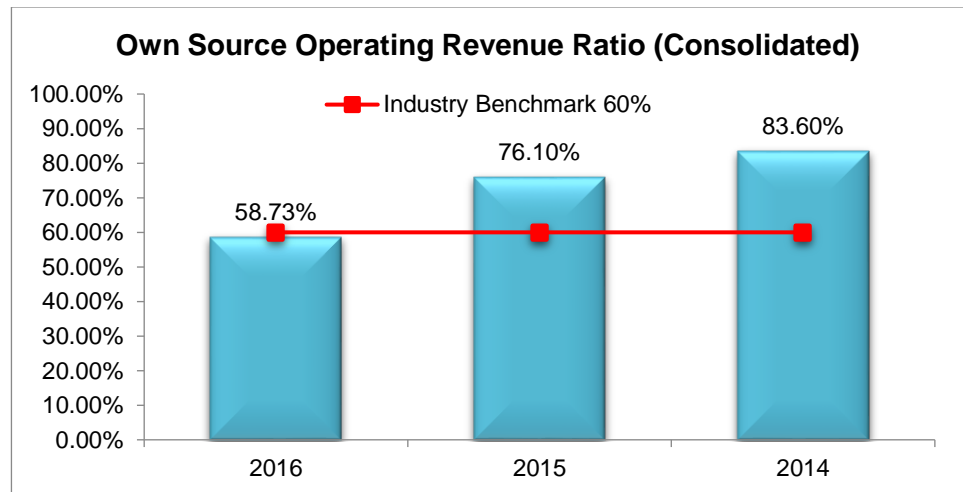
It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions and fair value adjustments are excluded.



Own Source Operating Revenue Ratio

Local Government performance benchmarking analyses the ability of Council to generate its own revenue sources rather than over-reliance on grants and contributions (capital and operating) received from external sources. The graph illustrates that Council sources 58.73% of its consolidated revenue from rates, annual charges, user charges, interest etc. which doesn't meet the industry benchmark of 60%.

The decrease from 76.10% in 2015 to 58.73% in 2016 is attributable to the effect that the RMS road dedication of the former Pacific Highway of \$58 million has on the total continuing operational income used in the calculation of this ratio. Its exclusion would result in a ratio of approximately 77.78% which is comparable to the previous year.



Capital Grants & Contributions

Council receives capital grants and contributions from various sources each financial year to renew existing assets as well as construct new assets. Capital contributions include developer contributions as well as dedications received by Council on the finalisation of a development.

Capital grants received during the year amounted to \$3,087,000 and included grants for transport assets - \$1,693,000, grants for bushfire emergency services - \$548,000, and a number of smaller grants for various Council projects.

Capital contributions received during the year amounted to \$74,297,000. The table below provides an understanding of the nature and quantum of contributions received during the financial year:

Capital Contribution Type	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
S 94 - Contributions towards amenities/services	2,896	2,379	Developer cash contributions has increased from 2015 by \$2,870,000 and non-cash developer contributions has decreased from 2015 by \$7,655,000. Developer contributions can fluctuate year on year depending on the level of development activity.
S 64 - Water Supply Contributions	3,818	2,647	
S 64 - Sewerage Service Contributions	3,552	2,370	
Total Developer Contributions	10,266	7,396	The use of cash contributions received during each year is restricted and accordingly they are not available for use in Council's general operations.
Non-cash Developer Dedications	2,790	10,445	
Other Contributions	61,241	1,280	Other contributions has increased from 2015 by \$59,961,000 largely arising from the RMS road dedication of the former Pacific Highway between Sapphire and Woolgoolga.
Total	74,297	19,121	

Statement of Cash Flows

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Operating & Capital receipts	184,961	172,600	The cash result from operations has improved from \$46,626,000 in 2015 to \$59,309,000 in 2016.
Operating payments	(125,652)	(125,974)	
Net cash result from operations	59,309	46,626	
			The sale/purchase of investments can fluctuate year on year depending on the timing of investment of excess cash funds.
Net sale/(purchase) of investments	(19,279)	(174)	
Net sale/(purchase) of IPPE	(26,474)	(26,487)	
Other investing activities	139	43	
			Council has not obtained any new borrowings during the current year and continues to make principal repayments of existing borrowings.
New borrowings	-	2,200	
Repayments of borrowings	(18,055)	(18,806)	
Net Movement in cash	(4,360)	3,402	
Cash at the start of the year	15,434	12,032	
Closing cash position	11,074	15,434	
Plus Investments	156,738	136,908	
Overall cash and investments	167,812	152,342	

Statement of Financial Position

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current Assets	88,041	87,330	We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2016 together with related Office of Local Government benchmark data below.
Non-Current Assets	2,036,090	1,937,788	
Total Assets	2,124,131	2,025,118	
Current Liabilities	36,822	40,753	
Non-Current Liabilities	170,421	183,800	
Total Liabilities	207,243	224,553	
Equity	1,916,888	1,800,565	

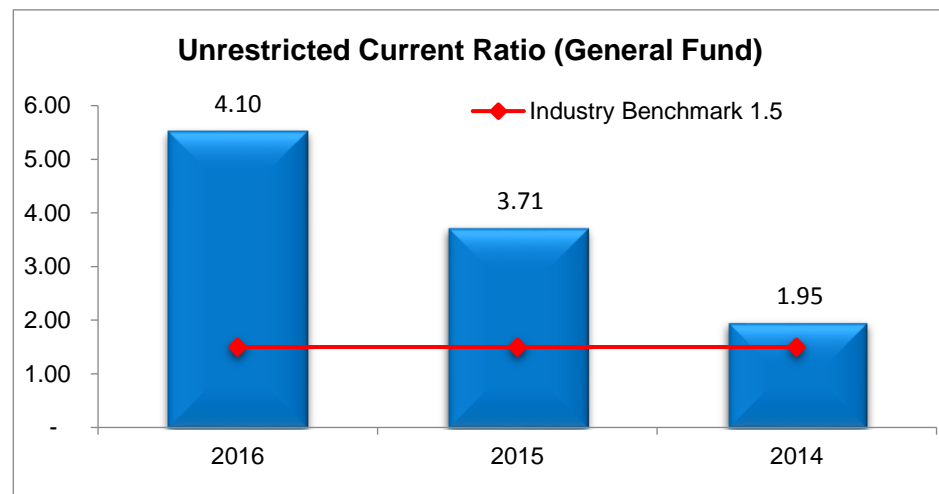
Statement of Financial Position Ratios

Unrestricted Current Ratio

The unrestricted current ratio provides a measure of Council's capacity / liquidity to meet its commitments from current assets net of externally restricted assets.

