

Coffs Harbour City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

“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 financial year ended 30 June 2011

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for 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 (LGA) 1993 of NSW.

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 24/11/11. Council has the power to amend and reissue the financial statements.
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Coffs Harbour City Council

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

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

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

- The Local Government Act 1993 (as amended) and the Regulations made there under,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 November 2011.



Keith Rhoades
MAYOR



Bill Palmer
COUNCILLOR



Steve McGrath
GENERAL MANAGER



Dale Allen
RESPONSIBLE ACCOUNTING OFFICER

Coffs Harbour City Council

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾			Actual	Actual
2011	\$ '000	Notes	2011	2010
Income from Continuing Operations				
Revenue:				
63,046	Rates & Annual Charges	3a	62,713	58,701
23,383	User Charges & Fees	3b	22,296	23,375
5,494	Interest & Investment Revenue	3c	10,993	12,397
4,222	Other Revenues	3d	5,029	4,907
14,122	Grants & Contributions provided for Operating Purposes	3e,f	19,034	16,147
14,316	Grants & Contributions provided for Capital Purposes	3e,f	27,963	36,497
Other Income:				
-	Net gains from the disposal of assets	5	328	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<u>124,583</u>	Total Income from Continuing Operations		<u>148,356</u>	<u>152,024</u>
Expenses from Continuing Operations				
25,915	Employee Benefits & On-Costs	4a	33,790	34,268
18,261	Borrowing Costs	4b	18,433	18,415
48,053	Materials & Contracts	4c	32,907	30,501
30,396	Depreciation & Amortisation	4d	42,007	30,980
-	Impairment	4d	-	(63)
4,334	Other Expenses	4e	9,240	8,831
-	Net Losses from the Disposal of Assets	5	-	286
<u>126,959</u>	Total Expenses from Continuing Operations		<u>136,377</u>	<u>123,218</u>
<u>(2,376)</u>	Operating Result from Continuing Operations		<u>11,979</u>	<u>28,806</u>
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>(2,376)</u>	Net Operating Result for the Year		<u>11,979</u>	<u>28,806</u>
(2,376)	Net Operating Result attributable to Council		11,979	28,806
<u>-</u>	Net Operating Result attributable to Minority Interests		<u>-</u>	<u>-</u>
<u>(16,692)</u>	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		<u>(15,984)</u>	<u>(7,691)</u>

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

Coffs Harbour City Council

Statement of Comprehensive Income
for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		11,979	28,806
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(25,622)	344,575
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	935	1,712
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	837	812
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves (enter details here)	20b (ii)	-	-
Total Other Comprehensive Income for the year		(23,850)	347,099
Total Comprehensive Income for the Year		(11,871)	375,905
Total Comprehensive Income attributable to Council		(11,871)	375,905
Total Comprehensive Income attributable to Minority Interests		-	-

Coffs Harbour City Council

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	12,244	24,088
Investments	6b	64,089	72,496
Receivables	7	15,679	19,226
Inventories	8	1,436	1,415
Other	8	2,234	1,719
Non-current assets classified as "held for sale"	22	431	431
Total Current Assets		96,113	119,375
Non-Current Assets			
Investments	6b	95,483	55,304
Receivables	7	1,095	880
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,542,588	1,565,160
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,433	1,432
Intangible Assets	25	68,265	69,136
Other	8	-	-
Total Non-Current Assets		1,708,864	1,691,912
TOTAL ASSETS		1,804,977	1,811,287
LIABILITIES			
Current Liabilities			
Payables	10	9,419	12,370
Borrowings	10	17,056	15,180
Provisions	10	11,864	12,096
Total Current Liabilities		38,339	39,646
Non-Current Liabilities			
Payables	10	750	10
Borrowings	10	239,482	238,788
Provisions	10	7,025	5,962
Total Non-Current Liabilities		247,257	244,760
TOTAL LIABILITIES		285,596	284,406
Net Assets		1,519,381	1,526,881
EQUITY			
Retained Earnings	20	1,048,891	1,032,541
Revaluation Reserves	20	470,490	494,340
Total Equity		1,519,381	1,526,881

Coffs Harbour City Council

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		1,032,541	494,340	1,526,881	-	1,526,881
a. Correction of Prior Period Errors	20 (c)	4,371	-	4,371	-	4,371
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		1,036,912	494,340	1,531,252	-	1,531,252
c. Net Operating Result for the Year		11,979	-	11,979	-	11,979
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(25,622)	(25,622)	-	(25,622)
- Revaluations: Other Reserves	20b (ii)	-	935	935	-	935
- Transfers to Income Statement	20b (ii)	-	837	837	-	837
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	(23,850)	(23,850)	-	(23,850)
Total Comprehensive Income (c&d)		11,979	(23,850)	(11,871)	-	(11,871)
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,048,891	470,490	1,519,381	-	1,519,381

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		902,598	147,241	1,049,839	-	1,049,839
a. Correction of Prior Period Errors	20 (c)	101,137	-	101,137	-	101,137
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		1,003,735	147,241	1,150,976	-	1,150,976
c. Net Operating Result for the Year		28,806	-	28,806	-	28,806
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	344,575	344,575	-	344,575
- Revaluations: Other Reserves	20b (ii)	-	1,712	1,712	-	1,712
- Transfers to Income Statement	20b (ii)	-	812	812	-	812
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	347,099	347,099	-	347,099
Total Comprehensive Income (c&d)		28,806	347,099	375,905	-	375,905
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,032,541	494,340	1,526,881	-	1,526,881

Coffs Harbour City Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
63,046	Rates & Annual Charges		62,247	58,670
23,383	User Charges & Fees		23,001	24,384
5,494	Investment & Interest Revenue Received		9,860	7,758
28,438	Grants & Contributions		43,409	48,968
-	Bonds & Deposits Received		202	109
4,222	Other		9,559	6,196
Payments:				
(25,915)	Employee Benefits & On-Costs		(35,076)	(33,180)
(48,053)	Materials & Contracts		(36,873)	(37,431)
(18,210)	Borrowing Costs		(17,882)	(18,230)
-	Bonds & Deposits Refunded		(165)	(187)
(4,334)	Other		(9,051)	(9,655)
28,071	Net Cash provided (or used in) Operating Activities	11b	49,231	47,402
Cash Flows from Investing Activities				
Receipts:				
41,000	Sale of Investment Securities		133,226	99,490
1,939	Sale of Infrastructure, Property, Plant & Equipment		2,276	1,957
-	Deferred Debtors Receipts		49	62
Payments:				
-	Purchase of Investment Securities		(163,847)	(76,083)
(58,673)	Purchase of Infrastructure, Property, Plant & Equipment		(35,349)	(52,166)
(15,734)	Net Cash provided (or used in) Investing Activities		(63,645)	(26,740)
Cash Flows from Financing Activities				
Receipts:				
14,516	Proceeds from Borrowings & Advances		18,430	2,800
Payments:				
(15,869)	Repayment of Borrowings & Advances		(15,860)	(15,564)
(1,353)	Net Cash Flow provided (used in) Financing Activities		2,570	(12,764)
10,984	Net Increase/(Decrease) in Cash & Cash Equivalents		(11,844)	7,898
3,054	plus: Cash & Cash Equivalents - beginning of year	11a	24,088	16,190
14,038	Cash & Cash Equivalents - end of the year	11a	12,244	24,088
Additional Information:				
	plus: Investments on hand - end of year	6b	159,572	127,800
	Total Cash, Cash Equivalents & Investments		171,816	151,888

Please refer to Note 11 for additional cash flow information.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

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

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &

- Different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

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

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

(iii) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

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

(v) Critical Accounting Estimates

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at its 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, if **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those

conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

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

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

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

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

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees 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.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Interest and Rents

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

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

(c) Principles of Consolidation

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

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

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

(i) The Consolidated Fund

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

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

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

- *General Purpose Operations*
- *Water Supply*
- *Sewerage Service*
- *Airport Operations*

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

- *Sportz Central Management Committee*
- *Woolgoolga Community Village Management Committee*
- *Nana Glen Sport, Rec. & Equestrian Centre Management Committee*
- *Bayldon Community Centre Management Committee*
- *Eastern Dorrigo Showground Management Committee*
- *Ayrshire Park Management Committee*
- *Lowanna Hall Management Committee*
- *Lower Bucca Community Centre Management Committee*
- *Coramba Hall Management Committee*

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

Total income from continuing operations	\$355,464
Total expenditure from continuing operations	\$286,916
Total net assets held (ie Equity)	\$369,641

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 which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(iii) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), i.e. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the Equity Method of Accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(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.

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

Cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & 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**,

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

reversals of fair value gains or losses recorded before reclassification date are subsequently made.

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition and De-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.

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

(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. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when

Council's right to receive payments is established.

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.

Details on how the fair value of financial instruments is determined are disclosed in note 1(l).

Impairment

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(iii) Types of Investments

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

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

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 dated 12 January 2011. Certain investments that Council holds are no longer prescribed (e.g. managed funds, CDOs, CCOs and constant protection portfolio notes) however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)

- **Buildings – Specialised/Non Specialised**
(External Valuation)

- **Plant and Equipment**
(as approximated by depreciated historical cost)

- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)

- **Drainage Assets** (Internal Valuation)

- **Bulk Earthworks** (Internal Valuation)

- **Community Land** (External Valuation)

- **Land Improvements**
(as approximated by depreciated historical cost)

- **Other Structures**
(Internal valuation where replacement costs are available, where not available, as approximated by depreciated historical cost)

- **Other Assets**
(External valuation was undertaken for artworks. For the remainder of this category internal valuation was used where replacement costs were available, where not available, values were approximated by depreciated historical cost).

Initial Recognition

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

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

Asset Revaluations (including Indexation)

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

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

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

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

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

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

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 & Equipment	
Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant & Equipment	> \$2,000

Buildings & Land Improvements	
Park Furniture & Equipment	> \$2,000

Building	
- construction/extensions	100% Capitalised
- renovations	> \$2,000
Other Structures	> \$2,000

Water & Sewer Assets	
Reticulation extensions	> \$2,000
Other	> \$2,000

Stormwater Assets	
Drains & Culverts	> \$2,000
Other	> \$2,000

Transport Assets	
Road construction & reconstruction	> \$2,000
Reseal/Re-sheet & major repairs:	> \$2,000
Bridge construction & reconstruction	> \$2,000

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

Note common use library items will be expensed.

Depreciation

Depreciation on Plant and Equipment, Office Equipment, Furniture and Fittings, Water and Sewer Network Assets and Buildings (both specialised and non specialised) is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life. All other Infrastructure, Property, Plant & Equipment assets have depreciation calculated on a condition based method.

Land is not depreciated.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Plant & 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
<hr/>	
Other Equipment	
- Playground equipment	5 to 10 years
- Benches, seats etc	10 to 20 years
<hr/>	
Buildings	
- Buildings	25 to 50 years
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Stormwater Drainage	
- Drains	80 to 100 years
- Pipes, Pits & Culverts	60 to 80 years
- Gross Pollutant Traps	30 years
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Transportation Assets	
- Sealed Roads: Surface	18-22 years
- Sealed Roads: Structure	40 years
- Unsealed roads	20 years
- Bridge: Concrete	100 years
- Bridge: Other	60 years
- Road Pavements	40 years
- Kerb, Gutter & Paths	60 years
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Water & Sewer Assets	
- Dams and reservoirs	80 to 100 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	50 to 100 years
- Telemetry	15 to 25 years
- Pumping Stations	22 to 48 years
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Other Infrastructure Assets	
- Bulk earthworks	Infinite

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

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

Disposal and De-recognition

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

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

(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 service, direct payroll and payroll related costs of employees' time spent on the project.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

Regional Water Supply

Coffs Harbour City Council and Clarence Valley Council have signed an agreement which provides for Coffs Harbour City Council's entitlement to a non cumulative permanent right to receive bulk raw water from Clarence Valley Council. This is considered to be a separate intangible asset, being a licence, and will be amortised over 80 years commencing from the date that the infrastructure being provided is operational, being equivalent to the average depreciation of infrastructure provided.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

of which the fire fighting equipment has been purchased or constructed".

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

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

(p) Investment property

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

Investment property is carried at fair value, representing an open-market value determined in 2008/09 by external valuers.

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

Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30/06/09.

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

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

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are 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:

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

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

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

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

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

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

Define Contribution Plans

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

(iv) Employee Benefit On-Costs

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

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

(y) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and UIG interpretations

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

mandatory for reporting periods ending 30 June 2011.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

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

Applicable to Local Government but no implications for Council;

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

None

Not applicable to Local Government per se;

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

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

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

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

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

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

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

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

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

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

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

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Coffs Harbour City Council
Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance	-	-	-	1,428	1,453	1,277	(1,428)	(1,453)	(1,277)	-	-	-	-
Civic Management	4	(5)	45	765	693	676	(761)	(698)	(631)	(5)	42	12	370
Community Facilities	1,645	1,645	1,603	1,122	788	1,138	523	857	465	-	-	5,103	4,265
Coffs Coast Marketing	576	906	746	1,502	1,659	1,415	(926)	(753)	(669)	-	-	55	21
Land Use Planning	17	149	59	1,060	972	1,064	(1,043)	(823)	(1,005)	103	18	206	229
Land Use Assessment and Management	1,621	1,740	1,772	1,936	1,923	1,921	(315)	(183)	(149)	-	-	2	20
Environmental Management	1,136	2,079	1,634	2,049	1,909	1,321	(913)	170	313	1,775	1,404	151	150
Public Health and Safety	154	176	159	1,035	992	1,000	(881)	(816)	(841)	9	-	99	95
Animal Control and Enforcement	405	405	387	794	729	698	(389)	(324)	(311)	5	-	24	32
Domestic Waste Management	9,580	9,778	9,332	9,385	11,356	9,898	195	(1,578)	(566)	-	141	21,210	19,009
Non Domestic Waste Management	4,793	3,689	3,490	4,699	3,408	3,185	94	281	305	358	-	912	1,514
Property and Commercial Services	103	5,320	3,691	477	573	435	(374)	4,747	3,256	11	-	38,191	22,117
Leasing and Asset Management	959	1,323	1,253	2,247	2,293	2,935	(1,288)	(970)	(1,682)	108	173	102,331	99,621
Swimming Pools	1	1,381	1,505	561	476	334	(560)	905	1,171	631	504	3,856	1,848
Airport	3,681	3,775	3,518	3,081	2,984	2,840	600	791	678	-	-	61,642	58,369
Sports Development	317	2,873	437	1,847	1,822	1,837	(1,530)	1,051	(1,400)	2,355	47	11,279	9,817
Administration	42	48	51	1,035	1,715	1,023	(993)	(1,667)	(972)	-	2,357	1,299	1,246
Legal and Audit Services	85	237	335	1,664	1,640	1,555	(1,579)	(1,403)	(1,220)	-	-	906	906
Rural Fire Services	2,032	2,247	2,360	1,201	835	1,523	831	1,412	837	2,324	-	4,177	5,877
Information Services	69	38	60	3,590	2,743	3,173	(3,521)	(2,705)	(3,113)	4	-	1,364	1,887
Telecommunications & New Technology	943	659	1,060	819	591	738	124	68	322	-	-	436	338
Finance	284	341	360	3,371	3,375	3,288	(3,087)	(3,034)	(2,928)	4	1	59,963	40,391
Plant	380	710	507	5,037	6,022	5,358	(4,657)	(5,312)	(4,851)	-	-	20,412	13,497

Coffs Harbour City Council
Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Program Support	73	2	8	176	152	138	(103)	(150)	(130)	-	-	-	-
Human Resources & Organisational Development	54	69	69	1,121	1,107	1,114	(1,067)	(1,038)	(1,045)	4	-	419	27
City Services Support	-	-	-	781	716	799	(781)	(716)	(799)	-	-	191	380
Asset Systems	-	-	-	398	620	470	(398)	(620)	(470)	-	-	20	28
Library	213	(70)	267	1,586	1,769	1,526	(1,373)	(1,839)	(1,259)	181	233	822	818
Community Development	346	831	1,139	1,945	2,443	2,099	(1,599)	(1,612)	(960)	229	522	12,412	12,163
Economic Development	121	184	229	854	958	1,251	(733)	(774)	(1,022)	44	-	22	121
Environmental Laboratory	230	417	299	499	667	474	(269)	(250)	(175)	-	-	128	122
City Services Operational Administration	6	14	241	911	845	752	(905)	(831)	(511)	3	-	484	632
Recreational Services	1,068	2,590	2,719	4,681	4,684	4,921	(3,613)	(2,094)	(2,202)	519	288	4,242	7,161
Regional Roads	931	1,189	1,608	1,796	2,177	1,943	(865)	(988)	(335)	1,187	1,608	36,763	67,895
Local Roads	896	6,615	3,276	12,480	18,946	12,874	(11,584)	(12,331)	(9,598)	2,198	1,685	401,072	424,449
Bridges	-	35	737	435	550	522	(435)	(515)	215	35	737	48,537	41,082
Footpaths and Cycleways	92	412	657	416	674	340	(324)	(262)	317	397	653	24,525	40,812
Parking	-	182	38	339	988	329	(339)	(806)	(291)	-	-	22,297	20,860
Quarries	89	-	-	89	149	154	-	(149)	(154)	-	-	175	133
Street and Toilet Cleaning	-	-	-	763	619	601	(763)	(619)	(601)	-	-	1	1
Drainage	2,037	3,333	1,243	1,801	3,290	1,205	236	43	38	1,103	343	152,568	148,672
Harbour and Jetty	-	89	-	173	183	124	(173)	(94)	(124)	89	-	417	404
City Works Private Works	138	997	269	306	880	333	(168)	117	(64)	125	-	223	-
Watermain Relocation	-	5,994	13,939	-	(318)	(638)	-	6,312	14,577	-	-	-	-
Survey and Design	93	1,101	1,449	1,737	1,771	1,896	(1,644)	(670)	(447)	958	1,141	1,865	7,991

