

COFFS HARBOUR CITY COUNCIL

2017/18 ANNUAL REPORT – SECTION 3
ANNUAL FINANCIAL STATEMENTS



Coffs Harbour City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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Sustainable
Thriving



Coffs Harbour City Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

Coffs Harbour City Council is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at:

Corner Coff and Castle Streets
Coffs Harbour NSW 2450

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

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

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.coffsharbour.nsw.gov.au.

Coffs Harbour City Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Coffs Harbour City Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

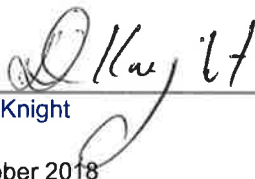
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

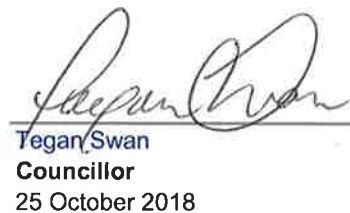
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 25 October 2018.



Denise Knight
Mayor
25 October 2018



Tegan Swan
Councillor
25 October 2018



Steve McGrath
General Manager
25 October 2018



Mark Griffioen
Responsible Accounting Officer
25 October 2018

Coffs Harbour City Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
<i>Revenue:</i>				
94,845	Rates and annual charges	3a	93,418	91,319
30,750	User charges and fees	3b	34,767	32,484
5,140	Interest and investment revenue	3c	6,524	7,069
15,171	Other revenues	3d	18,657	14,132
12,620	Grants and contributions provided for operating purposes	3e,f	17,040	22,063
25,793	Grants and contributions provided for capital purposes	3e,f	39,071	52,022
184,319	Total income from continuing operations		209,477	219,089
Expenses from continuing operations				
44,218	Employee benefits and on-costs	4a	46,350	42,732
10,621	Borrowing costs	4b	10,601	12,727
52,233	Materials and contracts	4c	53,225	44,958
46,170	Depreciation and amortisation	4d	42,429	38,075
12,818	Other expenses	4e	12,222	11,422
–	Losses from the disposal of assets	5	4,589	14,308
–	Revaluation decrement of IPP&E	4d	1,373	1,054
166,060	Total expenses from continuing operations		170,789	165,276
18,259	Operating result from continuing operations		38,688	53,813
18,259	Net operating result for the year		38,688	53,813
18,259	Net operating result attributable to Council		38,688	53,813
(7,534)	Net operating result for the year before grants and contributions provided for capital purposes		(383)	1,791

Coffs Harbour City Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		38,688	53,813
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	10a	22,127	77,397
Total items which will not be reclassified subsequently to the operating result		22,127	77,397
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Loss on revaluation of other reserves		–	(10)
Other movements in reserves		–	(11,534)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	(11,544)
Total other comprehensive income for the year		22,127	65,853
Total comprehensive income for the year		60,815	119,666
Total comprehensive income attributable to Council		60,815	119,666

Coffs Harbour City Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	22,495	17,551
Investments	6b	88,881	57,808
Receivables	7	19,178	17,719
Inventories	8	2,284	1,845
Other	8	3,041	3,172
Non-current assets classified as 'held for sale'	9	505	505
Total current assets		136,384	98,600
Non-current assets			
Investments	6b	101,410	116,993
Receivables	7	2,802	2,677
Infrastructure, property, plant and equipment	10	1,988,543	1,954,761
Intangible assets	12	55,286	56,231
Total non-current assets		2,148,041	2,130,662
TOTAL ASSETS		2,284,425	2,229,262
LIABILITIES			
Current liabilities			
Payables	13	10,004	6,615
Income received in advance	13	1,944	1,760
Borrowings	13	15,194	14,522
Provisions	14	14,333	14,189
Total current liabilities		41,475	37,086
Non-current liabilities			
Borrowings	13	139,021	149,496
Provisions	14	6,560	6,126
Total non-current liabilities		145,581	155,622
TOTAL LIABILITIES		187,056	192,708
Net assets		2,097,369	2,036,554
EQUITY			
Accumulated surplus	15	1,369,570	1,330,907
Revaluation Reserves	15	727,233	705,106
Financial Asset Revaluation Reserve	15	566	541
Council equity interest		2,097,369	2,036,554
Total equity		2,097,369	2,036,554