The Office of Local Government and NSW Treasury consider that this ratio should be at least 1.5.

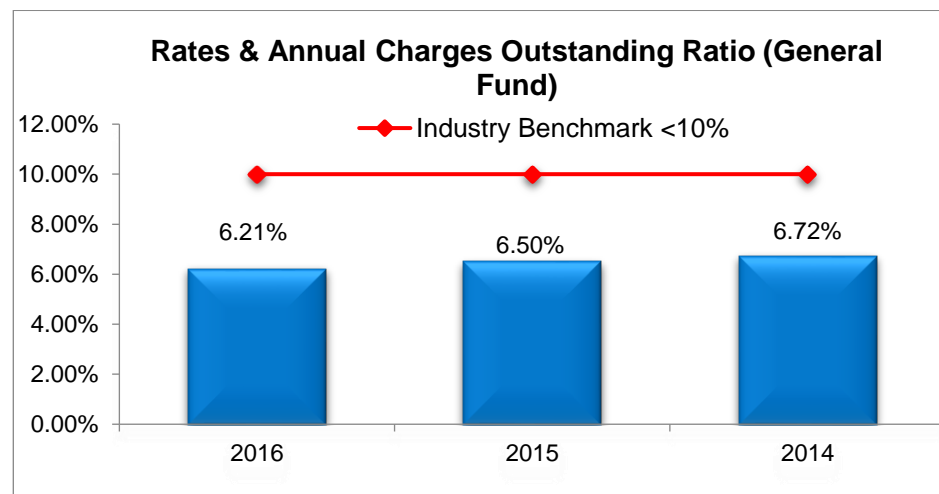
At 30 June 2016 Council's General Fund has \$4.10 in liquid current assets for every \$1 of current liabilities. This is above the industry benchmark.



Rates & Annual Charges Outstanding Ratio

This is a financial performance indicator that assesses the effectiveness of Council's revenue collection processes.

Council's General Fund rates and annual charges outstanding ratio is 6.21% as at 30 June 2016. The NSW Office of Local Government benchmark is less than 10% for rural Council's.



Infrastructure, Property, Plant & Equipment Matters

Council Constructed / Purchased Additions

Each year Council budgets to renew or capitalise new assets. An illustration of I,P,P&E capitalised over the past two years is provided below:

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Council Constructed / Purchased Assets:			<p>Council constructed / purchased additions has decreased from \$41,896,000 in 2015 to \$31,186,000 in 2016. There were no major new capital projects during the current financial year.</p> <p>Council has also increased spending in relation to asset renewals during the year.</p>
Land and Buildings	1,478	2,102	
Plant and Equipment	4,327	5,431	
Roads and Drainage Network	6,439	11,351	
Water & Sewerage Network	2,805	5,092	
Bulk Earthworks	961	344	
Other Assets	543	871	
Work in Progress	14,633	16,705	
Total Asset Additions	31,186	41,896	
Asset additions – Renewals	14,255	4,099	
Asset additions – New	16,931	37,797	

Depreciation

Asset Class	Current Year		Prior Year		Audit Comments
	WDV \$'000	Depreciation Expense \$'000	WDV \$'000	Depreciation Expense \$'000	
Plant & Equipment	19,472	(4,337)	20,174	(4,333)	<p>The largest asset or liability appearing on Council's statement of financial position is I,P,P&E. Note 9 to the general purpose financial statements provides an understanding of Council's I,P,P&E and illustrates that Council is responsible for maintaining and improving assets with a written down value of \$1.863 billion.</p> <p>The movement in roads, bridges and footpaths WDV is largely as a result of the RMS road dedication of the former Pacific Highway between Sapphire and Woolgoolga.</p>
Operational Land	119,493	-	117,598	-	
Community Land	33,303	-	34,415	-	
Land Under Roads	2,746	-	1,925	-	
Land Improvements	3,816	(498)	3,881	(928)	
Buildings	97,386	(1,803)	94,996	(811)	
Other Structures	676	(27)	703	(27)	
Roads, Bridges & Footpaths	541,961	(14,046)	488,601	(14,744)	
Bulk Earthworks	134,473	-	124,352	-	
Stormwater Drainage	152,649	(1,622)	136,050	(2,173)	
Water Supply Infrastructure	275,761	(5,719)	276,378	(5,592)	
Sewer Supply Infrastructure	440,392	(12,504)	442,717	(13,166)	
Swimming Pools	2,396	(84)	2,480	(84)	
Other Open Space/Recreational Assets	5,926	(712)	5,143	(624)	
Work in Progress	27,083	-	22,122	-	
Other Assets	4,835	(248)	4,612	(217)	
Tip Assets	230	(1,657)	1,565	(1,243)	
	1,862,598	(43,257)	1,777,892	(43,942)	

Asset Management Performance Indicators

The NSW Office of Local Government has introduced several performance indicators designed to provide Council with measures of asset management.

Audit of Asset Management Information

The Office of Local Government is planning to introduce an audit of Special Schedule 7. At this point in time it is unclear when the first audit will be undertaken as the framework to allow information to be prepared consistently across all NSW Council's is yet to be finalised. In early 2016, the Office of Local Government undertook a review of each Council's preparedness for the audit of Special Schedule 7. The results of this review indicated that most local government authorities require greater investment in asset management practices, including Coffs Harbour City Council.

To ensure Council's asset management practices and systems continue to mature and also prepare for a possible audit of Special Schedule 7 it will be important to:

- Review the information contained in Special Schedule 7 to ensure it is accurate;
- Continue to review and update asset management plans, policies and procedures;
- Ensure that asset management is appropriately resourced to maximise the effectiveness of infrastructure management; and
- Continue to collect and analyse asset data to inform the asset management process and inform decision-making on building new infrastructure or renewing or repairing existing assets.

Creating financial capacity to fund asset maintenance, renewals and new capital projects is one of the most difficult issues facing the Local Government industry in Australia. The ability to satisfy the industry parameters for asset renewals is a key goal for any local government authority which will only be achieved by:

- Having asset management and financial systems that accurately identify and record renewals expenditure throughout each year;
- Ensuring that the depreciation expense disclosed in the financial report reflects the actual consumption of each asset;
- Ensuring policies and procedures are updated so that Council personnel have sound guidance on capital v maintenance and renewals v new capital works;
- Accurately recording renewals expenditure where projects include replacing an existing asset with greater capacity; and
- Constantly reviewing Council's operations so that the maximum available resources can be directed toward asset renewal.