Coffs Harbour City Council
Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Street Lighting	143	128	139	744	663	615	(601)	(535)	(476)	128	138	200	33
Projects and Developments	81	72	113	441	464	369	(360)	(392)	(256)	-	-	-	-
General Fund Untied Funding	40,482	37,573	35,562	30	104	77	40,452	37,469	35,485	7,552	7,049	11	9
Water Management Expenses	3	5	9	1,034	1,027	971	(1,031)	(1,022)	(962)	-	-	-	16
Water Maintenance and Operating Exp's	85	177	165	10,006	9,057	3,476	(9,921)	(8,880)	(3,311)	2	(1)	51,938	52,488
Water Miscellaneous	-	-	-	7,481	7,494	7,913	(7,481)	(7,494)	(7,913)	-	-	-	-
Water Capital Expenditure	3,247	1,931	4,705	-	58	3,831	3,247	1,873	874	-	-	253,310	247,545
Regional Water Supply	-	-	-	-	904	906	-	(904)	(906)	-	-	67,774	68,590
Water Fund Untied Funding	16,412	16,601	17,681	-	17	24	16,412	16,584	17,657	243	240	-	-
Sewer Management Expenses	1	14	2	1,183	1,247	1,204	(1,182)	(1,233)	(1,202)	-	-	457	448
Sewer Maintenance and Operating Exp's	618	897	619	13,123	12,639	6,119	(12,505)	(11,742)	(5,500)	-	(5)	76,123	76,154
Sewer Miscellaneous	-	-	1,087	8,925	9,105	9,394	(8,925)	(9,105)	(8,307)	-	-	51	56
Sewer Capital Expenditure	5,520	2,109	4,663	-	(57)	5,576	5,520	2,166	(913)	205	622	314,300	310,578
Sewer Fund Untied Funding	22,777	25,103	24,532	-	29	36	22,777	25,074	24,496	239	236	-	-
Oncost Recoveries	-	248	196	-	(1,195)	848	-	1,443	(652)	79	67	-	-
Operating Result from Continuing Operations	124,583	148,356	152,024	126,959	136,377	123,218	(2,376)	11,979	28,806	23,202	20,243	1,804,977	1,811,287

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

GOVERNANCE

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

CIVIC MANAGEMENT

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

COMMUNITY FACILITIES

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

COFFS COAST MARKETING

South Sydney Rugby League Club sponsorship, Trade Exhibitions, Travel Shows, Tourism Promotion, Advertising and Promotions

LAND USE PLANNING

Local Environment Plan reviews, heritage programs, planning studies.

LAND USE ASSESSMENT AND MANAGEMENT

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

ENVIRONMENTAL MANAGEMENT

Domestic Sewage supervision and administration, water quality monitoring, sustainability services, environmental levy projects, parks and street litter bins contract.

PUBLIC HEALTH AND SAFETY

Beach patrols, sullage collection, public pools inspection.

ANIMAL CONTROL AND ENFORCEMENT

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.

PROPERTY AND COMMERCIAL SERVICES

Valuation Services, land acquisition and development.

LEASING AND ASSET MANAGEMENT

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.

Coffs Harbour City Council

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

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:

AIRPORT

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

SPORTS DEVELOPMENT

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.

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, consultancy income.

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.

CITY SERVICES SUPPORT

Two way radio operations, SES contributions.

ASSET SYSTEMS

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

LIBRARY

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

Coffs Harbour City Council

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

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:

COMMUNITY DEVELOPMENT

Museum, Theatre, Art Gallery and Community Centre operations. Aboriginal services and youth projects.

ECONOMIC DEVELOPMENT

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.

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.

Coffs Harbour City Council

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

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:

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.

WATERMAINS RELOCATION

Decommissioning of existing pipelines and construction of new pipelines relocated for Pacific Highway works by RTA.

STREET LIGHTING

Operations of street lighting.

PROJECTS AND DEVELOPMENT

Contracts management, supervision of subdivision works.

GENERAL FUND UNTIED FUNDING

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

WATER MANAGEMENT EXPENSES

Water quality monitoring, public awareness campaigns, developer contributions plan reviews.

WATER MAINTENANCE AND OPERATING EXPENSES

Maintenance and operation of pump stations, reservoirs, dams, mains, chlorination plants, fluoridation plants, telemetry, standpipes, meters.

WATER MISCELLANEOUS EXPENSES

Payroll tax, loan repayments and professional development costs.

WATER CAPITAL EXPENDITURE

Construction of pump stations, reservoirs, dams, mains, chlorination plants, fluoridation plants, telemetry, service connections.

REGIONAL WATER SUPPLY

Construction, maintenance and operation of Shannon Creek Dam.

WATER FUND UNTIED FUNDING

Access and usage charges, investment, and pensioner subsidy income.

SEWER MANAGEMENT EXPENSES

Public awareness campaigns, developer contributions plan reviews.

SEWER MAINTENANCE AND OPERATING EXPENSES

Biosolids disposal, treatment works, sewers, sullage collection, pumping stations, reuse management, ocean outfall, reclaimed water, mobile sludge dewatering plant.

SEWER MISCELLANEOUS EXPENSES

Payroll tax, loan repayments and professional development costs.

Coffs Harbour City Council

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

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:

SEWER CAPITAL EXPENDITURE

Construction of treatment works, sewers, pumping stations, reuse works, telemetry, reclaimed water pipeline, rising mains.

SEWER FUND UNTIED FUNDING

Access and usage charges, investment, and pensioner subsidy income.

ONCOST RECOVERIES

Employee Leave Entitlements, Workers Compensation Insurance, Superannuation Contributions.

Coffs Harbour City Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		21,975	20,352
Farmland		1,028	955
Business		6,073	5,648
Total Ordinary Rates		29,076	26,955
Special Rates			
Environmental		999	929
Total Special Rates		999	929
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		8,940	8,425
Stormwater Management Services		652	644
Water Supply Services		3,438	3,255
Sewerage Services		18,588	17,518
Waste Management Services (non-domestic)		901	858
Other		119	117
Total Annual Charges		32,638	30,817
TOTAL RATES & ANNUAL CHARGES		62,713	58,701

Council has used 2008 year valuations provided by the NSW Valuer General in calculating its rates.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		10,251	10,949
Sewerage Services		2,035	1,984
Waste Management Services (non-domestic)		2,368	2,514
Other		108	53
Total User Charges		14,762	15,500
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Building Services		932	859
Construction Certificates		72	113
Domestic Sewerage System Approval		172	165
Private Works - Section 67		535	700
Section 149 Certificates (EPA Act)		127	142
Section 603 Certificates		102	128
Town Planning		556	656
Other		174	170
Total Fees & Charges - Statutory/Regulatory		2,670	2,933
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Aerodrome		3,263	3,127
Cemeteries		218	240
Community Village Income		66	75
Laboratory Income		417	299
RTA Charges (State Roads not controlled by Council)		-	186
Sports Stadium		250	250
Trade Waste Application Fee		11	7
Water Supply Recovery Charges		105	97
Watermain Connections		212	344
Other		322	317
Total Fees & Charges - Other		4,864	4,942
TOTAL USER CHARGES & FEES		22,296	23,375

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		284	258
- Interest earned on Investments (interest & coupon payment income)		9,629	8,298
- Interest & Dividend Income - Other		13	13
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		1,904	3,553
Available for Sale Revaluation Reserves realised on Investment sale		(837)	(812)
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		-	1,087
TOTAL INTEREST & INVESTMENT REVENUE		10,993	12,397
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		284	258
General Council Cash & Investments		1,012	968
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		780	774
- Section 64		7	11
Water Fund Operations		2,686	3,261
Sewerage Fund Operations		4,559	6,114
Domestic Waste Management operations		117	128
Other Externally Restricted Assets		42	22
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		1,506	861
Total Interest & Investment Revenue Recognised		10,993	12,397

Coffs Harbour City Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	1	5
Rental Income - Investment Properties	14	44	61
Rental Income - Other Council Properties		1,556	1,430
Parking Fines		107	73
Other Fines		181	194
Banana Sales from Reuse Trial		224	111
Commissions & Agency Fees		220	227
Conferences		612	449
Jetty Theatre Income		180	164
Nursery Sales		253	326
Reimbursements		330	217
Sale of Switchboards		407	952
Sports Stadium Food & Drink		272	218
Airport Parking		61	-
ICT Projects & Consultancy		170	92
Optical Fibre Sales		41	16
Other		370	372
<u>TOTAL OTHER REVENUE</u>		<u>5,029</u>	<u>4,907</u>

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance	6,740	6,248	-	-
Pensioners' Rates Subsidies - General Component	813	801	-	-
Total General Purpose	7,553	7,049	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	243	240	-	-
- Sewerage	239	236	-	-
- Domestic Waste Management	5	8	-	-
Water Supplies	2	-	-	-
Sewerage Services	-	-	205	622
Bushfire & Emergency Services	551	388	1,773	1,970
Bus Shelters	-	-	-	(2)
Community Care Services	83	42	-	-
Employment & Training Programs	106	67	-	-
Environmental Protection	1,827	1,038	270	456
Flood Studies & Mitigation Works	-	35	1,034	937
Heritage & Cultural	45	27	1	-
Library	133	184	49	49
Natural Disaster	2,035	2,215	-	-
Noxious Weeds	142	138	-	-
Orara River Health	36	72	-	-
Regional Economic Transition Scheme	-	12	-	-
Sportz Central Upgrade	-	-	4	457
Street Lighting	128	138	-	-
Transport (Roads to Recovery)	-	-	897	1,131
Transport (Other Roads & Bridges Funding)	939	879	1,061	618
Jetty Foreshore Redevelopment	-	-	456	-
Cycleways	-	-	360	649
Sports Stadium Lights Upgrade	-	-	2,156	-
Other	34	85	835	503
Total Specific Purpose	6,548	5,804	9,101	7,390
Total Grants	14,101	12,853	9,101	7,390
Grant Revenue is attributable to:				
- Commonwealth Funding	25	-	1,357	1,294
- State Funding	14,033	12,729	7,745	6,096
- Other Funding	43	124	(1)	-
	14,101	12,853	9,101	7,390

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	2,302	2,173
S 64 - Water Supply Contributions	-	-	1,131	3,876
S 64 - Sewerage Service Contributions	-	-	1,037	2,659
Total Developer Contributions	17	-	4,470	8,708
Other Contributions:				
Caravan Parks	122	118	-	-
Coffs Harbour Swimming Pool Upgrade	-	-	750	1,000
Contributions to Works	2,673	2,708	-	-
Diesel Fuel Rebate	49	54	-	-
Kerb & Gutter	-	-	-	2
RTA Contributions - Pine Creek Handover	1,666	21	1,247	-
RTA Contributions - Watermain Relocation	-	-	3,639	13,927
Section 355 Committee - Payroll Processing	16	16	-	-
Subdivider Dedications (other than by S94)	-	-	6,136	5,326
Vehicle Lease Payments	331	330	-	-
Other Contributions - Watermain Relocation	-	-	2,353	-
Other	76	47	267	144
Total Other Contributions	4,933	3,294	14,392	20,399
Total Contributions	4,933	3,294	18,862	29,107
TOTAL GRANTS & CONTRIBUTIONS	19,034	16,147	27,963	36,497

\$ '000	Actual 2011	Actual 2010
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(g). Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	18,885	15,867
add: Grants & contributions recognised in the current period but not yet spent:	9,659	14,380
less: Grants & contributions recognised in a previous reporting period and now spent	(8,887)	(11,362)
Net Increase (Decrease) in Restricted Assets	772	3,018
Unexpended and held as Restricted Assets	19,657	18,885
Comprising:		
- Specific Purpose Unexpended Grants	6,262	6,361
- Developer Contributions	13,182	12,367
- Other Contributions	213	157
	19,657	18,885

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		25,394	25,657
Travelling		64	78
Employee Leave Entitlements (ELE)		4,083	5,074
Superannuation - Defined Contribution Plans		2,085	1,847
Superannuation - Defined Benefit Plans		1,945	2,029
Workers' Compensation Insurance		1,403	1,988
Fringe Benefit Tax (FBT)		52	59
Payroll Tax		347	372
Training Costs (other than Salaries & Wages)		838	804
Protective Clothing		1	-
Other		1	-
Total Employee Costs		36,213	37,908
less: Capitalised Costs		(2,423)	(3,640)
TOTAL EMPLOYEE COSTS EXPENSED		33,790	34,268
Number of "Equivalent Full Time" Employees at year end		515	524
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		17,934	18,138
Total Interest Bearing Liability Costs		17,934	18,138
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		17,934	18,138
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	320	257
Interest applicable on Interest Free (& favourable) Loans to Council		179	20
Total Other Borrowing Costs		499	277
TOTAL BORROWING COSTS EXPENSED		18,433	18,415

Coffs Harbour City Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		9,478	9,528
Contractor & Consultancy Costs		23,021	20,648
Auditors Remuneration - Audit Services: Council's Auditor		69	72
Auditors Remuneration - Other Services: Council's Auditor		-	11
Auditors Remuneration - Audit Services: Auditors of other Consolidated Entities		8	10
Legal Expenses: Planning & Development		155	34
Legal Expenses: Other		152	65
Operating Lease Rentals: Minimum Lease Payments ⁽¹⁾		24	133
Total Materials & Contracts		32,907	30,501
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		32,907	30,501
1. Operating Lease Payments are attributable to:			
- Buildings		24	133
		24	133

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	3,581	3,501
Office Equipment		-	-	866	813
Furniture & Fittings		-	-	228	223
Land Improvements (depreciable)		-	-	31	29
Buildings - Non Specialised		-	-	753	731
Buildings - Specialised		-	-	379	383
Other Structures		-	-	1,471	1,457
Infrastructure:					
- Roads, Bridges & Footpaths		-	(63)	19,777	12,699
- Stormwater Drainage		-	-	2,287	571
- Water Supply Network		-	-	4,458	3,879
- Sewerage Network		-	-	5,992	5,109
Other Assets					
- Library Books		-	-	-	40
- Other		-	-	422	272
Asset Reinstatement Costs	9 & 26	-	-	998	637
Intangible Assets	25	-	-	1,145	1,035
Total Depreciation & Impairment Costs		-	(63)	42,388	31,379
less: Capitalised Costs		-	-	(381)	(399)
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	(63)	42,007	30,980

Coffs Harbour City Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		(6)	19
Bank Charges		276	267
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		431	396
- NSW Rural Fire Service Levy		406	482
- Contributions to State Parks		1,166	1,035
- Contributions to Regional Parks		164	192
- Other Contributions/Levies		241	248
Councillor Expenses - Mayoral Fee		35	34
Councillor Expenses - Councillors' Fees		144	141
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		53	59
Donations, Contributions & Assistance to other organisations (Section 356)		629	565
Electricity & Heating		2,515	2,335
Insurance		2,147	2,049
Street Lighting		668	612
Telephone & Communications		341	347
Other		30	50
Total Other Expenses		9,240	8,831
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		9,240	8,831

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Property (excl. Investment Property)			
Proceeds from Disposal		850	39
less: Carrying Amount of Property Assets Sold		(358)	(43)
Net Gain/(Loss) on Disposal		492	(4)
Plant & Equipment			
Proceeds from Disposal		1,426	1,871
less: Carrying Amount of P&E Assets Sold		(1,280)	(1,570)
Net Gain/(Loss) on Disposal		146	301
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(27)	(594)
Net Gain/(Loss) on Disposal		(27)	(594)
Other Assets			
Proceeds from Disposal		-	-
less: Carrying Amount of Other Assets Written Off		(283)	-
Net Gain/(Loss) on Disposal		(283)	-
Non Current Assets Classified as "Held for Sale"			
Proceeds from Disposal		-	47
less: Carrying Amount of 'Held for Sale' Assets Sold		-	(36)
Net Gain/(Loss) on Disposal		-	11
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		328	(286)

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		2,282	-	4,684	-
Cash-Equivalent Assets ¹					
- Deposits at Call		6,005	-	1,831	-
- Managed Funds		43	-	501	-
- Short Term Deposits		3,914	-	17,072	-
Total Cash & Cash Equivalents		12,244	-	24,088	-
Investment Securities (Note 6b)					
- Managed Funds		8,979	-	21,495	-
- Long Term Deposits		35,053	50,737	19,702	11,457
- Floating Rate Term Deposits		1,011	2,007	6,063	-
- NCD's, FRN's (with Maturities > 3 months)		10,284	26,097	18,814	18,271
- CDO's		2,968	-	3,326	-
- Constant Protection Portfolio Notes		1,804	15,622	80	22,693
- Other Long Term Financial Assets		3,990	1,020	3,016	2,883
Total Investment Securities		64,089	95,483	72,496	55,304
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		76,333	95,483	96,584	55,304

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	12,244	-	24,088	-
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Investments**a. "At Fair Value through the Profit & Loss"**

- "Held for Trading"	6(b-i)	18,778	-	38,685	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	42,666	88,592	33,811	39,538
b. "Held to Maturity"	6(b-ii)	-	-	-	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	2,646	6,891	-	15,766
Investments		64,089	95,483	72,496	55,304

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 6b. Investments (continued)

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	72,496	39,538	74,076	54,315
Revaluations (through the Income Statement)	723	1,181	1,339	2,214
Additions	101,074	62,773	69,923	6,160
Disposals (sales & redemptions)	(119,386)	(8,364)	(93,243)	(2,750)
Transfers between Current/Non Current	6,536	(6,536)	20,401	(20,401)
Balance at End of Year	61,443	88,592	72,496	39,538
Comprising:				
- Managed Funds	8,979	-	21,495	-
- Long Term Deposits	35,053	50,737	19,702	11,457
- Floating Rate Term Deposits	1,011	2,007	6,063	-
- NCD's, FRN's (with Maturities > 3 months)	10,284	25,126	18,814	17,375
- CDO's	2,968	-	3,326	-
- Constant Protection Portfolio Notes	80	9,701	80	8,666
- Other Long Term Financial Assets	3,068	1,021	3,016	2,040
Total	61,443	88,592	72,496	39,538
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Nil				
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Balance at the Beginning of the Year	-	15,766	-	16,738
Revaluation - transfer gain (loss) to ARR in Equity	213	722	-	2,525
Disposals (sales & redemptions)	-	(7,164)	-	(3,497)
Transfers between Current/Non Current	2,433	(2,433)	-	-
Balance at End of Year	2,646	6,891	-	15,766
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	-	970	-	896
- Constant Protection Portfolio Notes	1,724	5,921	-	14,027
- Other Long Term Maturity Financial Assets	922	-	-	843
Total	2,646	6,891	-	15,766

Coffs Harbour City Council

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

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

\$ '000	2011	2011	2010	2010
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	76,333	95,483	96,584	55,304
attributable to:				
External Restrictions (refer below)	45,822	84,157	77,084	55,304
Internal Restrictions (refer below)	27,498	11,326	19,450	-
Unrestricted	3,014	-	50	-
	76,333	95,483	96,584	55,304

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

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-Water (A)	25,529	-	-	25,529
Specific Purpose Unexpended Loans-Sewer (A)	51,920	-	(1,264)	50,656
External Restrictions - Included in Liabilities	77,449	-	(1,264)	76,185

External Restrictions - Other

Developer Contributions - General (D)	12,262	3,070	(2,465)	12,867
Developer Contributions - Water Fund (D)	38	1,134	(915)	257
Developer Contributions - Sewer Fund (D)	67	1,041	(1,050)	58
Specific Purpose Unexpended Grants (F)	5	13	(5)	13
Specific Purpose Unexpended Grants (F) - Water Fund	123	-	(123)	-
Specific Purpose Unexpended Grants (F) - Sewer Fund	56	-	(37)	19
Water Supplies (G)	18,945	5,292	(4,751)	16,019
Sewerage Services (G)	20,995	6,990	(5,498)	22,487
Domestic Waste Management (G)	1,936	10,394	(10,806)	1,524
Stormwater Management (G)	471	699	(659)	511
Other	41	33	(36)	38
External Restrictions - Other	54,939	28,667	(26,345)	53,794
Total External Restrictions	132,388	28,667	(27,609)	129,979

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,993	7,589	(6,706)	2,876
Employees Leave Entitlement	1,207	14,338	(13,343)	2,202
EDP Equipment	326	336	(219)	443
Non Domestic Waste Management	1,785	4,325	(4,625)	1,485
Other Contributions	157	103	(47)	213
Airport	640	3,873	(3,785)	727
RTA Contributions - Pacific Highway Garden Works	259	15	(45)	229
Unexpended Loans	1,920	14,444	(2,926)	13,438
Unexpended Grants	6,177	4,298	(4,245)	6,230
Open Space Land	3	446	(132)	317
Jetty M&R	265	15	(91)	189
Asset Replacement	208	400	(379)	229
Rural Fire Services	13	1	-	14
Future Road Network	727	150	-	877
Environmental Levy	462	1,308	(1,224)	546
Community Facilities	871	1,929	(2,594)	207
Moonee Beach Road Upgrade	144	9	-	153
Environmental Laboratory	59	741	(631)	169
Car Parking Upgrade	1,892	123	-	2,015
Future Fund	225	908	(397)	736
Business Development	54	1,985	(1,300)	739
Project Contingency	59	1,767	(1,190)	636
RTA Contributions - Pine Creek Hand Over	4	3,064	(137)	2,931
Projects - Private Works Funding	-	1,973	(1,300)	673
Flood Mitigation Works	-	550	-	550
Total Internal Restrictions	19,450	64,689	(45,316)	38,824
TOTAL RESTRICTIONS	151,838	93,356	(72,924)	168,802

Notes relating to Debtors disclosed on the next page:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2010 9.00%).
- (iv) 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 financial year ended 30 June 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		2,962	557	2,675	378
Interest & Extra Charges		238	312	252	226
User Charges & Fees		1,353	26	1,502	18
Private Works		670	2	378	8
Contributions to Works		236	-	-	-
Accrued Revenues					
- Interest on Investments		60	-	66	-
- User Charges & Fees		1,736	-	1,708	-
- Other Income Accruals		-	-	1	-
Government Grants & Subsidies		2,674	-	5,313	-
Deferred Debtors		30	171	52	198
Net GST Receivable		453	-	445	-
Airport Landing Charges		436	-	524	-
Caravan Parks		1,043	-	1,003	-
Tip Charges		296	1	329	2
Economic Development Unit		46	1	12	-
Lease Rentals		222	5	21	-
Environmental Lab		97	1	40	-
Watermain Relocation		355	-	3,880	-
Workers Comp. Premium reduction		382	-	-	-
Investment Securities Sold		1,688	-	-	-
Other Debtors		723	19	1,057	50
Total		15,700	1,095	19,258	880
less: Provision for Impairment					
Other Debtors		(21)	-	(32)	-
Total Provision for Impairment - Receivables		(21)	-	(32)	-
TOTAL NET RECEIVABLES		15,679	1,095	19,226	880
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		67	-	221	-
- Rates & Availability Charges		2,707	56	2,817	46
- Other		2,074	-	3,881	-
Sewerage Services					
- Specific Purpose Grants		62	-	1,532	-
- Rates & Availability Charges		1,353	231	1,262	198
- Other		57	35	7	119
Domestic Waste Management		443	113	389	92
Stormwater Management		19	13	19	12
Other					
- Other - Environmental Levy		52	37	48	31
Total External Restrictions		6,834	485	10,176	498
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		8,845	610	9,050	382
TOTAL NET RECEIVABLES		15,679	1,095	19,226	880

Coffs Harbour City Council

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

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		1,256	-	1,277	-
Trading Stock		180	-	138	-
Total Inventories		1,436	-	1,415	-
Other Assets					
Prepayments		2,234	-	1,719	-
Total Other Assets		2,234	-	1,719	-
TOTAL INVENTORIES / OTHER ASSETS		3,670	-	3,134	-
Externally Restricted Assets					
Water					
Stores & Materials		251	-	238	-
Prepayments		-	-	1	-
Total Water		251	-	239	-
Sewerage					
Stores & Materials		45	-	38	-
Prepayments		8	-	1	-
Total Sewerage		53	-	39	-
Domestic Waste Management					
Prepayments		498	-	201	-
Total Domestic Waste Management		498	-	201	-
Total Externally Restricted Assets		802	-	479	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		2,868	-	2,655	-
TOTAL INVENTORIES & OTHER ASSETS		3,670	-	3,134	-

Coffs Harbour City Council

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010					Asset Movements during the Reporting Period							as at 30/6/2011				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Deprec.	Impairment	Value								Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	18,819	-	-	-	18,819	5,991	-	-	(17,895)	-	-	-	6,915	-	-	-	6,915
Plant & Equipment	-	40,721	20,791	-	19,930	5,094	(1,280)	(3,581)	-	-	99	-	-	42,155	21,893	-	20,262
Office Equipment	-	10,807	8,965	-	1,842	397	-	(866)	-	-	-	-	-	11,204	9,831	-	1,373
Furniture & Fittings	-	3,714	2,500	-	1,214	761	-	(228)	429	-	-	-	-	4,904	2,728	-	2,176
Land:																	
- Operational Land	-	115,314	-	-	115,314	500	(358)	-	-	-	-	930	-	116,386	-	-	116,386
- Community Land	17,397	-	-	-	17,397	-	-	-	-	-	-	18,585	-	35,982	-	-	35,982
- Land under Roads (post 30/6/08)	-	-	-	-	-	-	-	-	-	-	-	1,020	-	1,020	-	-	1,020
Land Improvements - non depreciable	2,054	-	-	-	2,054	-	-	-	-	-	(2,054)	-	-	-	-	-	-
Land Improvements - depreciable	1,574	-	157	-	1,417	19	-	(31)	-	(511)	-	7,574	-	15,114	6,646	-	8,468
Buildings - Non Specialised	-	47,303	9,137	-	38,166	1,085	(27)	(753)	42	-	(184)	-	-	48,594	10,265	-	38,329
Buildings - Specialised	-	29,163	3,959	-	25,204	3	-	(379)	-	-	-	366	-	29,515	4,321	-	25,194
Other Structures	31,591	-	18,775	-	12,816	6,335	-	(1,471)	2,288	4,175	(18,083)	-	-	9,836	3,776	-	6,060
Infrastructure:																	
- Roads, Bridges, Footpaths	-	588,678	116,593	-	472,085	9,010	-	(19,777)	333	-	(72,114)	-	-	534,763	145,226	-	389,537
- Bulk Earthworks (non-depreciable)	-	162,062	-	-	162,062	-	-	-	-	-	-	19,215	-	181,277	-	-	181,277
- Stormwater Drainage	-	179,604	31,581	-	148,023	3,498	-	(2,287)	1,544	-	-	1,984	-	185,353	32,591	-	152,762
- Water Supply Network	-	317,140	87,304	-	229,836	5,344	-	(4,458)	12,903	-	-	7,153	-	345,526	94,748	-	250,778
- Sewerage Network	-	369,760	77,931	-	291,829	2,548	-	(5,992)	306	-	-	8,432	-	384,457	87,334	-	297,123
Other Assets:																	
- Library Books	1,860	-	1,577	-	283	-	(283)	-	-	-	-	-	-	-	-	-	-
- Other	6,231	-	1,619	-	4,612	97	-	(422)	50	707	-	1,455	-	9,544	3,045	-	6,499
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																	
- Tip Asset	3,778	-	1,521	-	2,257	-	-	(998)	-	1,188	-	-	-	4,966	2,519	-	2,447
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	83,304	1,864,266	382,410	-	1,565,160	40,682	(1,948)	(41,243)	-	5,559	(92,435)	66,813	6,915	1,960,596	424,923	-	1,542,588

Coffs Harbour City Council

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

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

\$ '000 Class of Asset	Actual 2011				Actual 2010			
	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	453	-	-	453	13,209	-	-	13,209
Plant & Equipment	-	3,260	1,322	1,938	-	3,087	1,132	1,955
Office Equipment	-	230	144	86	-	226	95	131
Land								
- Operational Land	-	3,751	-	3,751	-	3,818	-	3,818
- Community Land	-	-	-	-	65	-	-	65
Infrastructure	-	345,526	94,748	250,778	-	317,140	87,304	229,836
Total Water Supply	453	352,767	96,214	257,006	13,274	324,271	88,531	249,014
Sewerage Services								
WIP	747	-	-	747	4	-	-	4
Plant & Equipment	-	9,895	8,530	1,365	-	10,212	8,707	1,505
Office Equipment	-	46	31	15	-	43	26	17
Furniture & Fittings	-	78	62	16	-	78	57	21
Land								
- Operational Land	-	15,465	-	15,465	-	15,356	-	15,356
Other Structures	-	-	-	-	4,657	-	1,969	2,688
Infrastructure								
- Other	-	384,457	87,334	297,123	760	369,760	78,291	292,229
Total Sewerage Services	747	409,941	95,957	314,731	5,421	395,449	89,050	311,820
Domestic Waste Management								
Plant & Equipment	-	1,388	1,214	174	-	1,450	1,245	205
Office Equipment	-	5	5	-	-	5	5	-
Land								
- Operational Land	-	13,110	-	13,110	-	13,111	-	13,111
- Community Land	-	-	-	-	60	-	-	60
Buildings	-	2,183	487	1,696	-	2,139	442	1,697
Other Structures	4,966	192	2,611	2,547	2,852	-	1,481	1,371
Other Assets	-	14	6	8	1,240	-	121	1,119
Total DWM	4,966	16,892	4,323	17,535	4,152	16,705	3,294	17,563
TOTAL RESTRICTED I,PP&E	6,166	779,600	196,494	589,272	22,847	736,425	180,875	578,397

Coffs Harbour City Council

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

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

\$ '000	Notes	Actual 2011	Actual 2010
(i) Impairment Losses recognised in the Income Statement include:			
- Nil		-	-
Total Impairment Losses		-	-
(ii) Reversals of Impairment Losses previously recognised in the Income Statement include:			
- Infrastructure - Roads, Bridges and Footpaths (Hartley's Bridge)		-	63
Total Impairment Reversals		-	63
<u>IMPAIRMENT of ASSETS - GAINS/(LOSSES)</u>		-	63

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,317	-	4,442	-
Goods & Services - capital expenditure		1,334	-	3,390	-
Payments Received In Advance		681	-	586	-
Accrued Expenses:					
- Borrowings		2,166	-	2,114	-
- Salaries & Wages		17	-	32	-
- Other Expenditure Accruals		15	561	600	-
Security Bonds, Deposits & Retentions		237	189	379	10
Workers Compensation Premium Adjustment		-	-	506	-
Other		652	-	321	-
Total Payables		9,419	750	12,370	10
Borrowings					
Loans - Secured ¹		17,056	239,482	15,180	238,788
Total Borrowings		17,056	239,482	15,180	238,788
Provisions					
Employee Benefits;					
Annual Leave		3,132	-	3,285	-
Sick Leave		315	-	358	-
Long Service Leave		5,780	1,055	5,939	1,145
Accrued Leave		129	-	114	-
ELE On-Costs		1,678	194	1,889	229
Sub Total - Aggregate Employee Benefits		11,034	1,249	11,585	1,374
Asset Remediation/Restoration (Future Works) ²⁶		830	5,776	511	4,588
Total Provisions		11,864	7,025	12,096	5,962
Total Payables, Borrowings & Provisions		38,339	247,257	39,646	244,760
(i) Liabilities relating to Restricted Assets					
		2011		2010	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Domestic Waste Management		830	5,776	511	4,588
Water		7,511	96,536	8,772	102,719
Sewer		8,875	117,133	8,409	124,476
Liabilities relating to externally restricted assets		17,216	219,445	17,692	231,783
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		17,216	219,445	17,692	231,783

¹ Loans are secured over the General Rating Income of Council

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2010
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	<u>7,862</u>	<u>8,508</u>
	<u>7,862</u>	<u>8,508</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2010			2011		Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,285	2,166	(2,319)	-	-	3,132
Sick Leave	358	(19)	(24)	-	-	315
Long Service Leave	7,084	737	(986)	-	-	6,835
Other Leave	114	228	(213)	-	-	129
ELE On-Costs	2,118	(246)	-	-	-	1,872
Asset Remediation	5,099	1,187	-	320	-	6,606
TOTAL	18,058	4,053	(3,542)	320	-	18,889

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	12,244	24,088
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		12,244	24,088
 (b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		11,979	28,806
<i>Adjust for non cash items:</i>			
Depreciation & Amortisation		42,007	30,980
Net Losses/(Gains) on Disposal of Assets		(328)	286
Non Cash Capital Grants and Contributions		(9,004)	(5,898)
Impairment Losses Recognition - I,PP&E		-	(63)
Investment Income relating to "Available for Sale" Investments sold		837	(1)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(1,904)	(3,553)
- Investment Properties		(1)	(5)
- Favourable Financial Liabilities (ie. Loans with no Interest Payable)			(1,087)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Value)		179	-
Unwinding of Discount Rates on Reinstatement Provisions		320	257
<i>+/- Movement in Operating Assets and Liabilities & Other Cash Items:</i>			
Decrease/(Increase) in Receivables		5,337	(4,022)
Increase/(Decrease) in Provision for Doubtful Debts		(11)	-
Decrease/(Increase) in Inventories		(21)	(216)
Decrease/(Increase) in Other Assets		(515)	3
Increase/(Decrease) in Payables		(125)	(8)
Increase/(Decrease) in accrued Interest Payable		52	(72)
Increase/(Decrease) in other accrued Expenses Payable		(39)	(73)
Increase/(Decrease) in Other Liabilities		(43)	419
Increase/(Decrease) in Employee Leave Entitlements		(676)	1,393
Increase/(Decrease) in Other Provisions		1,187	256
NET CASH PROVIDED FROM/(USED IN)		49,231	47,402
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		49,231	47,402