Debt Levels

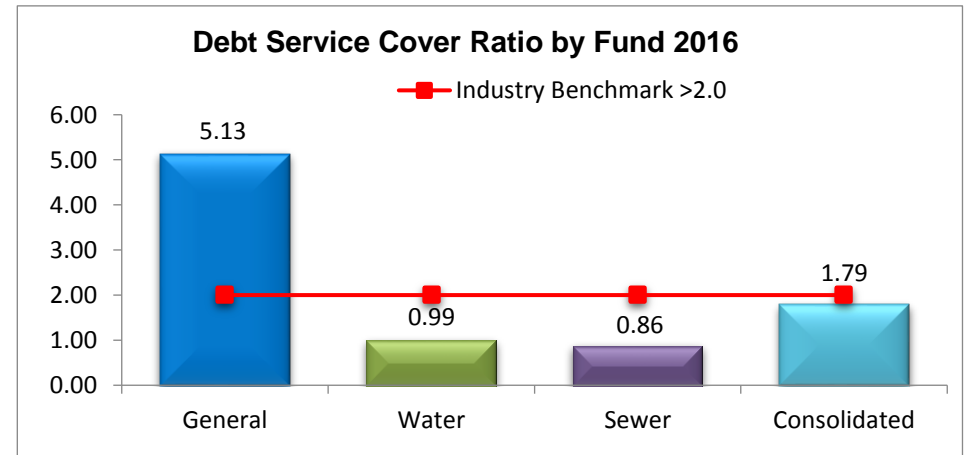
Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current Loan Liability	14,448	17,880	Total borrowings have reduced by \$17,977,000, due to principal repayments and no new borrowings. This illustrates Council's commitment to reduce debt levels and borrowing costs.
Non-Current Loan Liability	164,017	178,562	
Total Loan Liability	178,465	196,442	
By Fund			Council has a high level of debt in water and sewer funds, arising from major infrastructure projects constructed in prior years.
General Fund	21,786	26,486	
Water Fund	72,478	77,069	
Sewer Fund	84,201	92,887	
Total Loan Liability	178,465	196,442	

Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark for the ratio is greater than 2.

The Council's consolidated Debt Service Cover ratio for 2016 is 1.79 (2015: 1.52) and the ratio for the General Fund for 2016 is 5.13 (2015: 4.7).

The ratio for Water and Sewer Funds are below the industry benchmark due to the substantial infrastructure works and related borrowing that has occurred in prior years.



Other matters

Financial Report Planning

The 2017 and future financial years will be impacted by several Australian Accounting Standards:

AASB No.	Application Date	Impact
AASB 124 <i>Related Parties</i>	1 July 2016	Introduces reporting of related party transactions to local government.
AASB 9 <i>Financial Instruments</i>	1 January 2018	Impacts recognition and reporting of certain financial instruments as well as the calculation of the provision for impairment relating to receivables.
AASB 15 <i>Revenue From Contracts With Customers</i>	1 January 2018	Introduces changes to the way in which certain revenue streams are recognised and reported. Comparative information will be required relating to the 2018 financial year.
AASB 16 <i>Leases</i>	1 January 2019	Requires financial statements to capitalise certain operating leases.

Council's financial services team should assess the impact of new Accounting Standards well in advance of their implementation period to determine the likely impact on future financial reporting. This information should be presented to the Audit & Risk Committee and be included in the notes to the financial statements.

Local Government Act Amendment

The NSW Parliament recently passed the Local Government Amendment (Governance & Planning) Bill 2016. There are a number of important amendments contained in this bill which are discussed below:

■ **Introduction of NSW Auditor-General as Auditor of Local Government in NSW**

The Bill appoints the Auditor-General as the auditor of all NSW Local Government Authorities. This appointment is effective 1 July 2016 and will result in most existing local government auditors being appointed as contractors to the Auditor-General. The NSW Audit Office will release information on how the audit of local government in NSW will be conducted for the 2017 and future years.

■ **Audit, Risk & Improvement Committee**

Section 428A of the Local Government Amendment (Governance & Planning) Bill 2016 requires all Councils to establish an Audit, Risk & Improvement Committee. Whilst Council already has an Audit & Risk Committee, the legislation changes the name of the committee and is a little more prescriptive in what its responsibilities are.

Aside from the traditional responsibilities of a committee of this nature, the additional areas prescribed as being the responsibility of the Audit, Risk and Improvements Committee include review of:

- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the Council, and
- providing information on how to improve the Council's performance.

Council is not required to establish an Audit, Risk and Improvement Committee until 6 months after the recent ordinary election of councillors however it would be prudent to commence a review of the existing Committee charter to ensure it reflects the new legislative requirements and allow all committee members and Council staff to develop an approach that will achieve the desired outcomes.

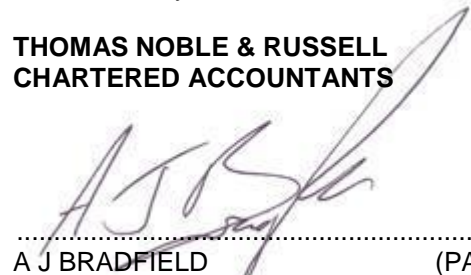
Internal Control Environment

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a modified audit opinion. We will issue a separate report to Council which identifies internal control weaknesses and other audit observations in due course.

Subject to the foregoing comments the books of account and records of the Council were maintained in good order and condition and the information and explanations required during the course of our work were readily supplied by the General Manager and his staff.