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		1,680	315
Other Dedications (Developer)		6,136	5,326
Future Reinstatement Costs Re-measurement		320	257
Total Non-Cash Investing & Financing Activities		8,136	5,898
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit Cards / Purchase Cards		766	733
Loan Facilities		256,538	253,968
Total Financing Arrangements		257,304	254,701
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		143	157
- Loan Facilities		256,538	253,968
Total Financing Arrangements Utilised		256,681	254,125

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

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

(ii) Secured Loan Liabilities

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		-	1,101
Plant & Equipment		-	220
Other Structures		-	3,723
Sewer Network		-	94
Water Network		4,387	2,908
Asset Management System		-	58
Storm Water		-	425
Other		32	-
Total Commitments		4,419	8,529
These expenditures are payable as follows:			
Within the next year		4,323	8,529
Later than one year and not later than 5 years		96	-
Later than 5 years		-	-
Total Payable		4,419	8,529
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		32	432
Future Grants & Contributions		-	891
Unexpended Grants		-	743
Internally Restricted Reserves		-	278
Unexpended Loans		4,137	5,435
Donations		-	750
Other Funding		250	-
Total Sources of Funding		4,419	8,529

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		146,342	157,106
Audit Services		76	135
Security Services		213	218
Supply of Bitumen & Aggregate		551	146
Banking and Agency Services		1,294	194
Electricity		8,910	-
Private Works		324	-
Other		890	109
Total Commitments		158,600	157,908
These expenditures are payable as follows:			
Within the next year		16,152	11,701
Later than one year and not later than 5 years		55,748	46,555
Later than 5 years		86,700	99,652
Total Payable		158,600	157,908
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
Nil			
(e) Investment Property Commitments			
Nil			
(f) Remuneration Commitments			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		793	681
Later than one year and not later than 5 years		1,492	1,452
Later than 5 years		-	-
Total Payable		2,285	2,133

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Amounts 2011	Indicator 2011	Prior Periods 2010 2009	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>42,655</u>	3.22 : 1	2.35	2.09
Current Liabilities less Specific Purpose Liabilities ^(2,3)	13,261			
2. Debt Service Ratio				
Debt Service Cost	<u>33,794</u>	31.03%	31.66%	35.65%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	108,912			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>62,713</u>	42.27%	38.61%	46.27%
Income from Continuing Operations	148,356			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>4,069</u>	6.12%	5.65%	5.98%
Rates, Annual & Extra Charges Collectible	66,528			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>3,914</u>	11.63%	24.06%	23.65%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	33,646			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

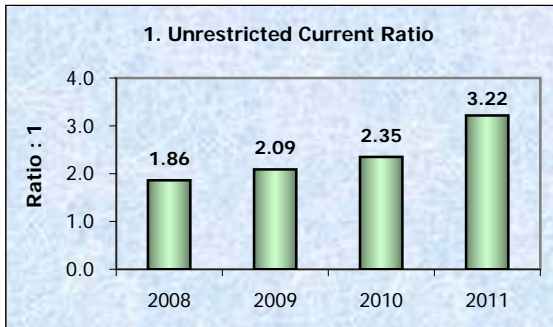
(3) Refer to Note 10(c) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

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

Coffs Harbour City Council

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

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



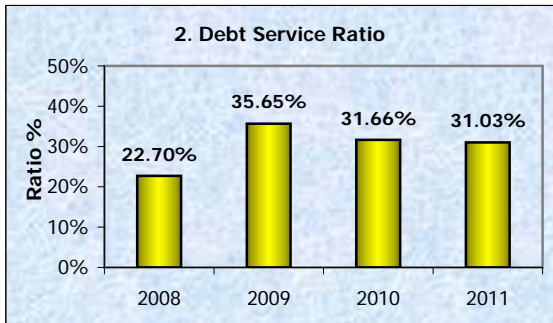
Purpose of Unrestricted Current Ratio

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

Commentary on 2010/11 Result

2010/11 Ratio 3.22 : 1

Unrestricted current assets increased 35% in 2010/11. This resulted from new general fund borrowings in 2010/11 of \$14.444M. If the new loan borrowings had not occurred in 2010/11 the ratio would have been 2.38:1



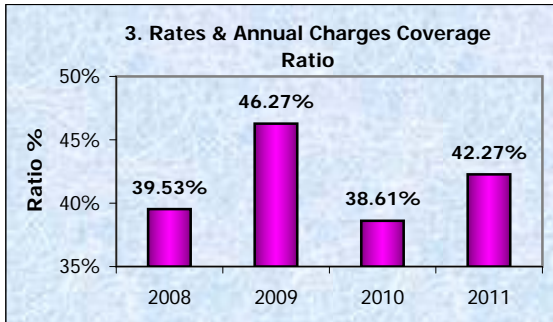
Purpose of Debt Service Ratio

To assess the impact of loan principal & interest repayments on the discretionary revenue of council.

Commentary on 2010/11 Result

2010/11 Ratio 31.03%

A increase in income from continuing operations from \$106,429,000 before specific purpose operating and capital amounts in 2009/10 to \$108,912,000 in 2010/11 has improved the ratio. This is attributed to a \$1,070,000 increase in Sewer Annual Charges and a \$1,623,000 increase in Ordinary Rates - Residential.



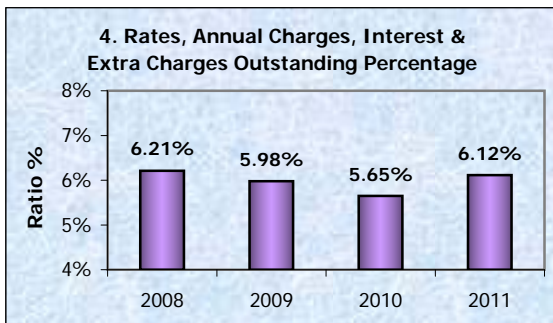
Purpose of Rates & Annual Charges Coverage Ratio

To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.

Commentary on 2010/11 Result

2010/11 Ratio 42.27%

Due to an increase in Rates and Annual Charges of \$4,012,000 or 3% of income from continuing operations between 2009/10 and 2010/11 and a decrease in Capital Grants and Contributions of \$8,534,000 or 5% of income from continuing operations between 2009/10 and 2010/11.



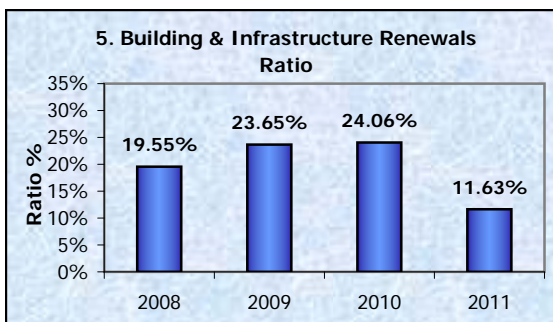
Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2010/11 Result

2010/11 Ratio 6.12%

Rates outstanding have increased due to an increasing rate base and a deterioration in economic conditions.



Purpose of Bldg & Infrastructure Renewals Ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on Result

2010/11 Ratio 11.63%

There has been increased infrastructure depreciation of \$10,337,000 largely as a result of Council's revaluation process in 2009/10. Expenditure on infrastructure renewals in 2010/11 has decreased by \$1,580,000 as Council's priority for asset expenditure has been upgrades and new assets generally funded from capital grants and contributions.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Water 2011	Sewer 2011	General ¹ 2011
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽¹⁾</u>	1.82 : 1	3.68 : 1	3.22 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
2. Debt Service Ratio			
<u>Debt Service Cost</u>	78.46%	60.53%	7.16%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	15.08%	65.49%	39.60%
Income from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	5.55%	5.32%	6.51%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals⁽⁴⁾ [Buildings & Infrastructure]</u>	7.38%	11.98%	12.36%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Notes

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>1,433</u>	<u>1,432</u>
Reconciliation of Annual Movement:			
Opening Balance		1,432	1,427
- Net Gain/(Loss) from Fair Value Adjustments		1	5
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>1,433</u>	<u>1,432</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 2011 revaluations were based on Independent Assessments made by APV Valuers & Asset Management.			
(c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		57	26
Later than 1 year but less than 5 years		108	48
Later than 5 years		-	-
Total Minimum Lease Payments Receivable		<u>164</u>	<u>74</u>
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		44	61
- Contingent Rentals		-	-
- Other Income		-	-
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(14)	(12)
- that did not generate rental income		-	-
Net Revenue Contribution from Investment Properties		<u>30</u>	<u>49</u>
plus: Fair Value Movement for year		1	5
Total Income attributable to Investment Properties		<u>31</u>	<u>54</u>

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management

\$ '000

Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	12,244	24,088	12,244	24,088
Investments				
- "Held for Trading"	18,778	38,685	18,778	38,685
- "Designated At Fair Value on Initial Recognition"	131,257	73,349	131,257	73,349
- "Available for Sale"	9,537	15,766	9,537	15,766
Receivables	16,774	20,106	16,774	20,106
Total Financial Assets	188,590	171,994	188,590	171,994
Financial Liabilities				
Payables	9,488	11,794	9,488	11,794
Loans / Advances	256,538	253,968	239,523	241,029
Total Financial Liabilities	266,026	265,762	249,011	252,823

Fair Value is determined as follows:

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets and liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured and recognised at fair values:

2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	13,630	4,471	677	18,778
- "Designated At Fair Value on Initial Recognition"	116,529	14,728	-	131,257
- "Available for Sale"	-	9,537	-	9,537
Total Financial Assets	130,159	28,736	677	159,572
2010	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	35,279	2,444	962	38,685
- "Designated At Fair Value on Initial Recognition"	64,684	8,665	-	73,349
- "Available for Sale"	896	14,870	-	15,766
Total Financial Assets	100,859	25,979	962	127,800

Coffs Harbour City Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(b) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & 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 major risk associated with Investments is 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.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

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

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2011				
Possible impact of a 10% movement in Market Values	-	8,301	-	(8,301)
Possible impact of a 1% movement in Interest Rates	1,525	-	(1,525)	-
2010				
Possible impact of a 10% movement in Market Values	-	9,058	-	(9,058)
Possible impact of a 1% movement in Interest Rates	1,376	-	(1,376)	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

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

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

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

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	0%	82%	0%	92%
Overdue	100%	18%	100%	8%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Movement in Provision for Impairment of Receivables			2011	2010
Balance at the beginning of the year			32	32
- amounts provided for but recovered during the year			(11)	-
Balance at the end of the year			<u>21</u>	<u>32</u>

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

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

\$ '000	Subject 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		
2011									
Trade/Other Payables	681	8,738	750	-	-	-	-	10,169	9,488
Loans & Advances	-	34,174	33,071	32,982	31,404	29,181	242,064	402,876	256,538
Total Financial Liabilities	681	42,912	33,821	32,982	31,404	29,181	242,064	413,045	266,026
2010									
Trade/Other Payables	586	11,784	10	-	-	-	-	12,380	11,794
Loans & Advances	-	32,123	31,809	30,700	30,613	29,037	252,708	406,990	253,968
Total Financial Liabilities	586	43,907	31,819	30,700	30,613	29,037	252,708	419,370	265,762

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

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

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	9,488	0.0%	11,794	0.0%
Loans & Advances - Fixed Interest Rate	256,538	6.8%	253,968	6.4%
	<u>266,026</u>		<u>265,762</u>	

Coffs Harbour City Council

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

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan and was adopted by the Council on 24 June 2010.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals results and budgeted results that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	63,046	62,713	(333)	(1%)	U
User Charges & Fees	23,383	22,296	(1,087)	(5%)	U
Interest & Investment Revenue	5,494	10,993	5,499	100%	F
Increases in market values of investment securities, interest rates exceeding forecast rates and major sewerage project expenditures deferred to 2011/12 are attributable to this out performance.					
Other Revenues	4,222	5,029	807	19%	F
Increased sales of telemetry switchboards and nursery plants.					
Operating Grants & Contributions	14,122	19,034	4,912	35%	F
\$725,000 in additional Environmental Protection grants and \$2,035,000 in additional Natural Disaster grants received not budgeted for. Pine Creek Handover works RTA contribution income of \$1,666,000 not budgeted for.					
Capital Grants & Contributions	14,316	27,963	13,647	95%	F
Watermain Relocations \$5,992,000 contributions, Subdivision Dedications \$6,136,000 and Pine Creek Handover Works RTA contribution income of \$1,247,000 not budgeted for.					
Net Gains from Disposal of Assets	-	328	328	0%	F
Council does not budget for profits from the disposal of assets.					

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 Variance*		
EXPENSES					
Employee Benefits & On-Costs	25,915	33,790	(7,875)	(30%)	U
During the year Council employees are engaged in both maintenance and capital works, the proportions of which may vary from year to year. Costs in relation to the capital works are excluded from the income statement, and it is not Council's practice to make detailed calculations for this as part of its budgeting procedures.					
Borrowing Costs	18,261	18,433	(172)	(1%)	U
Materials & Contracts	48,053	32,907	15,146	32%	F
During the year Council employees are engaged in both maintenance and capital works, the proportions of which may vary from year to year. Costs in relation to the capital works are excluded from the income statement, and it is not Council's practice to make detailed calculations for this as part of its budgeting procedures.					
Depreciation & Amortisation	30,396	42,007	(11,611)	(38%)	U
Budgeted figures were based on 2009/10 actual costs and therefore do not take into account new assets purchased in 2009/10 and depreciated for the first time in 2010/11 nor does it include depreciation based on revalued assets as at 30 June 2010.					
Impairment Expenses	-	-	-	0%	F
Council does not budget for impairment expenses.					
Other Expenses	4,334	9,240	(4,906)	(113%)	U
The variance to budget in other expenses has resulted from items for operational projects largely being budgeted as Materials and Contracts rather than Other Expenses. There was also an increase in revoted expenditure from the 2009/10 year and additional costs attributable to increased private works and restoration works associated with prior years natural disasters.					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	28,071	49,231	21,160	75.4%	F
\$725,000 in additional Environmental Protection grants and \$2,035,000 in additional Natural Disaster grants received not budgeted for. Pine Creek Handover works RTA contribution income of \$1,666,000 not budgeted for. Watermain Relocations \$5,992,000 contributions, Subdivision Dedications \$6,136,000 and Pine Creek Handover Works RTA contribution income of \$1,247,000 not budgeted for. Interest and investment income out performing forecast results. Additional income and expenses from Private Works not budgeted for.					
Cash Flows from Investing Activities	(15,734)	(63,645)	(47,911)	304.5%	U
Purchases and sales of investment securities are not budgeted for.					
Cash Flows from Financing Activities	(1,353)	2,570	3,923	(289.9%)	F
A loan arrangement which was offset with a term deposit previously excluded from general purpose financial statements has now been included due to the arrangement being settled on a gross basis rather than a net basis. The balance at the date of change in settlement arrangements being \$3,986,000 has been recognised as a new loan.					

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1,552	103	-	93	(254)	-	1,494	2,912	(3,661)	745	101
Roads	3,833	966	-	228	(1,358)	-	3,669	32,487	(35,946)	210	(191)
Parking	153	167	-	15	(2)	-	333	6,508	(6,768)	73	-
Open Space	4,107	647	-	261	(572)	-	4,443	23,682	(27,765)	360	90
Community Facilities	976	228	-	64	(158)	-	1,110	2,803	(3,407)	506	-
Other	881	193	-	58	(121)	-	1,011	2,141	(3,112)	40	-
S94 Contributions - under a Plan	11,502	2,304	-	719	(2,465)	-	12,060	70,533	(80,659)	1,934	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	11,502	2,304	-	719	(2,465)	-	12,060				-
S94 not under Plans	727	(2)	-	47	-	-	772	-	(772)	-	-
S93F Planning Agreements	33	-	-	2	-	-	35				
S64 Contributions	105	2,168	-	7	(1,965)	-	315				
Total Contributions	12,367	4,470	-	775	(4,430)	-	13,182	70,533	(81,431)	1,934	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1,552	103	-	93	(254)	-	1,494	2,912	(3,661)	745	101
Roads	3,833	966	-	228	(1,358)	-	3,669	32,487	(35,946)	210	(191)
Parking	153	167	-	15	(2)	-	333	6,508	(6,768)	73	-
Open Space	4,107	647	-	261	(572)	-	4,443	23,682	(27,765)	360	90
Community Facilities	976	228	-	64	(158)	-	1,110	2,803	(3,407)	506	-
Other	881	193	-	58	(121)	-	1,011	2,141	(3,112)	40	-
Total	11,502	2,304	-	719	(2,465)	-	12,060	70,533	(80,659)	1,934	-

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

- | | |
|---|--|
| <ul style="list-style-type: none"> a. Regional, District & Neighbourhood Facilities & Services b. Local Roads, Trunk Drainage & Mines and Extractive Industries c. West Coffs Harbour d. North Boambee Valley e. Moonee f. City Centre Car Parking g. Woolgoolga Town Centre Car Parking h. Coffs Harbour Road Network i. North Bonville j. Boambee Creek | <ul style="list-style-type: none"> k. Korora Rural Residential l. Water Supply Developer Services Plan m. Waste Water Treatment & Carrier System Developer Services Plan n. Surf Rescue Equipment o. West Woolgoolga p. Hearn's Lake/Sandy Beach q. Corindi r. Park Beach Area s. South Coffs. t. Jetty Area Car Parking |
|---|--|

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	109	-	-	7	-	-	116	-	(116)	-	-
Roads	5	-	-	-	-	-	5	-	(5)	-	-
Open Space	184	-	-	12	-	-	196	-	(196)	-	-
Community Facilities	147	-	-	10	-	-	157	-	(157)	-	-
Other	282	(2)	-	18	-	-	298	-	(298)	-	-
Total	727	(2)	-	47	-	-	772	-	(772)	-	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category and that member Councils will need to make twice the notional or long term cost for a period of up to 10 years from 1 July 2009 and beyond to rectify this deficit.