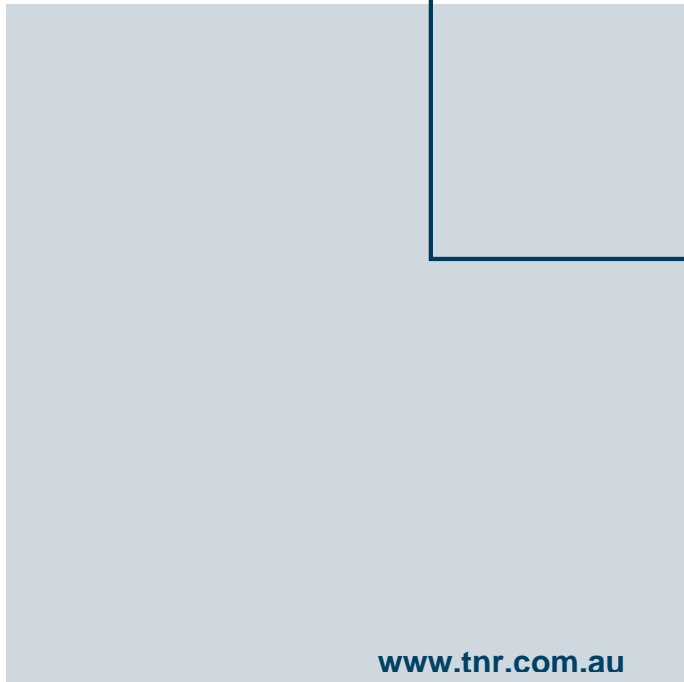
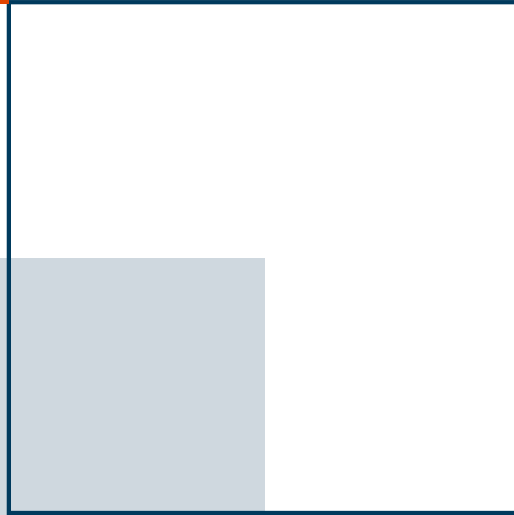
Yours faithfully

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS



.....
A J BRADFIELD (PARTNER)
REGISTERED COMPANY AUDITOR

Dated at Lismore this 28th day of October 2016



www.tnr.com.au



Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers

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Coffs Harbour City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“Coffs Harbour - the Healthy City, the Smart
City, the Cultural City for a Sustainable Future”



Coffs Harbour City 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).
-

Coffs Harbour City 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.

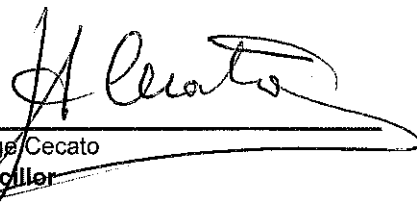
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 13 October 2016.

Denise Knight
Mayor



George Cecato
Councillor



Steve McGrath
General manager



Mark Griffiths
Responsible accounting officer



Coffs Harbour City 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	4,095	4,060
User charges	14,076	13,359
Fees	437	402
Interest	1,070	1,542
Grants and contributions provided for non-capital purposes	382	319
Other income	88	70
Total income from continuing operations	20,148	19,752
Expenses from continuing operations		
Employee benefits and on-costs	3,154	3,167
Borrowing costs	5,153	5,516
Materials and contracts	3,595	3,527
Depreciation and impairment	6,618	6,608
Water purchase charges	—	—
Loss on sale of assets	67	126
Calculated taxation equivalents	29	30
Debt guarantee fee (if applicable)	725	771
Other NCP imputation payments	6	5
Other expenses	3,084	3,268
Total expenses from continuing operations	22,431	23,018
Surplus (deficit) from continuing operations before capital amounts	(2,283)	(3,266)
Grants and contributions provided for capital purposes	4,058	3,913
Surplus (deficit) from continuing operations after capital amounts	1,775	647
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	1,775	647
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	1,775	647
Plus opening retained profits	180,179	178,756
Plus/less: prior period adjustments	54	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	29	30
– Debt guarantee fees	725	771
– Other NCP imputation payments	6	5
– Corporate taxation equivalent	—	—
Less:		
– Tax equivalent dividend paid	(31)	(30)
– Surplus dividend paid	—	—
Closing retained profits	182,737	180,179
Return on capital %	1.0%	0.8%
Subsidy from Council	3,452	—
Calculation of dividend payable:		
Surplus (deficit) after tax	1,775	647
Less: capital grants and contributions (excluding developer contributions)	(240)	(1,266)
Surplus for dividend calculation purposes	1,535	—
Potential dividend calculated from surplus	768	—

Coffs Harbour City 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	22,817	22,494
User charges	2,223	2,360
Liquid trade waste charges	498	450
Fees	19	10
Interest	1,787	2,440
Grants and contributions provided for non-capital purposes	348	388
Other income	156	216
Total income from continuing operations	27,848	28,358
Expenses from continuing operations		
Employee benefits and on-costs	4,184	4,463
Borrowing costs	6,131	6,718
Materials and contracts	5,102	5,354
Depreciation and impairment	12,811	13,501
Loss on sale of assets	150	671
Calculated taxation equivalents	170	183
Debt guarantee fee (if applicable)	842	929
Other NCP imputation payments	10	10
Other expenses	4,799	4,995
Total expenses from continuing operations	34,199	36,824
Surplus (deficit) from continuing operations before capital amounts	(6,351)	(8,466)
Grants and contributions provided for capital purposes	4,343	3,017
Surplus (deficit) from continuing operations after capital amounts	(2,008)	(5,449)
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	(2,008)	(5,449)
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	(2,008)	(5,449)
Plus opening retained profits	285,288	289,691
Plus/less: prior period adjustments	144	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	170	183
– Debt guarantee fees	842	929
– Other NCP imputation payments	10	10
– Corporate taxation equivalent	—	—
Less:		
– Tax equivalent dividend paid	(78)	(76)
– Surplus dividend paid	—	—
Closing retained profits	284,368	285,288
Return on capital %	0.0%	-0.4%
Subsidy from Council	10,153	—
Calculation of dividend payable:		
Surplus (deficit) after tax	(2,008)	(5,449)
Less: capital grants and contributions (excluding developer contributions)	(791)	(647)
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Coffs Harbour City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Telecommunications and New Technology		Airport	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	—	—	—	—
User charges	—	—	5,313	5,227
Fees	—	—	—	—
Interest	17	19	55	47
Grants and contributions provided for non-capital purposes	430	—	—	—
Other income	2,063	2,427	1,615	1,395
Total income from continuing operations	2,510	2,446	6,983	6,669
Expenses from continuing operations				
Employee benefits and on-costs	554	399	733	736
Borrowing costs	—	—	586	684
Materials and contracts	1,826	1,783	2,686	2,446
Depreciation and impairment	—	—	1,609	1,736
Loss on sale of assets	—	—	—	—
Calculated taxation equivalents	—	—	264	259
Debt guarantee fee (if applicable)	—	—	84	100
Other NCP imputation payments	—	—	6	5
Other expenses	29	47	533	532
Total expenses from continuing operations	2,409	2,229	6,501	6,498
Surplus (deficit) from continuing operations before capital amounts	101	217	482	171
Grants and contributions provided for capital purposes	14	—	104	—
Surplus (deficit) from continuing operations after capital amounts	115	217	586	171
Surplus (deficit) from discontinued operations	—	—	—	—
Surplus (deficit) from all operations before tax	115	217	586	171
Less: corporate taxation equivalent (30%) [based on result before capital]	(30)	(65)	(145)	(51)
SURPLUS (DEFICIT) AFTER TAX	85	152	441	120
Plus opening retained profits	1,722	1,602	42,337	42,115
Plus/less: prior period adjustments	—	—	725	—
Plus/less: other adjustments (Reserve Allocations)	—	—	—	—
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	—	—	264	259
– Debt guarantee fees	—	—	84	100
– Other NCP imputation payments	—	—	6	5
– Corporate taxation equivalent	30	65	145	51
Add:				
– Subsidy paid/contribution to operations	—	—	—	—
Less:				
– Dividend paid	(78)	(97)	(384)	(313)
Closing retained profits	1,759	1,722	43,618	42,337
Return on capital %	124.7%	217.0%	1.2%	1.0%
Subsidy from Council	—	—	788	1,626

Coffs Harbour City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

Coastal Works

Category 1

\$ '000	Category 1	
	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	—	—
User charges	244	—
Fees	—	—
Interest	48	—
Grants and contributions provided for non-capital purposes	2,146	—
Profit from the sale of assets	—	—
Other income	707	9,726
Total income from continuing operations	3,145	9,726
Expenses from continuing operations		
Employee benefits and on-costs	391	1,306
Borrowing costs	—	—
Materials and contracts	2,421	5,486
Depreciation and impairment	—	—
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	8	949
Total expenses from continuing operations	2,820	7,741
Surplus (deficit) from continuing operations before capital amounts	325	1,985
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	325	1,985
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	325	1,985
Less: corporate taxation equivalent (30%) [based on result before capital]	(98)	(596)
SURPLUS (DEFICIT) AFTER TAX	228	1,390
Plus opening retained profits	995	400
Plus/less: prior period adjustments	—	—
Plus/less: other adjustments (Reserve Reallocations)	(210)	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	98	596
Add:		
– Subsidy paid/contribution to operations	—	—
Less:		
– TER dividend paid	—	—
– Dividend paid	(110)	(1,390)
Closing retained profits	1,000	995
Return on capital %	4642.9%	n/a
Subsidy from Council	—	—

Coffs Harbour City 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	874	1,531
Investments	7,820	4,499
Receivables	4,162	4,578
Inventories	204	226
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	13,060	10,834
Non-current assets		
Investments	20,018	23,358
Receivables	–	137
Inventories	–	–
Infrastructure, property, plant and equipment	291,341	287,212
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	64,015	64,728
Other	–	–
Total non-current assets	375,374	375,435
TOTAL ASSETS	388,434	386,269
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	1,200	1,137
Borrowings	4,914	4,591
Provisions	–	–
Total current liabilities	6,114	5,728
Non-current liabilities		
Payables	–	–
Borrowings	67,564	72,478
Provisions	–	–
Total non-current liabilities	67,564	72,478
TOTAL LIABILITIES	73,678	78,206
NET ASSETS	314,756	308,063
EQUITY		
Retained earnings	182,737	180,179
Revaluation reserves	132,019	127,884
Council equity interest	314,756	308,063
Non-controlling equity interest	–	–
TOTAL EQUITY	314,756	308,063

Coffs Harbour City 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	1,002	1,923
Investments	12,333	3,165
Receivables	2,549	1,844
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	15,884	6,932
Non-current assets		
Investments	32,734	42,637
Receivables	–	620
Inventories	–	–
Infrastructure, property, plant and equipment	457,719	459,267
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	490,453	502,524
TOTAL ASSETS	506,337	509,456
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	1,181	1,211
Borrowings	6,037	8,686
Provisions	–	–
Total current liabilities	7,218	9,897
Non-current liabilities		
Payables	–	–
Borrowings	78,164	84,201
Provisions	–	–
Total non-current liabilities	78,164	84,201
TOTAL LIABILITIES	85,382	94,098
NET ASSETS	420,955	415,358
EQUITY		
Retained earnings	284,368	285,288
Revaluation reserves	136,587	130,070
Council equity interest	420,955	415,358
Non-controlling equity interest	–	–
TOTAL EQUITY	420,955	415,358

Coffs Harbour City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	Telecommunications and New Technology		Airport	
	Category 1		Category 1	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	699	402	–	6
Investments	–	–	–	–
Receivables	476	611	1,467	564
Inventories	551	638	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	1,726	1,651	1,467	570
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	329	437
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	81	100	85,511	82,151
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	1,920	1,920
Total non-current assets	81	100	87,760	84,508
TOTAL ASSETS	1,807	1,751	89,227	85,078
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	2,604	372
Payables	48	29	116	122
Borrowings	–	–	1,631	1,588
Provisions	–	–	–	–
Total current liabilities	48	29	4,351	2,082
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	6,772	8,402
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
Total non-current liabilities	–	–	6,772	8,402
TOTAL LIABILITIES	48	29	11,123	10,484
NET ASSETS	1,759	1,722	78,104	74,594
EQUITY				
Retained earnings	1,759	1,722	43,618	42,337
Revaluation reserves	–	–	34,486	32,257
Council equity interest	1,759	1,722	78,104	74,594
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	1,759	1,722	78,104	74,594

Coffs Harbour City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

Coastal Works

Category 1

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	722	331
Investments	–	–
Receivables	394	688
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	1,116	1,019
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	7	–
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
Total non-current assets	7	–
TOTAL ASSETS	1,123	1,019
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	123	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	123	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Other Liabilities	–	24
Total non-current liabilities	–	24
TOTAL LIABILITIES	123	24
NET ASSETS	1,000	995
EQUITY		
Retained earnings	1,000	995
Revaluation reserves	–	–
Council equity interest	1,000	995
Non-controlling equity interest	–	–
TOTAL EQUITY	1,000	995

Coffs Harbour City Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	12
2	Water Supply Business Best-Practice Management disclosure requirements	15
3	Sewerage Business Best-Practice Management disclosure requirements	17

Coffs Harbour City 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. Coffs Harbour City Council Water Supplies

Water supply activity servicing the Coffs Harbour local government area

b. Coffs Harbour City Council Sewerage Service

Sewerage reticulation & treatment activity servicing the Coffs Harbour local government area

c. Coffs Harbour Regional Airport

Airport activities carried out by Council in its own name

d. Coffs Harbour Telecommunications and New Technology

Telemetry switchboard construction and sales, optical fibre provision, CCTV installation, and consultancy income.