The Local Government Superannuation Scheme was able to provide Council with a broadly attributed share of the net deficit estimated to be in the order of \$3,379,228 as at 30 June 2011. This deficit doesn't qualify for recognition as a liability under AASB 119 as it is not a reliable estimate.

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

(ii) Statewide Limited

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

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

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

(iii) State Cover Limited

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

State Cover 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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(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.

At reporting date, reliable estimates as to the value of any potential liability (& 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 & including 30/6/08.

(ii) Infringement Notices/Fines

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

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.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

ASSETS NOT RECOGNISED (continued):

(iii) Financial Instruments

Coffs Harbour City Council owns four securities, Coolangatta, Esperance 2, Miami and Beryl Global Bank Note.

Regarding these securities Lehman Brothers was both the arranger and swap counterparty. These securities are included in the Lehman Brothers liquidation process, with conflicting legal actions being progressed through the U.S. Bankruptcy Court and the UK High Court. Accordingly, it is very difficult to value these securities with any precision.

Council also owns a Lehman Brothers Principal Protected Property Note. This security is subject to bankruptcy proceedings in the U.S. and council has filed a proof of debt claim as part of those proceedings.

Council has valued these assets at 30 June 2011 based on values provided by Lehman Brothers on 29 August 2008. A contingent asset therefore exists, subject to any recovery of collateral, following the finalisation of all legal matters.

Security	Par Value	Fair Value	Fair Value
	\$'000	30/6/2010 \$'000	30/6/2011 \$'000
Coolangatta	2,500	328	328
Esperance 2	1,020	204	204
Miami	100	18	18
Beryl Global - Bank Note	600	331	331
Principal Protected Property Note	800	80	80
Total	5,020	961	961

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

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,032,541	902,598
a. Correction of Prior Period Errors	20 (c)	4,371	101,137
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		11,979	28,806
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
Balance at End of the Reporting Period		<u>1,048,891</u>	<u>1,032,541</u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		470,696	496,318
- "Available for Sale" Financial Investments Revaluation Reserve		(206)	(1,978)
Total		<u>470,490</u>	<u>494,340</u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		496,318	151,743
- Revaluations for the year	9(a)	(25,622)	344,575
- Balance at End of Year		<u>470,696</u>	<u>496,318</u>
"Available for Sale" Financial Investments Revaluation Reserve			
- Opening Balance		(1,978)	(4,502)
- Unrealised Gain (Loss) in value for the year		935	1,712
- Transfer of "Available for Sale" values to the P&L for disposals		837	812
- Balance at End of Year		<u>(206)</u>	<u>(1,978)</u>
TOTAL VALUE OF RESERVES		<u>470,490</u>	<u>494,340</u>

(iii). Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

"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 by way of transfer from the Reserve.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
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c. Correction of Error/s relating to a Previous Reporting Period

Corrections made in 2011 for 09/10 errors:

Council has revalued the following asset classes as at 30 June 2011:

- Other Assets - Library Books
- Other Assets - Other
- Other Structures
- Land Improvements - Depreciable
- Land Improvements - Non Depreciable
- Community Land
- Land Under Roads acquired post 1 July 2008
- Roads, Bridges & Footpaths

As part of that revaluation process, the remaining useful life of each asset has been reassessed.

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

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

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

Other Assets - decrease to accumulated depreciation of \$707,000

Other Structures - decrease to accumulated depreciation of \$4,175,000

Land Improvements - depreciable - increase to accumulated depreciation of \$511,000

This adjustment resulted in net increase in Council's Accumulated Surplus as at 30/6/11.

Coffs Harbour City Council

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

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

\$ '000	Notes	Actual 2011	Actual 2010
c. Correction of Error/s relating to a Previous Reporting Period (continued)			
Corrections made in 2010 for 08/09 errors:			
Council has revalued its Roads, Bridges, Footpaths and Storm Water Drainage assets as at 30 June 2010.			
Council has addressed the 'remaining useful life' of Roads, Bridges, Footpaths and Storm Water Drainage assets prior to their revaluation when compared to the previously assessed remaining useful life.			
Council does not have sufficient and reliable information that will allow comparative information to be restated related to the mentioned adjustments.			
As a result Council has adjusted the accumulated depreciation for each asset to ensure that the asset revaluation reserve is not materially misstated (\$100.178M decrease in accumulated depreciation for roads, bridges and footpaths and a \$0.959M decrease in accumulated depreciation for storm water drainage assets).			
This adjustment of \$101.137M has been made against retained earnings as at 30 June 2010.			
- Adjustments to Closing Equity		4,371	101,137
Total Prior Period Adjustments - Prior Period Errors		4,371	101,137

d. Voluntary Changes in Accounting Policies

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	3,487	18,722	40,634
User Charges & Fees	10,651	2,360	10,814
Interest & Investment Revenue	2,689	4,563	3,741
Other Revenues	55	277	4,699
Grants & Contributions provided for Operating Purposes	289	518	22,530
Grants & Contributions provided for Capital Purposes	5,952	2,149	19,867
Other Income			
Net Gains from Disposal of Assets	2	-	326
Total Income from Continuing Operations	23,125	28,589	102,611
Expenses from Continuing Operations			
Employee Benefits & on-costs	2,700	3,899	27,191
Borrowing Costs	7,309	8,815	2,309
Materials & Contracts	2,665	3,488	27,115
Depreciation & Amortisation	5,656	6,384	29,967
Other Expenses	2,780	3,954	7,006
Total Expenses from Continuing Operations	21,110	26,540	93,588
Net Operating Result for the Year	2,015	2,049	9,023
Net Operating Result attributable to each Council Fund	2,015	2,049	9,023
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(3,937)	(100)	(10,844)

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

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

Coffs Harbour City Council

Notes to the Financial Statements

as at 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	904	991	10,349
Investments	7,953	30,242	25,894
Receivables	4,848	1,472	9,359
Inventories	251	45	1,140
Other	-	8	2,226
Non-current assets classified as 'held for sale'	-	-	431
Total Current Assets	13,956	32,758	49,399
Non-Current Assets			
Investments	32,948	41,987	20,548
Receivables	56	266	773
Infrastructure, Property, Plant & Equipment	257,006	314,731	970,851
Investment Property	-	-	1,433
Intangible Assets	67,774	-	491
Other	-	-	-
Total Non-Current Assets	357,784	356,984	994,096
TOTAL ASSETS	371,740	389,742	1,043,495
LIABILITIES			
Current Liabilities			
Payables	1,328	1,531	6,560
Borrowings	6,183	7,344	3,529
Provisions	-	-	11,864
Total Current Liabilities	7,511	8,875	21,953
Non-Current Liabilities			
Payables	-	-	750
Borrowings	96,536	117,133	25,813
Provisions	-	-	7,025
Total Non-Current Liabilities	96,536	117,133	33,588
TOTAL LIABILITIES	104,047	126,008	55,541
Net Assets	267,693	263,734	987,954
EQUITY			
Retained Earnings	180,461	203,005	665,425
Revaluation Reserves	87,232	60,729	322,529
Total Equity	267,693	263,734	987,954

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011		2010	
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	431	-	431	-
Total Non Current Assets "Held for Sale"	431	-	431	-

Disposal Group Assets "Held for Sale"

None

(ii) Details of Assets & Disposal Groups

All land parcels currently classified as held for sale are expected to be sold during the 2011/12 financial year.

Note 23. Events occurring after Balance Sheet Date

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

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

Accordingly, the "authorised for issue" date is 24/11/11.

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

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

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 24. Discontinued Operations

\$ '000

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

Note 25. Intangible Assets

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

	Actual 2011 Carrying Amount	Actual 2010 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	73,012	72,541
Accumulated Amortisation & Impairment	(3,876)	(2,841)
Net Book Value - Opening Balance	69,136	69,700
Movements for the year		
- Purchases	274	471
- Amortisation charges	(1,145)	(1,035)
- Gross Book Value written off	-	-
- Accumulated Amortisation charges written off	-	-
Closing Values:		
Gross Book Value (30/6)	73,286	73,012
Accumulated Amortisation & Impairment	(5,021)	(3,876)
TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹	68,265	69,136

¹ The Net Book Value of Intangible Assets represent:

- Software	578	546
- Regional Water Supply Scheme (right to receive water from Clarence Valley Council)	67,687	68,590
- Other Assets (detail here)	-	-
	68,265	69,136

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2011	2010
Waste Facility	2019	6,606	5,099
Balance at End of the Reporting Period	10	<u>6,606</u>	<u>5,099</u>

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	5,099	4,586
Amounts capitalised to new or existing assets:		
Effect of a change in other calculation estimates used	1,187	256
Amortisation of discount (expensed to borrowing costs)	320	257
Expenditure incurred attributable to Provisions	-	-
Total - Reinstatement, rehabilitation and restoration provision	<u>6,606</u>	<u>5,099</u>

Amount of Expected Reimbursements

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 27. Council Information & Contact Details

Principal Place of Business:

Corner Coff & Castle Streets
Coffs Harbour NSW 2450

Contact Details**Mailing Address:**

Locked Bag 155
Coffs Harbour NSW 2450

Opening Hours:

8:00am to 5:00pm
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

RESPONSIBLE ACCOUNTING OFFICER

Dale Allen

PUBLIC OFFICER

Lisa Garden

AUDITORS

Thomas Noble Russell
31 Keen Street
Lismore NSW 2480

Elected Members**MAYOR**

Keith Rhoades

COUNCILLORS

Jennifer Bonfield
John Arkan
Bill Palmer
Mark Graham
Rodney Degens
Denise Knight
Kerry Hines
Paul Templeton

Other Information

ABN: 79 126 214 487



**COFFS HARBOUR CITY COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDIT REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements of Coffs Harbour City Council (the Council) which comprises the balance sheet as at 30 June 2011, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Statements

The Council is responsible for the preparation of the financial statements that give a true and fair view 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 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial 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), Note 16 budget variation explanations, and Note 17 forecast information 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.

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Lismore NSW 2480

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Liability limited by a scheme approved under the Professional Standards Legislation.



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 year ended 30 June 2011 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.

Independence

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

Audit 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; and
- (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 the Council's financial position as at 30 June 2011, 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 report that have come to light during the course of the audit.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

.....
D H SINGH (Partner)
Registered Company Auditor

Dated at Lismore this 24th day of November 2011.



Lismore, 24th November 2011

The Mayor and Councillors
Coffs Harbour City Council
Locked Bag 155
COFFS HARBOUR NSW 2450

Dear Mayor and Councillors

We advise that we have completed our audit of the Council's general purpose and special purpose financial statements for the year ended 30th June 2011. In accordance with section 417 of the Local Government Act 1993 we now report on the conduct of the audit.

1. COUNCIL'S FINANCIAL REPORTING REQUIREMENTS

Council is required to prepare two financial statements ready for audit each year:

General Purpose Financial Statements

These financial statements present the financial position and performance of the Council on a consolidated basis. The statements include all controlled Council operations such as general, water and sewer funds as well as airport activities. Council has prepared their general purpose financial statements in accordance with the Division of Local Government Code of Accounting Practice Manual which adopts applicable Australian Accounting Standards as the framework for financial reporting.

Special Purpose Financial Statements

These financial statements provide an understanding of the financial position and performance of Council's declared business activities as required under National Competition Policy. Council's declared business activities for the 2011 financial year are:

- water fund operations
- sewer fund operations
- airport operations

Council is not required to adopt Australian Accounting Standards when preparing these special purpose financial statements however the financial position and performance have been calculated by adopting applicable Accounting Standard requirements.

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2. AUDITORS' RESPONSIBILITIES

Council's annual financial audit engagement has been conducted in accordance with Australian Auditing Standards.

Forming Our Audit Opinion

Our function as auditors is to examine the general purpose and special purpose (National Competition Policy) financial statements presented to us by the Council. 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 budget variation explanations in the general purpose financial statements;
- Information presented at Note 17 to the general purpose financial statements relating to projected future contributions, cost of works and over/ (under) funding; and
- The best practice disclosures in Notes 2 & 3 to the special purpose financial statements.

Accordingly, we do not express an opinion on such. As auditors of the Council we are not responsible for the preparation of the financial statements nor for the maintenance of proper and adequate accounting records and proper systems of internal control. These responsibilities, together with the requirement to present financial statements which give a true and fair view of the state of the Council's affairs and of its results are imposed on the Councillors by the Local Government Act and Regulations 1993.

As auditors of Council we are not required to:

- Review and assess the adequacy of Council's:
 - Management plans;
 - Quarterly budget reviews;
 - Insurance cover; or
 - Infrastructure improvement / maintenance planning and monitoring; or
- Form an opinion on or advise Council on the probity of its decisions, however we ensure that the financial effect of Council's decisions are adequately disclosed in the general purpose and special purpose financial statements in accordance with applicable Accounting Standards.

The responsibility of the abovementioned rests with Council.

3. OPERATING RESULT

Council's surplus from all activities for the financial year ended 30 June 2011 totalled \$11,979,000, this compares to a surplus in 2010 of \$28,806,000. The 2011 result can be summarised as follows:



Operating Result	2008	2009	2010	2011
	\$'000	\$'000	\$'000	\$'000
Revenues from continuing operations	89,133	99,741	115,527	120,065
Expenses from continuing operations	(72,734)	(89,722)	(91,952)	(94,370)
Result from continuing operations before depreciation	16,399	10,019	23,575	25,695
Less Depreciation	(26,778)	(28,077)	(30,980)	(42,007)
Result from continuing operations before capital amounts	(10,379)	(18,058)	(7,405)	(16,312)
Capital grants and contributions	26,968	17,487	36,497	27,963
Significant one-off items	11,785	0	0	0
Gain / (loss) on disposal of assets	1,193	1,105	(286)	328
Surplus from all operations	29,567	534	28,806	11,979

3.1 Variations to 2010 by Income / Expenditure (Non-Capital)

The deficit from continuing operations after depreciation and before capital grants and contributions, significant one-off items and gain on disposal of assets has increased by \$8,907,000 from a \$7,405,000 deficit in 2010 to a \$16,312,000 deficit in 2011. Some of the major movements from the 2010 year included:

Financial Area	Increase / (Decrease) on prior year \$'000	Reason for Increase / Decrease
Revenue		
Ordinary Rates	2,121	General rates revenue has increased with a rate-pegged increment of 2.6% plus a special rate variation of 4.4% in relation to flood mitigation and drainage charges.
Sewer Annual Charges	1,070	Residential sewer access charges have increased by \$22 to \$698 per assessment in 2011. Non-Residential sewer access charges increased by \$22 to \$682 per assessment in 2011. The phased implementation of these charges reduced the discount applied to some properties from 20% in 2009/10 to 0% in the 2010/11 financial year.
Water User Charges	(698)	Water user charges have decreased during the year due to a large fall in consumption by Tier 2 users (being users who consume more than 1000 litres per day).



Interest & Investment Revenue	(1,404)	The movement in interest and investment revenues was largely attributable to a decrease in fair value gains from \$3,553,000 in 2009/10 to \$1,904,000 in 2010/11 as a result of changes in market prices of Council's longer term investments. This was offset by an increase in interest on term deposits from \$8,298,000 in 2009/10 to \$9,629,000 in 2010/11. In addition, 2009/10 interest revenue included an additional fair value gain of \$1,087,000 upon recognition of an interest free loan. There were no interest free loans received in 2010/11. The overall decrease was largely for externally restricted activities and therefore did not impact Council's General Fund.
Operating Grants	1,248	The increase in Council operating grants was due to additional Financial Assistance Grant funding of \$492,000 and an increase in Environmental Protection grants of \$789,000.
Operating Contributions	1,639	Operating contributions increased largely as a result of the RTA Contribution of \$1,666,000 in relation to works at Pine Creek.
Expenses		
Employee costs	(478)	The decrease in employee costs was largely attributable to a reduction in employee leave entitlements of \$991,000 as a result of long-term staff departures and a decrease in the number of full-time equivalent Council employees. There was also a reduction in Council's workers compensation policy premiums of \$585,000. These decreases were offset by a reduction of \$1,217,000 in capitalised employee costs related to specific capital projects.
Materials & Contracts	2,406	Council has a large number of operational projects as a result of additional operating grants. Contractors have been used to achieve project outcomes across a range of areas, particularly within environmental management. Additional costs approximating \$551,000 were also incurred in 2010/11 with the introduction of a state landfill levy and revised EPA legislation which requires Council to review landfill at tip sites on a daily basis. Council has also incurred consultancy costs for administrative projects particularly in the area of asset management.