Category 2

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

a. Coastal Works

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).

Coffs Harbour City 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 the Special Purpose Financial Statements as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses (such as income tax), these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$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 – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the NSW Office of Water guidelines, a payment from 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 NSW Office of Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water guidelines is not a prerequisite for the

payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

Income tax

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

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account 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 Special Purpose Financial Statements.

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

Local government rates and charges

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 borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate

Coffs Harbour City Council

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

Note 1. Significant accounting policies (continued)

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 National Competition 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'.

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

The rate of return on capital achieved by each business activity is disclosed for each of Councils business activities on the Income Statement.

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.

(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 NSW Office of Water 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 NSW Office of Water 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.

Coffs Harbour City 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	754,000
(ii)	Number of assessments multiplied by \$3/assessment	80,784
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	80,784
(iv)	Amounts actually paid for tax equivalents	31,215

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	767,500
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	727,056
(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	(1,295,000)

2016 Surplus	1,535,000	2015 Surplus	(619,000)	2014 Surplus	(2,211,000)
		2015 Dividend	—	2014 Dividend	—

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

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 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	23,133
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)]	%	75.01%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	290,025
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	9,726
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,209
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)]	%	2.30%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- 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.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 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	1,012,000
(ii)	Number of assessments multiplied by \$3/assessment	77,292
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	77,292
(iv)	Amounts actually paid for tax equivalents	78,216

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	—
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	695,628
(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	(12,808,000)

2016 Surplus	(2,799,000)	2015 Surplus	(6,096,000)	2014 Surplus	(3,913,000)
		2015 Dividend	—	2014 Dividend	—

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

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 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	30,333
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	456,503
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	13,823
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	4,250
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)]	%	0.81%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	70

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	53,255
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.96%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	5,459
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)]	%	1.39%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 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)	%	11.13%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		-
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		10,390
	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:		8,427
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	1,261
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	509
	Grants for pensioner rebates (w11b + s12b)		

- 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.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

**COFFS HARBOUR CITY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements, being special purpose financial statements, of Coffs Harbour City Council ("the Council"), which comprises the statement of financial position as at 30 June 2016, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements and has determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the *Local Government Act 1993* and meet the needs of the NSW Office of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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 the Australian professional accounting bodies.

Opinion

In our opinion, the special purpose financial statements of Coffs Harbour City Council:

- a) Have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
 - i. Are consistent with the Council's accounting records;
 - ii. Present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2016 and the results of their operations for the year then ended;
- b) All information relevant to the conduct of the audit has been obtained; and
- c) There are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the NSW Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Coffs Harbour City Council for the financial year ended 30 June 2016 published in the annual report and included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 28th day of October 2016

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


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A J BRADFIELD (Partner)
Registered Company Auditor

Coffs Harbour City Council

SPECIAL SCHEDULES

for the year ended 30 June 2016

“Coffs Harbour - the Healthy City, the Smart
City, the Cultural City for a Sustainable Future”



Coffs Harbour City Council

Special Schedules for the year ended 30 June 2016

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Special Schedules¹

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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.

Coffs Harbour City 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	1,519	–	–	(1,519)
Administration	38,055	12,602	47	(25,406)
Public order and safety				
Fire service levy, fire protection, emergency services	1,910	1,179	548	(183)
Beach control	689	16	–	(673)
Enforcement of local government regulations	1,294	453	–	(841)
Animal control	308	169	–	(139)
Other	–	210	–	210
Total public order and safety	4,201	2,027	548	(1,626)
Health	18	–	–	(18)
Environment				
Noxious plants and insect/vermin control	219	204	–	(15)
Other environmental protection	945	1,795	73	923
Solid waste management	19,834	23,678	–	3,844
Street cleaning	384	–	–	(384)
Drainage	2,831	119	49	(2,663)
Stormwater management	–	690	–	690
Total environment	24,213	26,486	122	2,395
Community services and education				
Administration and education	786	50	–	(736)
Social protection (welfare)	686	81	90	(515)
Aged persons and disabled	–	5	–	5
Children's services	87	2	–	(85)
Total community services and education	1,559	138	90	(1,331)
Housing and community amenities				
Public cemeteries	259	251	–	(8)
Public conveniences	688	–	–	(688)
Street lighting	989	148	–	(841)
Town planning	1,668	235	42	(1,391)
Other community amenities	202	–	–	(202)
Total housing and community amenities	3,806	634	42	(3,130)
Water supplies	17,944	20,093	3,818	5,967
Sewerage services	28,118	27,585	4,121	3,588

Coffs Harbour City 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	2,302	179	94	(2,029)
Museums	33	—	—	(33)
Art galleries	167	51	—	(116)
Community centres and halls	788	323	—	(465)
Performing arts venues	567	232	—	(335)
Other performing arts	—	—	—	—
Other cultural services	34	47	16	29
Sporting grounds and venues	2,912	560	85	(2,267)
Swimming pools	651	(22)	22	(651)
Parks and gardens (lakes)	3,690	641	1,329	(1,720)
Other sport and recreation	1,276	126	361	(789)
Total recreation and culture	12,420	2,137	1,907	(8,376)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	2,252	1,861	—	(391)
Other mining, manufacturing and construction	139	6	—	(133)
Total mining, manufacturing and const.	2,391	1,867	—	(524)
Transport and communication				
Urban roads (UR) – local	9,836	17	2,818	(7,001)
Urban roads – regional	1,344	(12)	736	(620)
Sealed rural roads (SRR) – local	4,576	275	1,363	(2,938)
Sealed rural roads (SRR) – regional	438	988	—	550
Unsealed rural roads (URR) – local	877	14	—	(863)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	350	—	—	(350)
Bridges on SRR – local	414	—	—	(414)
Bridges on URR – local	—	—	—	—
Bridges on regional roads	238	—	—	(238)
Parking areas	598	39	74	(485)
Footpaths	909	46	1,677	814
Aerodromes	5,465	6,965	104	1,604
Other transport and communication	891	7,342	57,651	64,102
Total transport and communication	25,936	15,674	64,423	54,161
Economic affairs				
Camping areas and caravan parks	1,433	241	—	(1,192)
Other economic affairs	1,694	987	2,266	1,559
Total economic affairs	3,127	1,228	2,266	367
Totals – functions	163,307	110,471	77,384	24,548
General purpose revenues ⁽¹⁾		49,760		49,760
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	163,307	160,231	77,384	74,308

(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

Coffs Harbour City 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	283	1,367	1,650	–	285	–	–	–	305	1,060	1,365
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	17,597	177,195	194,792	–	17,692	–	–	12,608	14,143	162,957	177,100
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	17,880	178,562	196,442	–	17,977	–	–	12,608	14,448	164,017	178,465
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	17,880	178,562	196,442	–	17,977	–	–	12,608	14,448	164,017	178,465

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).