Depreciation Expense	11,027	The increase in depreciation expense is reflecting the depreciation impacts of recent revaluations of Council's buildings and infrastructure assets as well as recent capital works in Water & Sewer Funds. Roads, bridges, footpaths and stormwater drainage assets were revalued for the first time in 2009/10, with 2010/11 being the first full year of depreciation on the revalued amounts.
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3.2 Capital Grants and Contributions

Capital grants received during the year amounted to \$9,101,000 and largely consisted of roads to recovery grants - \$897,000, grants for other transport infrastructure assets - \$1,061,000 (blackspot programs and other roads infrastructure projects), sports stadium lighting upgrade - \$2,156,000, and bushfire emergency services assets - \$1,773,000 (purchase of vehicles).

Capital contributions received during the period amounted to \$18,862,000 this can be broken down as follows:

	2008	2009	2010	2011
	\$'000	\$'000	\$'000	\$'000
Non cash developer contributions	9,165	2,638	5,326	6,136
Section 94 Contributions - cash	3,183	2,039	2,173	2,302
Section 64 Contributions - cash	4,311	2,477	6,535	2,168
Other contributions	71	560	15,073	8,256
TOTAL	16,730	7,714	29,107	18,862

The use of S.94 and S.64 funds is restricted and accordingly they are not available to meet Council's general operations. At 30 June 2011 Council had \$12,867,000 held as a restricted asset for S.94 contributions and \$315,000 as a restricted asset for S.64 contributions.

Current year cash contributions for S.64 were received as \$1,131,000 for Water Fund and \$1,037,000 for Sewer Fund.

Other contributions for 2011 included \$3,639,000 from the RTA and an additional \$2,353,000 in relation to the Watermain Relocation Project between Sapphire and Woolgoolga. \$750,000 was also received for the Coffs Harbour Swimming Pool Upgrade from a private benefactor.



Unexpended S.94 and S.64 contributions comprised:

	2008	2009	2010	2011
	\$'000	\$'000	\$'000	\$'000
s94 Drainage	1,358	1,380	1,552	1,494
s94 Roads	3,678	3,475	3,833	3,669
s94 Parking	260	118	153	333
s94 Open Space	3,155	3,461	4,107	4,443
s94 Community Facilities	1,019	1,116	976	1,110
s94 Other	543	620	881	1,011
s94 Not Under Plans	666	649	727	772
Planning agreements	31	31	33	35
Restricted Assets S94	10,710	10,850	12,262	12,867
Sewer S64	136	102	38	58
Water S64	1,099	116	67	257
	11,945	11,068	12,367	13,182

Unexpended S.94 and S.64 contributions represent restricted funds and are to be spent on projects in accordance with the purpose for which they were collected.

4. BUSINESS ACTIVITIES

Under the National Competition guidelines Council is required to apply taxation equivalent principles to each business similar to those that would apply if they were operating in the commercial sector. Council declared business activities have been reported with operating details and assets disclosed on a gross basis in Council's special purpose financial statements.

Each non-core activity (commercial activities other than water and sewer) have a required rate of return on its activities that is calculated as the operating result plus interest expense divided by the written down value of property, plant and equipment. Where the return on investment is below the required rate of return, the difference is disclosed as a notional subsidy from Council's General Fund activities. Dividends represent funds used from the relevant business activity for other functions of Council.

Provided below is a summary of the financial performance of Council's declared business activities:

Activity	Revenue from Continuing Operations \$'000	Expenses from Continuing Operations \$'000	Result prior to capital amounts \$'000	Return on capital %	Subsidy \$'000	Dividends Paid \$'000
2010/11						
Water	17,173	22,174	(5,001)	0.90%	N/A	32
Sewer	26,440	27,981	(1,541)	2.30%	N/A	74
Airport	3,871	3,761	110	0.80%	2,467	264
2009/10						
Water	18,473	21,244	(2,771)	2.00%	N/A	31
Sewer	26,741	27,762	(1,021)	2.60%	N/A	73
Airport	3,576	3,548	28	0.70%	2,587	203



Water and Sewer Services

Council's water and sewer operations have returned deficits before capital grants and contributions in the 2011 and 2010 financial years. One of the main reasons for the deficit is the impact of borrowing costs due to the significant infrastructure works undertaken by these funds over the last few years. The losses were expected in Council's 30 year financial models prepared before these borrowings and related infrastructure projects commenced. The Funds are expected to return to surplus in approximately 2016/17.

Depreciation expense also remains significant and likely to increase over time in conjunction with the revaluation of water and sewer infrastructure assets. Council has recognized the need to ensure revenue sources are sufficient to fund short and long term infrastructure requirements.

Water and sewer operations are recognised as monopolies under the National Competition Policy guidelines. As a provider of essential services water and sewer funds should generate enough profits to enable it to replace its infrastructure as required.

Some of the significant movements in relation to Council's water and sewer activities are provided below:

Water Fund

- Increase in water access charges of \$190,000 as a result of an increase in water access base charges to \$127 per assessment (2010: \$124). Discounts provided to non-residential and multi-residential properties decreased from 20% to 0% in 2011 as part of Council's phased implementation plan.
- Decrease in water user charges of \$762,000 as a result of a decrease in consumption by Tier 2 users (being users of more than 1000 litres per day).
- Council's interest and investment income decreased by \$578,000 largely due to a decrease in the fair value of Water Fund investments.
- Employee benefits and on-costs increased by \$127,000 mainly as a result of skill-step increases.
- Depreciation increased by \$630,000 as a result of prior year revaluations and recent asset additions to water infrastructure assets.
- Materials and contracts increased by \$668,000 due to additional costs in relation to the Regional Water Supply and water extraction licenses.
- Borrowing costs have decreased by \$434,000 to \$7,309,000 as Council continues to reduce the principal on Water Fund borrowings and older loans with higher interest rates.

Sewer Fund

- Increase in sewer access charges of \$1,086,000 as a result of an increase in sewer access base charges to \$698 per assessment (2010: \$676). Non-Residential sewer access base charges increased to \$682 per assessment (2010: \$660). The phased implementation of these charges reduced the discount applied to some properties from 20% to 0% in the 2010/11 financial year.
- Council's interest and investment income decreased by \$1,556,000 largely due to a decrease in the fair value of Sewer Fund investments and the \$1,087,000 fair value adjustment upon recognition of an interest free loan in 2009/10.



- Employee benefits and on-costs increased by \$219,000 largely as a result of skill-step increases.
- Materials and contracts have decreased by \$347,000 as a result of a reduction in maintenance costs, brought about by additional maintenance works in 2009/10.
- Depreciation increased by \$864,000 as a result of prior year revaluations and recent asset additions to sewer infrastructure assets.
- Borrowing costs have decreased by \$297,000 to \$8,815,000 as Council continues to reduce the principal on Sewer Fund borrowings and older loans with higher interest rates.

Airport

The dividend from Council airport operations was expended by general fund in accordance with the 2010/11 operational plan or variations thereto.

The surplus before capital was \$110,000 for the financial year ended 30 June 2011. This result has improved by \$82,000 from the \$28,000 surplus in 2010, largely as a result of an increase in revenues from additional Qantas flights and an increase in passenger numbers for all airlines.

The notional subsidy from Council's General Fund has decreased by \$120,000 to \$2,467,000 for 2011. The subsidy is calculated as a return on capital and has decreased due to the revaluation and pending capital works of airport infrastructure assets.

5. STATEMENT OF FINANCIAL POSITION

5.1 Net Current Assets

5.1.1 Cash and Investments

Council has net current assets of \$57,774,000 as at 30 June 2011. Net current assets however, contain \$45,822,000 of externally restricted cash in the form of special purpose grants, developer contributions, water, sewer, domestic waste management and deposits and retentions.

Restrictions on total current cash and investments of \$76,333,000 include externally restricted - \$45,822,000, internal reserves - \$27,498,000 and unrestricted - \$3,014,000. Full details of these external and internal restrictions are contained in Note 6 of Council's General Purpose Financial Statements.

In accordance with Australian Accounting Standards Council has designated its investments as follows:

i) At Fair Value Through the Profit & Loss

Note 1 to the financial statements provides information relating to investments designated at the time of purchase as "at fair value through the profit and loss". Once Council designates its investments as at fair value through the profit and loss it must recognise each investment at its fair (market) value in the balance sheet and the movements in fair value throughout the year are recognised as revenues or expenses in the income statement.



ii) Available for Sale

Note 1 to the financial statements provides information relating to investments designated at the time of purchase as "available for sale". Available for sale investments must be recognised at their fair value in the balance sheet; however any movements in fair value are booked to an equity account (available for sale reserve) and reflected in the statement of other comprehensive income. At the time of identifying that an investment is impaired or at its date of sale, any movement in fair value between the purchase date and the sale date is transferred from the available for sale reserve to the income statement.

The following table provides an understanding of the type of investments held by council at balance date:

Closing balance of investments comprises:

	2010	2011
Managed funds	21,495	8,979
Long Term Deposits	31,159	85,790
NCDs /FRNs (Maturities > 3 months)	37,085	36,381
CDOs	3,326	2,968
Constant Protection Portfolio Notes	22,773	17,426
Floating Rate Term Deposits	6,063	3,018
Other Long Term Maturity Financial Instruments	5,899	5,010
	<u>127,800</u>	<u>159,572</u>

Security of Investments

It should be noted that a proportion of Council's investments are capital protected on their maturity. This means that the capital is protected to the extent that the financial institution has the capacity to repay the invested money. Capital is not protected if the investment is sold before its maturity. Collateralised Debt Obligations (CDOs) are not capital protected and the return to Council on their maturity is largely dependent on the number of defaults occurring in the underlying "basket" of securities comprising the investment.

5.1.2 Receivables & Payables

Council's current receivables have decreased by \$3,547,000 from \$19,226,000 as at 30 June 2010 to \$15,679,000 as at 30 June 2011, which includes \$6,834,000 of externally restricted receivables relating to water, sewerage and domestic waste management charges and rates. The decrease in current receivables is largely attributable to the recognition of a \$3,880,000 debtor in 2010 in relation to works performed by Council for the Roads and Traffic Authority (RTA) to relocate water mains between Sapphire and Woolgoolga as part of the Pacific Highway upgrade and a reduction in general grants and subsidies debtors of \$2,639,000. These decreases were offset by the recognition of a \$1,688,000 debtor in relation to a sale of an investment security in accordance with the terms and conditions of the contract.

Current payables decreased by \$2,951,000 from \$12,370,000 as at 30 June 2010 to \$9,419,000 at the 30 June 2011. This decrease is primarily due to a reduction in capital creditors of \$2,056,000 related to the construction activity for water and sewer infrastructure asset projects in 2011 and a decrease in Council's workers compensation premium adjustment.



5.2 Non-Current Assets and Liabilities

Council has a net non-current asset position of \$1,461,607,000 which consists largely of internally and externally restricted investments, property, plant and equipment, Council controlled roads, water, sewer and drainage infrastructure, loans and provisions for employee benefits.

5.2.1 Property, Plant and Equipment

As detailed in Note 9 of Council's General Purpose Financial Statements, Council capitalised \$40,682,000 in infrastructure, property, plant and equipment during 2011. Asset management is an important part of Council's operations. Some of the more significant additions capitalised during the year included \$3,763,000 in relation to the Coffs Harbour Swimming Pool Upgrade and the Sports Stadium Lighting Upgrade of \$2,170,000. Council undertook many projects during the year and the remaining asset additions are reflective of a wide range of projects across General, Water and Sewer funds as detailed in Note 9a of the General Purpose Financial Statements.

5.2.2 Asset Revaluations 2011

The Division of Local Government has mandated that all infrastructure assets including land and buildings are to be recognised in Council's financial statements at their fair value. Fair value represents the written-down replacement cost of each asset using modern day equivalent materials, design and capacity.

Community Land, Land Improvements & Other Structures

As part of the fair value reporting programme introduced by the Division of Local Government, Council has revalued its community land, land improvements, other structures and other assets as at 30 June 2011. This revaluation process has resulted in the asset revaluation reserve increasing by \$6,022,000.

Land Under Roads

In accordance with the directives of the Division of Local Government, the NSW local government sector has determined a methodology for valuing land under roads. Land under roads owned and controlled by Council are required to be recognised in accordance with Australian Accounting Standard AASB 1051 "Land Under Roads". Council has elected to revalue land under roads acquired on or after 1 July 2008, with a revaluation of \$1,020,000 as at 30 June 2011.

Prior Period Error

Council has recognised a prior period error of \$4,371,000 as disclosed at Note 20c of the General Purpose Financial Statements. The error is a result of over depreciation of Council's other assets, other structures and land improvements and was identified as part of the revaluation of these assets in 2011. The overall adjustment impacted retained earnings and has been made against the opening balance in the statement of changes in equity and is also reflected as an adjustment in Note 9a of the General Purpose Financial Statements. As a result of the current year revaluation, Council now has more reliable data on these assets and the recalculation of prior year comparatives was considered impractical.

Revaluation of Roads, bridges, footpaths, Bulk earthworks and Stormwater drainage

Council elected to voluntarily revalue roads, bridges, footpaths, bulk earthworks and stormwater drainage assets at 30 June 2011 arising from better quality information being available for Council asset management initiatives. This resulted in a net revaluation decrement of \$50,915,000 (or 6.5% of the opening written down value) for these asset classes.

Revaluation of Water & Sewer Infrastructure

On an annual basis, Council performs a desktop revaluation of water and sewer infrastructure assets utilising reference rates as provided by the NSW Office of Water. In the current year, Council has recognised net increments to the asset revaluation reserve of \$7,153,000 for the water supply network and \$8,432,000 for the sewerage network respectively.

Asset Management Systems

Council currently has the following classes of I,P,P,E assets recorded at fair value:

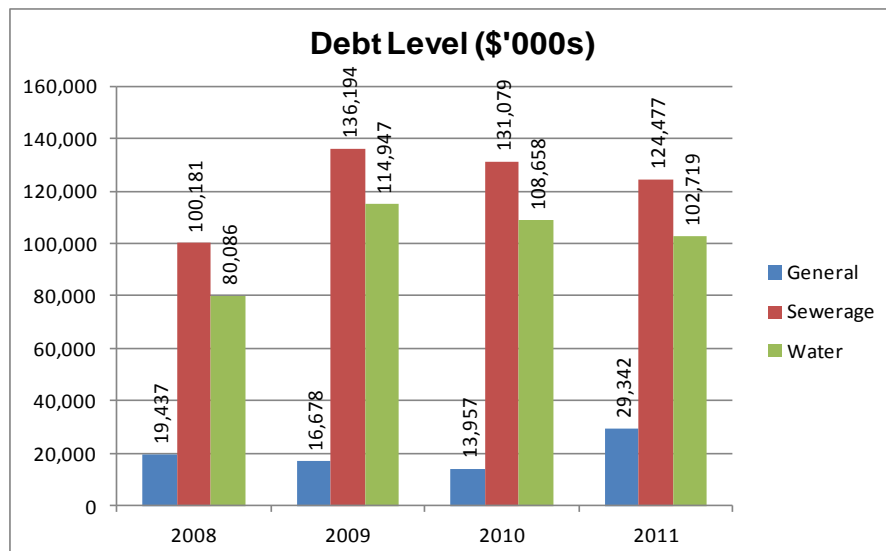
- Operational Land & Buildings
- Water and Sewer
- Roads, bridges, footpaths and bulk earthworks
- Stormwater drainage
- Community land and Land under roads
- Other Structures & Other Assets

Council needs to capture this information in a centralised and detailed asset management system that will ensure best practice processes for asset management are adopted and adhered to into the future. Council is currently in the process of transferring all classes of assets into its asset management system.

5.3 Loans

Debts totalling \$15,942,000 were repaid during the financial year. Council is projecting to repay a further \$17,094,000 in principal in the 2011/12 year.

Council debt levels by fund can be summarised as follows:





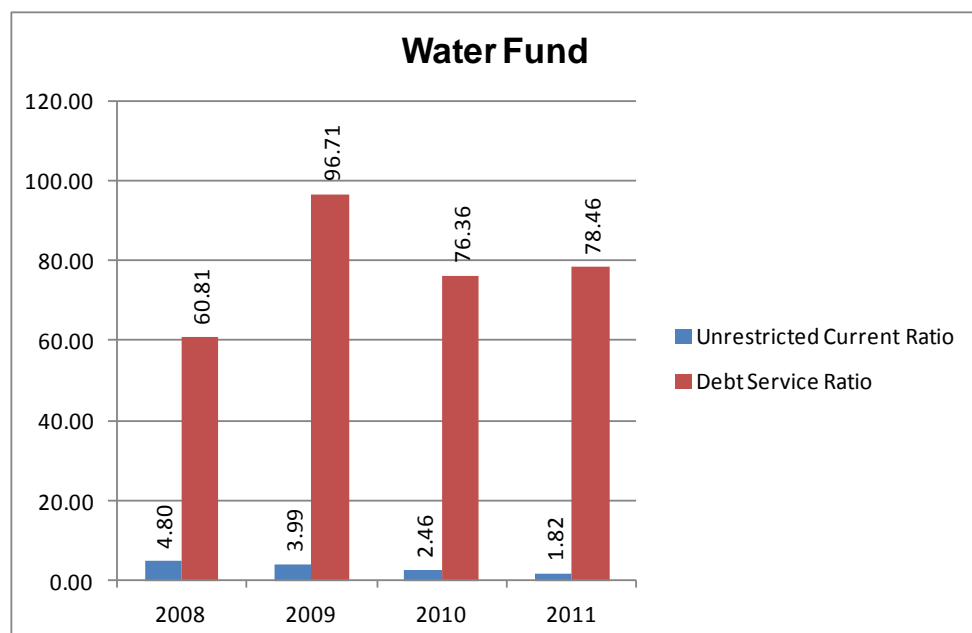
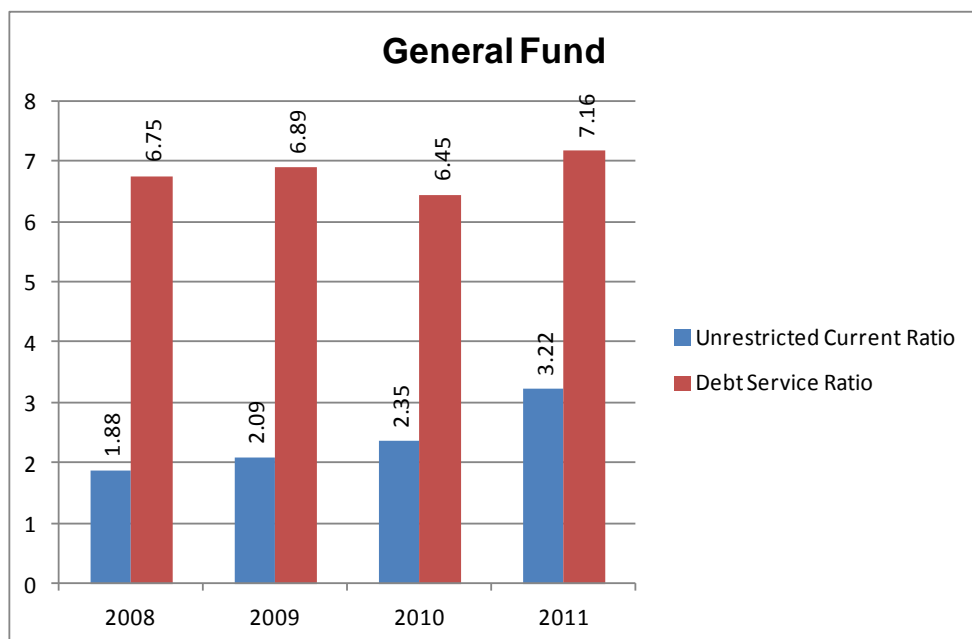
Debt levels increased dramatically between 2007-2009 as Council undertook extensive water and sewer infrastructure works to facilitate anticipated growth needs and replace ageing assets.

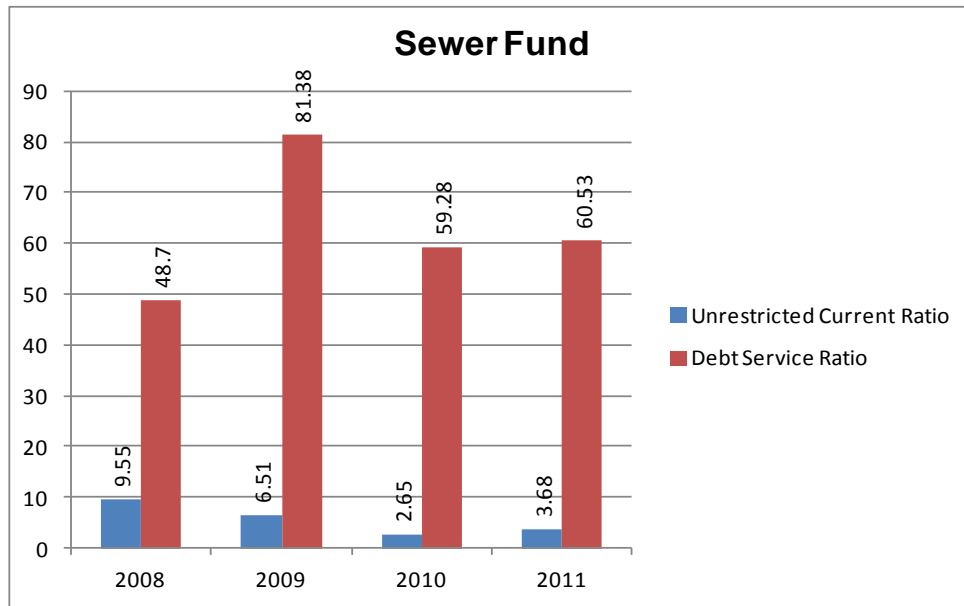
For 2010/11 Council borrowed a further \$14,444,000 through General Fund in relation to the following:

- \$2,444,000 – Coffs Harbour Swimming Pool Redevelopment
- \$12,000,000 – Various flood mitigation / drainage works

In addition, an offset loan was restructured during the year. The corresponding investment and borrowings are now recorded at grossed up amounts.

6. PERFORMANCE INDICATORS





The above represents the key performance indicators outlined in Note 13 to the financial statements.

Unrestricted Current Ratio

The unrestricted current ratio represents Council's capacity to meet its commitments from current assets net of externally restricted cash, investments and receivables. Factors influencing Council's unrestricted current assets ratio include:

- Planning and budgetary controls;
- Cash management and the timing of cash flows;
- The level of internally restricted assets; and
- Credit management policies and economic circumstances.

It is important to note that the unrestricted current ratio does not reflect Council's capacity to fund long term infrastructure needs nor the state of the infrastructure itself. Council needs to assess its infrastructure requirements and develop strategies to ensure the long-term viability (ability to provide services) of its assets (as required by Integrated Planning And Reporting).

We note that the unrestricted current ratio for water and sewer activities may fluctuate significantly. Yearly fluctuations will result from the build up of internal reserves and the impact of debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements. Unrestricted net current assets is a function of this ratio. Whilst compared to general fund the ratios for water and sewer funds are high, the quantum of the net unrestricted current assets for these funds may not warrant an investment of funds in longer term investments.

Council's general fund (inclusive of airport and waste funds) unrestricted current ratio has increased from 2.35 to 3.22 and is a function of the unexpended loans at the end of each financial year. This ratio reflects Council's ability to fund short-term commitments only. Unrestricted net current assets are a function of this ratio and stands at \$29,394,000 for general fund at 30 June 2011 as a result of additional unexpended general fund loans (2010: \$18,106,000).



Debt Service Ratio

This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt. Factors influencing a Council's debt service ratio include:

- The rate of new development in the city;
- Council's debt policy;
- Interest rate movements and loan terms;
- Capital investment strategies and capital contributions policies;
- The level of cash reserves available to reduce the level of borrowings; and
- The state of Council's infrastructure / age of assets.

Council's general fund debt service ratio has increased from 6.45% for the 2010 year to 7.16% for the 2011 year largely due to principal repayments to Council's borrowings and additional general fund loans (and related interest expense in 2010/11).

Water and sewer fund debt service ratios have slightly increased largely due to the reduction in fund revenues.

Rates and Annual Charges Outstanding

This indicator assesses the effectiveness of Council's revenue collection. Factors influencing Council's rates and annual charges outstanding ratio include:

- Council's rates and charges policy;
- Credit management policies;
- The socio-economic characteristics of the area; and
- Environmental factors influencing rate payers ability to satisfy their obligations.

Council's rates and annual charges outstanding has slightly increased on a consolidated basis (all funds) in-line with an increasing rates base (rate pegged increments and special rate variations) and related increases to rates and annual charges debtors.

Assets Renewals Ratio

The purpose of this ratio is to assess the rate at which these assets are being renewed against the rate at which they are depreciating.

Renewals are defined as replacement of existing assets with equivalent capacity or performance as opposed to the acquisition of new assets.

The building and infrastructure renewals ratio has decreased from 24.06% to 11.63%.

This ratio should also be considered in conjunction with the level of new asset additions.



7. OTHER MATTERS

7.1 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.

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 handwritten signature in black ink, appearing to read 'D H Singh', is written over a light grey rectangular background.

.....
D H SINGH (Partner)
Registered Company Auditor



**COFFS HARBOUR CITY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDIT 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 balance sheet as at 30 June 2011, 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.

Councils' Responsibility for the Financial Statements

The Council is responsible for the preparation 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 Division of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation 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 of the financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.



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 year ended 30 June 2011 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.

Independence

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

Audit 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 2011 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 describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the NSW Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

.....
D H SINGH (Partner)
Registered Company Auditor

Dated at Lismore this 24th day of November 2011.

Coffs Harbour City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

“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 financial year ended 30 June 2011

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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

Coffs Harbour City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

To the best of our knowledge and belief, these Financial Statements:

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

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

Signed in accordance with a resolution of Council made on 24 November 2011.



Keith Rhoades
MAYOR



Bill Palmer
COUNCILLOR



Steve McGrath
GENERAL MANAGER



Dale Allen
RESPONSIBLE ACCOUNTING OFFICER

Coffs Harbour City Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	3,487	3,297	2,902
User charges	10,408	11,170	10,827
Fees	243	379	202
Interest	2,689	3,267	601
Grants and contributions provided for non capital purposes	289	297	405
Profit from the sale of assets	2	-	-
Other income	55	63	54
Total income from continuing operations	17,173	18,473	14,991
Expenses from continuing operations			
Employee benefits and on-costs	2,700	2,573	2,115
Borrowing costs	7,309	7,743	8,131
Materials and contracts	2,665	1,997	2,130
Depreciation and impairment	5,656	5,026	4,629
Water purchase charges	57	(64)	185
Loss on sale of assets	-	75	-
Calculated taxation equivalents	32	31	30
Debt guarantee fee (if applicable)	1,027	1,087	1,149
Other NCP Imputation Payments	5	5	4
Other expenses	2,723	2,771	2,371
Total expenses from continuing operations	22,174	21,244	20,744
Surplus (deficit) from Continuing Operations before capital amounts	(5,001)	(2,771)	(5,753)
Grants and contributions provided for capital purposes	5,952	17,095	2,387
Surplus (deficit) from Continuing Operations after capital amounts	951	14,324	(3,366)
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	951	14,324	(3,366)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	951	14,324	(3,366)
plus Opening Retained Profits	178,478	163,062	165,275
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	32	31	30
- Debt guarantee fees	1,027	1,087	1,149
- Other NCP Imputation Payments	5	5	4
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(32)	(31)	(30)
- Surplus dividend paid	-	-	-
Closing Retained Profits	180,461	178,478	163,062
Return on Capital %	0.9%	2.0%	1.0%
Subsidy from Council	n/a	n/a	n/a
Calculation of dividend payable:			
Surplus (deficit) after tax	951	14,324	(3,366)
less: Capital grants and contributions (excluding developer contributions)	(4,239)	(12,737)	(875)
Surplus for dividend calculation purposes	-	1,587	-
Potential Dividend calculated from surplus	-	794	-

Coffs Harbour City Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	18,722	17,636	15,884
User charges	1,943	1,923	1,832
Liquid Trade Waste charges	406	321	205
Fees	11	8	23
Interest	4,563	6,119	851
Grants and contributions provided for non capital purposes	518	551	655
Profit from the sale of assets	-	18	-
Other income	277	165	158
Total income from continuing operations	26,440	26,741	19,608
Expenses from continuing operations			
Employee benefits and on-costs	3,899	3,680	3,511
Borrowing costs	8,815	9,112	9,488
Materials and contracts	3,488	3,835	3,449
Depreciation and impairment	6,384	5,520	4,456
Loss on sale of assets	-	354	-
Calculated taxation equivalents	187	168	167
Debt guarantee fee (if applicable)	1,245	1,311	1,362
Other NCP Imputation Payments	9	9	3
Other expenses	3,954	3,773	2,917
Total expenses from continuing operations	27,981	27,762	25,353
Surplus (deficit) from Continuing Operations before capital amounts	(1,541)	(1,021)	(5,745)
Grants and contributions provided for capital purposes	2,149	4,778	5,877
Surplus (deficit) from Continuing Operations after capital amounts	608	3,757	132
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	608	3,757	132
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	608	3,757	132
plus Opening Retained Profits	201,030	195,858	194,266
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	187	168	167
- Debt guarantee fees	1,245	1,311	1,362
- Other NCP Imputation Payments	9	9	3
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(74)	(73)	(72)
- Surplus dividend paid	-	-	-
Closing Retained Profits	203,005	201,030	195,858
Return on Capital %	2.3%	2.6%	1.2%
Subsidy from Council	n/a	n/a	n/a
Calculation of dividend payable:			
Surplus (deficit) after tax	608	3,757	132
less: Capital grants and contributions (excluding developer contributions)	(249)	(825)	(4,912)
Surplus for dividend calculation purposes	359	2,932	-
Potential Dividend calculated from surplus	180	1,466	-

Coffs Harbour City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Airport	
	Actual 2011	Actual 2010
Income from continuing operations		
Access charges	-	-
User charges	3,263	3,127
Fees	-	-
Interest	33	58
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	575	391
Total income from continuing operations	3,871	3,576
Expenses from continuing operations		
Employee benefits and on-costs	577	555
Borrowing costs	326	362
Materials and contracts	831	796
Depreciation and impairment	1,273	1,151
Loss on sale of assets	-	-
Calculated taxation equivalents	256	225
Debt guarantee fee (if applicable)	44	49
Other NCP Imputation Payments	4	4
Other expenses	450	406
Total expenses from continuing operations	3,761	3,548
Surplus (deficit) from Continuing Operations before capital amounts	110	28
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	110	28
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	110	28
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(33)	(8)
SURPLUS (DEFICIT) AFTER TAX	77	20
plus Opening Retained Profits	18,904	18,801
plus/less: Prior Period Adjustments	334	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	256	225
- Debt guarantee fees	44	49
- Other NCP Imputation Payments	4	4
- Corporate taxation equivalent	33	8
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(264)	(203)
Closing Retained Profits	19,388	18,904
Return on Capital %	0.8%	0.7%
Subsidy from Council	2,467	2,587

Coffs Harbour City Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	904	2,943
Investments	7,953	11,837
Receivables	4,848	6,919
Inventories	251	238
Other	-	1
Non-current assets classified as held for sale	-	-
Total Current Assets	13,956	21,938
Non-Current Assets		
Investments	32,948	29,855
Receivables	56	46
Inventories	-	-
Infrastructure, property, plant and equipment	257,006	249,014
Investments accounted for using equity method	-	-
Investment property	-	-
Other	67,774	68,590
Total non-Current Assets	357,784	347,505
TOTAL ASSETS	371,740	369,443
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1,328	2,833
Interest bearing liabilities	6,183	5,939
Provisions	-	-
Total Current Liabilities	7,511	8,772
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	96,536	102,719
Provisions	-	-
Total Non-Current Liabilities	96,536	102,719
TOTAL LIABILITIES	104,047	111,491
NET ASSETS	267,693	257,952
EQUITY		
Retained earnings	180,461	178,478
Revaluation reserves	87,232	79,474
Council equity interest	267,693	257,952
Minority equity interest	-	-
TOTAL EQUITY	267,693	257,952

Coffs Harbour City Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	991	4,526
Investments	30,242	51,380
Receivables	1,472	2,801
Inventories	45	38
Other	8	1
Non-current assets classified as held for sale	-	-
Total Current Assets	32,758	58,746
Non-Current Assets		
Investments	41,987	17,132
Receivables	266	317
Inventories	-	-
Infrastructure, property, plant and equipment	314,731	311,820
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	356,984	329,269
TOTAL ASSETS	389,742	388,015
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1,531	1,533
Interest bearing liabilities	7,344	6,876
Provisions	-	-
Total Current Liabilities	8,875	8,409
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	117,133	124,476
Provisions	-	-
Total Non-Current Liabilities	117,133	124,476
TOTAL LIABILITIES	126,008	132,885
NET ASSETS	263,734	255,130
EQUITY		
Retained earnings	203,005	201,030
Revaluation reserves	60,729	54,100
Council equity interest	263,734	255,130
Minority equity interest	-	-
TOTAL EQUITY	263,734	255,130

Coffs Harbour City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Airport	
	Category 1	
	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	727	640
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	3
Non-current assets classified as held for sale	-	-
Total Current Assets	727	643
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	55,711	58,426
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	55,711	58,426
TOTAL ASSETS	56,438	59,069
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	63	71
Interest bearing liabilities	572	534
Provisions	-	-
Total Current Liabilities	635	605
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	3,817	4,389
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	3,817	4,389
TOTAL LIABILITIES	4,452	4,994
NET ASSETS	51,986	54,075
EQUITY		
Retained earnings	19,388	18,904
Revaluation reserves	32,598	35,171
Council equity interest	51,986	54,075
Minority equity interest	-	-
TOTAL EQUITY	51,986	54,075

Coffs Harbour City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	13
3	Sewerage Business Best Practice Management disclosure requirements	15

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

a. 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

Category 2

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

Nil

Monetary Amounts

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

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

Coffs Harbour City Council

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

Note 1. Significant Accounting Policies (continued)

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

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

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$658,000.