Coffs Harbour City 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	2,707	2,568
b. Engineering and supervision	1,013	1,268
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	318	401
b. Maintenance expenses	61	82
– Mains		
c. Operation expenses	552	638
d. Maintenance expenses	2,076	1,689
– Reservoirs		
e. Operation expenses	247	238
f. Maintenance expenses	279	315
– Pumping stations		
g. Operation expenses (excluding energy costs)	49	51
h. Energy costs	127	235
i. Maintenance expenses	17	29
– Treatment		
j. Operation expenses (excluding chemical costs)	983	1,075
k. Chemical costs	329	434
l. Maintenance expenses	388	384
– Other		
m. Operation expenses	401	307
n. Maintenance expenses	113	107
o. Purchase of water	66	66
3. Depreciation expenses		
a. System assets	6,432	6,305
b. Plant and equipment	286	302
4. Miscellaneous expenses		
a. Interest expenses	5,153	5,516
b. Revaluation decrements	–	–
c. Other expenses	6	43
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	4	3
g. Tax equivalents dividends (actually paid)	31	30
5. Total expenses	21,638	22,086

Coffs Harbour City 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)	3,434	3,405
b. Usage charges	10,309	9,866
7. Non-residential charges		
a. Access (including rates)	654	655
b. Usage charges	3,769	3,493
8. Extra charges	11	6
9. Interest income	1,070	1,542
10. Other income	515	466
10a. Aboriginal Communities Water and Sewerage Program	6	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	258	256
c. Other grants	–	–
12. Contributions		
a. Developer charges	3,818	2,647
b. Developer provided assets	216	972
c. Other contributions	149	357
13. Total income	24,209	23,665
14. Gain (or loss) on disposal of assets	(67)	(126)
15. Operating result	2,504	1,453
15a. Operating result (less grants for acquisition of assets)	2,504	1,453

Coffs Harbour City 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	91	633
b. New assets for growth	488	608
c. Renewals	531	76
d. Plant and equipment	99	10
17. Repayment of debt	4,591	5,873
18. Totals	5,800	7,200
Non-operating funds employed		
19. Proceeds from disposal of assets	74	–
20. Borrowing utilised	1,928	2,211
21. Totals	2,002	2,211
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	24,461	24,132
b. Residential (unoccupied, ie. vacant lot)	744	820
c. Non-residential (occupied)	1,638	1,623
d. Non-residential (unoccupied, ie. vacant lot)	85	84
23. Number of ETs for which developer charges were received	381 ET	269 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 258,464	\$ 256,232

Coffs Harbour City 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	127	–	127
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	7,277	12,573	19,850
e. Sinking fund	–	–	–
f. Other	1,290	7,445	8,735
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	119	102	221
c. User charges	3,516	28	3,544
d. Other	397	–	397
27. Inventories	204	–	204
28. Property, plant and equipment			
a. System assets	–	290,025	290,025
b. Plant and equipment	–	1,316	1,316
29. Other assets	–	64,015	64,015
30. Total assets	12,930	375,504	388,434
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	1,200	–	1,200
33. Borrowings	4,914	67,564	72,478
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	6,114	67,564	73,678
36. NET ASSETS COMMITTED	6,816	307,940	314,756
EQUITY			
37. Accumulated surplus			182,737
38. Asset revaluation reserve			132,019
39. TOTAL EQUITY			314,756
Note to system assets:			
40. Current replacement cost of system assets			435,000
41. Accumulated current cost depreciation of system assets			(144,975)
42. Written down current cost of system assets			290,025

Coffs Harbour City 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	3,234	3,160
b. Engineering and supervision	1,305	1,599
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	390	390
b. Maintenance expenses	1,441	1,324
– Pumping stations		
c. Operation expenses (excluding energy costs)	1,142	1,082
d. Energy costs	439	654
e. Maintenance expenses	981	1,188
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,101	1,114
g. Chemical costs	362	349
h. Energy costs	856	1,185
i. Effluent management	261	304
j. Biosolids management	1,005	992
k. Maintenance expenses	972	979
– Other		
l. Operation expenses	301	311
m. Maintenance expenses	33	48
3. Depreciation expenses		
a. System assets	12,504	13,166
b. Plant and equipment	307	335
4. Miscellaneous expenses		
a. Interest expenses	6,131	6,743
b. Revaluation decrements	–	–
c. Other expenses	261	28
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	78	76
5. Total expenses	33,104	35,027

Coffs Harbour City 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)	20,065	19,863
7. Non-residential charges		
a. Access (including rates)	2,638	2,631
b. Usage charges	2,240	2,264
8. Trade waste charges		
a. Annual fees	111	105
b. Usage charges	390	346
c. Excess mass charges	5	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	1,787	2,440
11. Other income	264	317
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	70	294
b. Grants for pensioner rebates	251	249
c. Other grants	–	–
13. Contributions		
a. Developer charges	3,552	2,370
b. Developer provided assets	499	331
c. Other contributions	318	161
14. Total income	32,190	31,371
15. Gain (or loss) on disposal of assets	(150)	(671)
16. Operating result	(1,064)	(4,327)
16a. Operating result (less grants for acquisition of assets)	(1,134)	(4,621)

Coffs Harbour City 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	1,531	9,545
b. New assets for growth	1,563	2,929
c. Renewals	753	163
d. Plant and equipment	403	10
18. Repayment of debt	8,686	8,672
19. Totals	12,936	21,319
Non-operating funds employed		
20. Proceeds from disposal of assets	181	–
21. Borrowing utilised	1,012	1,942
22. Totals	1,193	1,942
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	23,471	23,141
b. Residential (unoccupied, ie. vacant lot)	700	779
c. Non-residential (occupied)	1,499	1,485
d. Non-residential (unoccupied, ie. vacant lot)	94	92
24. Number of ETs for which developer charges were received	370 ET	252 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 251,469	\$ 249,225