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

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

Coffs Harbour City Council

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

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income
+ Interest Expense

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

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

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

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2011 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2011Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

2011

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	1,059,000
(ii)	No of assessments multiplied by \$3/assessment	77,508
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	77,508
(iv)	Amounts actually paid for Tax Equivalents	31,764

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-												
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	697,572												
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	(5,942,000)												
<table border="1"> <tr> <td>2011 Surplus</td> <td>(3,288,000)</td> <td>2010 Surplus</td> <td>1,587,000</td> <td>2009 Surplus</td> <td>(4,241,000)</td> </tr> <tr> <td></td> <td></td> <td>2010 Dividend</td> <td>-</td> <td>2009 Dividend</td> <td>-</td> </tr> </table>			2011 Surplus	(3,288,000)	2010 Surplus	1,587,000	2009 Surplus	(4,241,000)			2010 Dividend	-	2009 Dividend	-
2011 Surplus	(3,288,000)	2010 Surplus	1,587,000	2009 Surplus	(4,241,000)									
		2010 Dividend	-	2009 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]	-												

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]	NO
(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 financial year ended 30 June 2011

Note 2. Water Supply Business

Best Practice Management disclosure requirements (continued)

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

2011

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	20,434
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)]	%	72.48%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	255,068
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	8,095
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	5,599
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	2.60%
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 No. 3 & 4 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2011Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2011

1. Calculation and Payment of Tax-Equivalents

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

(i) Calculated Tax Equivalents	1,432,000
(ii) No of assessments multiplied by \$3/assessment	73,974
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	73,974
(iv) Amounts actually paid for Tax Equivalents	73,974

2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	179,500
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	665,766
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	(1,489,000)

2011 Surplus	359,000	2010 Surplus	2,932,000	2009 Surplus	(4,780,000)
		2010 Dividend	-	2009 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]	-

3. Required outcomes for 4 Criteria

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

(i) Completion of Strategic Business Plan (including Financial Plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
Complying charges (a) Residential [Item 2(c) in Table 1]	YES
(b) Non Residential [Item 2(c) in Table 1]	YES
(c) Trade Waste [Item 2(d) in Table 1]	YES
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii) Complete Performance Reporting Form (by 15 September each year)	YES
(iv) a. Integrated Water Cycle Management Evaluation	YES
b. Complete and implement Integrated Water Cycle Management Strategy	YES

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2011

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	23,821
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	313,366
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	11,255
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	3,203
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 & Equipment (s34b)]	%	1.96%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	205

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	44,257
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.09%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	8,802
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	2.25%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & 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 financial year ended 30 June 2011

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2011

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [(Total Assets (w35 + s36) - Total Liabilities (w40 + s41))]	%	21.11%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		1
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	3,647
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	482

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



**COFFS HARBOUR CITY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDIT 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 balance sheet as at 30 June 2011, 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.

Councils' Responsibility for the Financial Statements

The Council is responsible for the preparation 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 Division of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation 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 of the financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.



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 year ended 30 June 2011 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.

Independence

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

Audit 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 2011 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 describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the NSW Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

.....
D H SINGH (Partner)
Registered Company Auditor

Dated at Lismore this 24th day of November 2011.

Coffs Harbour City Council

SPECIAL SCHEDULES

for the year ended 30 June 2011

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



Coffs Harbour City Council

Special Schedules

for the financial year ended 30 June 2011

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¹ Special Purpose Schedules are not audited.

Background

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

Coffs Harbour City Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,453	-	-	(1,453)
Administration	21,578	4,689	7,006	(9,883)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,737	474	1,774	511
Beach Control	482	26	-	(456)
Enforcement of Local Govt Regs	915	140	-	(775)
Animal Control	365	265	-	(100)
Other	25	149	-	124
Total Public Order & Safety	3,524	1,054	1,774	(696)
Health	-	-	-	-
Environment				
Noxious Plants and Insect/Vermin Control	345	246	-	(99)
Other Environmental Protection	1,160	2,572	-	1,412
Solid Waste Management	14,887	13,471	-	(1,416)
Street Cleaning	319	-	-	(319)
Drainage	4,100	784	1,093	(2,223)
Stormwater Management	(39)	652	-	691
Total Environment	20,772	17,725	1,093	(1,954)
Community Services and Education				
Administration & Education	666	58	-	(608)
Social Protection (Welfare)	1,014	102	229	(683)
Aged Persons and Disabled	-	1	-	1
Children's Services	101	2	-	(99)
Total Community Services & Education	1,781	163	229	(1,389)
Housing and Community Amenities				
Public Cemeteries	233	224	-	(9)
Public Conveniences	524	-	-	(524)
Street Lighting	698	128	-	(570)
Town Planning	1,416	254	37	(1,125)
Other Community Amenities	140	-	-	(140)
Total Housing and Community Amenities	3,011	606	37	(2,368)
Water Supplies	18,612	17,001	1,713	102
Sewerage Services	22,951	26,019	2,105	5,173

Coffs Harbour City Council

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

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,876	(118)	49	(1,945)
Museums	100	128	-	28
Art Galleries	138	60	-	(78)
Community Centres and Halls	775	276	4	(495)
Performing Arts Venues	534	203	-	(331)
Other Performing Arts	-	-	-	-
Other Cultural Services	43	61	140	158
Sporting Grounds and Venues	1,842	504	2,343	1,005
Swimming Pools	480	-	1,381	901
Parks & Gardens (Lakes)	4,182	1,717	649	(1,816)
Other Sport and Recreation	881	-	-	(881)
Total Recreation and Culture	10,851	2,831	4,566	(3,454)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,949	1,605	-	(344)
Other Mining, Manufacturing & Construction	151	2	-	(149)
Total Mining, Manufacturing and Const.	2,100	1,607	-	(493)
Transport and Communication				
Urban Roads (UR) - Local	6,339	32	1,110	(5,197)
Urban Roads - Regional	858	2	195	(661)
Sealed Rural Roads (SRR) - Local	9,652	365	1,417	(7,870)
Sealed Rural Roads - Regional	1,468	860	1	(607)
Unsealed Rural Roads (URR) - Local	1,197	33	-	(1,164)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	132	-	-	(132)
Bridges on SRR - Local	196	-	-	(196)
Bridges on URR - Local	111	-	-	(111)
Bridges on Regional Roads	109	35	-	(74)
Parking Areas	990	15	167	(808)
Footpaths	655	29	152	(474)
Aerodromes	2,984	3,774	-	790
Other Transport & Communication	1,711	2,564	1,708	2,561
Total Transport and Communication	26,402	7,709	4,750	(13,943)
Economic Affairs				
Camping Areas & Caravan Parks	1,287	329	-	(958)
Other Economic Affairs	2,055	1,513	4,690	4,148
Total Economic Affairs	3,342	1,842	4,690	3,190
Totals – Functions	136,377	81,246	27,963	(27,168)
General Purpose Revenues⁽²⁾		39,147		39,147
Share of interests - joint ventures & associates using the equity method	-	-	-	-
NET OPERATING RESULT⁽¹⁾	136,377	120,393	27,963	11,979

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

Coffs Harbour City Council

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

for the financial year ended 30 June 2011

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	(82)	1,795	1,713	-	(82)	-	-	-	(38)	1,833	1,795
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	15,262	236,993	252,255	18,430	15,942	-	-	17,934	17,094	237,649	254,743
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	15,180	238,788	253,968	18,430	15,860	-	-	17,934	17,056	239,482	256,538
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	15,180	238,788	253,968	18,430	15,860	-	-	17,934	17,056	239,482	256,538

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

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

Coffs Harbour City Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]

for the financial year ended 30 June 2011

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	84	84	-
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	84	84	-

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
General Fund	Sewerage Fund		30/06/06	10	30/06/16	6.50%	84	84	-
Totals							84	84	-

Coffs Harbour City Council

Special Schedule No. 3 - Water Supply Income Statement

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

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	2,026	2,238
b. Engineering and Supervision	1,056	979
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	443	151
b. Maintenance expenses	188	194
- Mains		
c. Operation expenses	245	197
d. Maintenance expenses	1,323	1,110
- Reservoirs		
e. Operation expenses	186	155
f. Maintenance expenses	161	166
- Pumping Stations		
g. Operation expenses (excluding energy costs)	177	80
h. Energy costs	207	174
i. Maintenance expenses	34	74
- Treatment		
j. Operation expenses (excluding chemical costs)	794	755
k. Chemical costs	418	439
l. Maintenance expenses	196	123
- Other		
m. Operation expenses	483	367
n. Maintenance expenses	101	70
o. Purchase of water	57	(64)
3. Depreciation expenses		
a. System assets	5,362	4,783
b. Plant and equipment	295	244
4. Miscellaneous expenses		
a. Interest expenses	7,309	7,773
b. Revaluation Decrements	-	-
c. Other expenses	49	30
d. Tax Equivalents Dividends (actually paid)	32	31
5. Total expenses	21,142	20,069

Coffs Harbour City Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

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

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges		
a. Access (including rates)	2,935	2,817
b. Usage charges	7,730	8,287
7. Non-residential charges		
a. Access (including rates)	552	480
b. Usage charges	2,678	2,894
8. Extra charges	9	6
9. Interest income	2,689	3,267
10. Other income	289	657
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	243	240
c. Other grants	2	(1)
12. Contributions		
a. Developer charges	1,131	3,875
b. Developer provided assets	583	480
c. Other contributions	4,282	12,558
13. Total income	<u>23,123</u>	<u>35,560</u>
14. Gain or loss on disposal of assets	2	(75)
15. Operating Result	<u>1,983</u>	<u>15,416</u>
15a. Operating Result (less grants for acquisition of assets)	1,983	15,416

Coffs Harbour City Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

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

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	1,976	513
b. New Assets for Growth	3,369	5,039
c. Renewals	26	594
d. Plant and equipment	228	134
17. Repayment of debt		
a. Loans	5,939	6,290
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	11,538	12,570
Non-operating funds employed		
20. Proceeds from disposal of assets	2	-
21. Borrowing utilised		
a. Loans	-	2,996
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	2	2,996
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	23,177	22,893
b. Residential (unoccupied, i.e.. vacant lot)	1,003	1,046
c. Non-residential (occupied)	1,556	1,413
d. Non-residential (unoccupied, i.e.. vacant lot)	100	216
25. Number of ETs for which developer charges were received	131 ET	568 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 243,034	\$ 239,732

Coffs Harbour City Council

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

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (i.e. rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2010/11 (page 47 of Guidelines)			<input type="text" value="1,740,960"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="1,740,960"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

Coffs Harbour City Council

Special Schedule No. 4 - Water Supply Balance Sheet

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

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	257	-	257
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	3,703	21,826	25,529
e. Sinking fund	-	-	-
f. Other	4,897	11,122	16,019
31. Receivables			
a. Specific purpose grants	67	-	67
b. Rates and charges	2,707	56	2,763
c. Other	2,074	-	2,074
32. Inventories	251	-	251
33. Property, plant and equipment			
a. System assets	-	255,068	255,068
b. Plant and equipment	-	1,938	1,938
34. Other assets	-	67,774	67,774
35. Total assets	<u>13,956</u>	<u>357,784</u>	<u>371,740</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	1,328	-	1,328
38. Borrowings			
a. Loans	6,183	96,536	102,719
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>7,511</u>	<u>96,536</u>	<u>104,047</u>
41. NET ASSETS COMMITTED	<u>6,445</u>	<u>261,248</u>	<u>267,693</u>
EQUITY			
42. Accumulated surplus			180,546
43. Asset revaluation reserve			<u>87,147</u>
44. TOTAL EQUITY			<u>267,693</u>
Note to system assets:			
45. Current replacement cost of system assets			354,397
46. Accumulated current cost depreciation of system assets			<u>(99,329)</u>
47. Written down current cost of system assets			255,068

Coffs Harbour City Council

Special Schedule No. 5 - Sewerage Income Statement

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

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	2,478	2,462
b. Engineering and Supervision	1,342	1,270
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	303	335
b. Maintenance expenses	515	451
- Pumping Stations		
c. Operation expenses (excluding energy costs)	1,023	1,011
d. Energy costs	466	368
e. Maintenance expenses	738	866
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,212	1,075
g. Chemical costs	313	291
h. Energy costs	895	823
i. Effluent Management	309	330
j. Biosolids Management	705	796
k. Maintenance expenses	685	651
- Other		
l. Operation expenses	259	261
m. Maintenance expenses	12	14
3. Depreciation expenses		
a. System assets	6,103	5,219
b. Plant and equipment	281	319
4. Miscellaneous expenses		
a. Interest expenses	8,815	9,111
b. Revaluation Decrements	-	-
c. Other expenses	86	88
d. Tax Equivalent Dividends (actually paid)	74	73
5. Total expenses	26,614	25,814

Coffs Harbour City Council

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

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

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges (including rates)	16,534	15,745
7. Non-residential charges		
a. Access (including rates)	2,188	1,891
b. Usage charges	1,943	1,870
8. Trade Waste Charges		
a. Annual Fees	86	85
b. Usage charges	320	236
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	4,563	6,119
11. Other income	287	456
12. Grants		
a. Grants for acquisition of assets	205	622
b. Grants for pensioner rebates	239	236
c. Other grants	-	-
13. Contributions		
a. Developer charges	1,037	2,659
b. Developer provided assets	863	1,293
c. Other contributions	324	110
14. Total income	<u>28,589</u>	<u>31,322</u>
15. Gain or loss on disposal of assets	-	(336)
16. Operating Result	<u>1,975</u>	<u>5,172</u>
16a. Operating Result (less grants for acquisition of assets)	1,770	4,550

Coffs Harbour City Council

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

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

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	900	1,779
b. New Assets for Growth	1,648	8,720
c. Renewals	589	2,575
d. Plant and equipment	66	156
18. Repayment of debt		
a. Loans	6,876	6,555
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	10,079	19,785
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	1,265	6,722
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	1,265	6,722
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	22,170	21,901
b. Residential (unoccupied, i.e.. vacant lot)	953	991
c. Non-residential (occupied)	1,426	1,389
d. Non-residential (unoccupied, i.e.. vacant lot)	109	114
26. Number of ETs for which developer charges were received	115 ET	571 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 238,853	\$ 236,376

Coffs Harbour City Council

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

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 29a. If No, please report if council has removed land value from access charges (i.e. rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2010/11 (page 47 of Guidelines)			<input type="text" value="531,829"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="531,829"/>

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

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

Coffs Harbour City Council

Special Schedule No. 6 - Sewerage Balance Sheet

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

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	58	-	58
b. Special purpose grants	19	-	19
c. Accrued leave	-	-	-
d. Unexpended loans	27,564	23,092	50,656
e. Sinking fund	-	-	-
f. Other	3,592	18,895	22,487
32. Receivables			
a. Specific purpose grants	62	-	62
b. Rates and charges	1,353	231	1,584
c. Other	57	35	92
33. Inventories	45	-	45
34. Property, plant and equipment			
a. System assets	-	313,366	313,366
b. Plant and equipment	-	1,365	1,365
35. Other assets	8	-	8
36. Total Assets	32,758	356,984	389,742
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	1,531	-	1,531
39. Borrowings			
a. Loans	7,344	117,133	124,477
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	8,875	117,133	126,008
42. NET ASSETS COMMITTED	23,883	239,851	263,734
EQUITY			
42. Accumulated surplus			202,477
44. Asset revaluation reserve			61,257
45. TOTAL EQUITY			263,734
Note to system assets:			
46. Current replacement cost of system assets			400,793
47. Accumulated current cost depreciation of system assets			(87,427)
48. Written down current cost of system assets			313,366

Coffs Harbour City Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2011

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (i.e.. 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 No. 7 - Condition of Public Works (continued)

as at 30 June 2011

\$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition#	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Current Annual Maintenance ⁽³⁾
		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>>>>				<<<<<<< per Section 428(2d) >>>>>>>>>			
Public Roads	Sealed Roads	2.50%	16,460	-	390,618	111,127	279,491	3	31,478	2,944	3,087
	Unsealed Roads	5.00%	836	-	13,150	8,767	4,383	4	8,466	421	749
	Bridges - Concrete	1.00%	329	-	46,219	3,045	43,174	1	-	14	12
	Bridges - Timber	1.70%	182	-	6,444	1,974	4,470	3	343	55	60
	Footpaths & Cycleways	2.50%	548	-	27,714	5,168	22,546	3	1,585	242	246
	Kerb and Gutter	1.70%	361	-	22,886	8,904	13,982	3	3,042	29	29
	Road Furniture	2.00%	193	-	7,372	1,304	6,068	4	430	95	144
	Medians & Roundabouts	1.70%	329	-	11,429	2,181	9,248	3	829	125	-
	Footbridges	5.00%	539	-	8,931	2,756	6,175	3	360	18	17
	sub total		19,777	-	534,763	145,226	389,537		46,533	3,943	4,344

Coffs Harbour City Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual ⁽¹⁾ 10/11	Forecast 11/12	Forecast 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15
(i) RECURRENT BUDGET					
Income from continuing operations	148,356	136,176	136,894	144,099	149,186
Expenses from continuing operations	136,377	133,129	135,952	138,698	143,273
Operating Result from Continuing Operations	11,979	3,047	942	5,401	5,913
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	36,929	33,474	26,449	20,181	25,539
Replacement/Refurbishment of Existing Assets	4,027	9,119	8,060	8,854	6,792
Total Capital Budget	40,956	42,593	34,509	29,035	32,331
Funded by:					
– Loans	4,190	9,543	8,012	1,297	-
– Asset sales	1,726	1,015	1,735	1,811	2,214
– Reserves	4,790	3,599	2,708	3,253	4,638
– Grants/Contributions	27,355	22,226	12,874	15,694	17,246
– Recurrent revenue	2,895	6,210	9,180	6,980	8,233
– Other	-	-	-	-	-
	40,956	42,593	34,509	29,035	32,331

Notes:

(1) From 10/11 Income Statement.

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