Coffs Harbour City 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	180	—	180
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	2,628	24,299	26,927
e. Sinking fund	—	—	—
f. Other	10,527	8,435	18,962
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	659	560	1,219
c. User charges	724	6	730
d. Other	600	—	600
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	456,503	456,503
b. Plant and equipment	—	1,216	1,216
30. Other assets	—	—	—
31. Total assets	15,318	491,019	506,337
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	1,181	—	1,181
34. Borrowings	6,037	78,164	84,201
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	7,218	78,164	85,382
37. NET ASSETS COMMITTED	8,100	412,855	420,955
EQUITY			
38. Accumulated surplus			284,368
39. Asset revaluation reserve			136,587
40. TOTAL EQUITY			420,955
Note to system assets:			
41. Current replacement cost of system assets			672,858
42. Accumulated current cost depreciation of system assets			(216,355)
43. Written down current cost of system assets			456,503

Coffs Harbour City 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.

Coffs Harbour City 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	–	–	845	836	97,386	90,835	19%	38%	41%	2%	0%
	Sub-total	–	–	845	836	97,386	90,835	19.0%	38.0%	41.0%	2.0%	0.0%
Other structures	Other	–	–	–	–	676	1,212	49%	32%	18%	1%	0%
	Sub-total	–	–	–	–	676	1,212	49.0%	32.0%	18.0%	1.0%	0.0%
Roads	Sealed roads	–	–	4,443	4,180	382,196	504,341	31%	44%	19%	5%	1%
	Unsealed roads	–	–	797	763	5,004	11,724	14%	9%	34%	29%	14%
	Bridges	–	–	111	130	64,809	72,157	95%	2%	2%	1%	0%
	Footpaths	–	–	317	323	39,192	47,426	68%	11%	16%	5%	0%
	Other road assets	–	–	162	152	15,857	17,834	73%	12%	11%	3%	1%
	Bulk earthworks	–	–	23	22	134,473	134,473	100%	0%	0%	0%	0%
	Kerb & Gutter	–	–	14	13	34,903	46,573	25%	18%	45%	12%	0%
	Sub-total	–	–	5,867	5,583	676,434	834,528	50.1%	28.8%	15.8%	4.5%	0.8%

Coffs Harbour City 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	–	–	2,330	2,799	275,761	420,736	27%	45%	16%	3%	9%
	Sub-total	–	–	2,330	2,799	275,761	420,736	27.0%	45.0%	16.0%	3.0%	9.0%
Sewerage network	Sewerage network	–	–	3,486	3,607	440,392	656,746	32%	28%	12%	15%	13%
	Sub-total	–	–	3,486	3,607	440,392	656,746	32.0%	28.0%	12.0%	15.0%	13.0%
Stormwater drainage	Stormwater drainage	–	–	305	334	152,649	195,852	40%	42%	17%	1%	0%
	Sub-total	–	–	305	334	152,649	195,852	40.0%	42.0%	17.0%	1.0%	0.0%
Open space/recreational assets	Other Open Space	–	–	1,218	1,162	5,926	14,126	23%	26%	35%	11%	5%
	Swimming Pools	–	–	66	21	2,396	4,210	0%	77%	23%	0%	0%
	Sub-total	–	–	1,284	1,183	8,322	18,336	17.7%	37.7%	32.2%	8.5%	3.9%
	TOTAL – ALL ASSETS	–	–	14,117	14,342	1,651,620	2,218,245	37.9%	33.2%	16.0%	7.0%	5.9%

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

Coffs Harbour City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators *				
consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	14,255	39.04%	11.01%	39.96%
Depreciation, amortisation and impairment	36,517			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	—	0.00%	0.00%	4.92%
Carrying value of infrastructure assets	1,520,963			
3. Asset maintenance ratio				
Actual asset maintenance	14,342	1.02	0.94	0.90
Required asset maintenance	14,117			

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.

Coffs Harbour City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

<p>1. Infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 39.04%</p> <p>Council continues to improve the infrastructure renewals ratio. The ratio is heavily impacted by the little amount of renewals work undertaken in the water and sewer areas as the water and sewer asset classes are quite young and do not require significant renewal compared to the depreciation charged.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 0.00%</p> <p>The council has again recorded no backlog for the 2015/16 financial year, consistent with the consultation and service levels determined as part of the Special Rates Variation Consultation in 2014/15.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum > 1.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 1.02 x</p> <p>The Asset Maintenance Ratio demonstrates the significant effort that has been put into ensuring expenditure is utilised in an appropriate manner in the organisation with Council now meeting the recommended benchmark.</p>

Coffs Harbour City 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⁾	7.99%	0.00%	75.42%
Depreciation, amortisation and impairment			
prior period:	1.36%	1.25%	20.90%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	0.00%	0.00%	0.00%
Carrying value of infrastructure assets			
prior period:	0.00%	0.00%	0.00%
3. Asset maintenance ratio			
Actual asset maintenance	1.20	1.03	0.96
Required asset maintenance			
prior period:	1.00	1.00	0.89

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.

Coffs Harbour City 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	39,059	42,340
Plus or minus adjustments ⁽²⁾	b	187	199
Notional general income	c = (a + b)	39,246	42,539
Permissible income calculation			
Special variation percentage ⁽³⁾	d	8.14%	7.75%
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	$h = d \times (c - g)$	3,195	3,297
Or plus rate peg amount	$i = c \times e$	—	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	42,441	45,836
Plus (or minus) last year's carry forward total	l	15	101
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	15	101
Total permissible income	$o = k + n$	42,456	45,937
Less notional general income yield	p	42,340	45,858
Catch-up or (excess) result	$q = o - p$	116	79
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	(15)	—
Carry forward to next year	$t = q + r - s$	101	79

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.

COFFS HARBOUR CITY COUNCIL
SPECIAL SCHEDULE NO 8
INDEPENDENT AUDITOR'S REPORT

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 Coffs Harbour City Council for the year ending 30 June 2017.

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.

Auditor's 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.



Independence

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

Audit Opinion

In our opinion, Special Schedule No. 8 of Coffs Harbour City Council for 2016/17 is properly drawn up in accordance with the requirements of the NSW Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the NSW 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.

Dated at Lismore this 28th day of October 2016

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

Per:

A handwritten signature in dark ink, appearing to read 'A J Bradfield', is written over a horizontal dotted line.

A J BRADFELD (Partner)
Registered Company Auditor