Coffs Harbour City Council

Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	2018			2017			Financial		
		Accumulated surplus	Revaluation Reserve	IPP&E Revaluation Reserve	Financial Asset Revaluation Reserve	Accumulated surplus	Revaluation reserve	IPP&E revaluation reserve	Financial Asset Revaluation Reserve	Total equity
Opening balance		1,330,907	705,106	541	2,036,554	1,277,084	639,253	551	1,916,888	
Net operating result for the year		38,688	-	-	38,688	53,813	-	-	53,813	
Other comprehensive income										
- Gain (loss) on revaluation of IPP&E	10a	-	22,127	-	22,127	-	77,397	-	77,397	
- Gain (loss) on revaluation of available for sale investments		(25)	-	25	-	-	-	-	-	
- Gain (loss) on revaluation of other reserves		-	-	-	-	10	-	(10)	-	
- Other reserves movements		-	-	-	-	-	(11,544)	-	(11,544)	
Other comprehensive income		(25)	22,127	25	22,127	10	65,853	(10)	65,853	
Total comprehensive income		38,663	22,127	25	60,815	53,823	65,853	(10)	119,666	
Equity – balance at end of the reporting period		1,369,570	727,233	566	2,097,369	1,330,907	705,106	541	2,036,554	

Coffs Harbour City Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
94,845	Rates and annual charges		93,367	90,444
30,750	User charges and fees		37,862	34,915
5,140	Investment and interest revenue received		6,506	6,656
38,413	Grants and contributions		38,125	27,970
–	Bonds, deposits and retention amounts received		60	541
15,171	Other		24,431	36,593
Payments:				
(44,218)	Employee benefits and on-costs		(45,501)	(42,131)
(52,233)	Materials and contracts		(62,177)	(53,977)
(10,621)	Borrowing costs		(10,586)	(11,498)
(12,818)	Other		(11,533)	(13,223)
64,429	Net cash provided (or used in) operating activities	16b	70,554	76,290
Cash flows from investing activities				
Receipts:				
58,100	Sale of investment securities		50,045	45,311
–	Sale of infrastructure, property, plant and equipment		1,493	1,967
Payments:				
(54,100)	Purchase of investment securities		(65,454)	(62,732)
(58,482)	Purchase of infrastructure, property, plant and equipment		(41,844)	(39,849)
(54,482)	Net cash provided (or used in) investing activities		(55,760)	(55,303)
Cash flows from financing activities				
Receipts:				
4,720	Proceeds from borrowings and advances		4,720	–
Payments:				
(14,600)	Repayment of borrowings and advances		(14,570)	(14,510)
(9,880)	Net cash flow provided (used in) financing activities		(9,850)	(14,510)
67	Net increase/(decrease) in cash and cash equivalents		4,944	6,477
178,000	Plus: cash and cash equivalents – beginning of year	16a	17,551	11,074
178,067	Cash and cash equivalents – end of the year	16a	22,495	17,551

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25/10/2018.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 23 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties –refer Note 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (iii) estimated tip remediation provisions – refer Note 14,
- (iv) employee benefit provisions – refer Note 14.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- *General Purpose Operations*
- *Water Supply*
- *Sewerage Service*
- *Airport Operations*
- *CitySmart Solutions (previously Telecommunications & New Technology)*
- *Coastal Works*
- *Environmental Laboratory*

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets subject to Council's control have been included in these reports.

Goods and Services Tax (GST)

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods for Council beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods for Council beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 1058 will replace AASB 1004 Contributions and AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance Services	77	249	3,638	3,789	(3,561)	(3,540)	-	-	105	141
Office of the General Manager	-	-	560	498	(560)	(498)	-	-	5	-
Domestic Waste Management	21,957	21,467	15,152	11,085	6,805	10,382	-	-	9,395	8,505
Non Domestic Waste Management	6,579	6,282	5,451	3,782	1,128	2,500	107	197	7,687	6,958
Airport	8,447	11,792	6,456	4,954	1,991	6,838	470	4,526	87,379	90,907
Business Systems	92	14	3,574	3,117	(3,482)	(3,103)	-	-	2,109	2,602
CitySmart Solutions	3,062	1,525	2,727	2,237	335	(712)	-	-	1,036	1,597
Organisational Development	92	156	1,610	1,331	(1,518)	(1,175)	-	-	1	2
Customer Services	59	67	2,458	2,397	(2,399)	(2,330)	-	-	43	-
Environmental Laboratory	700	552	634	510	66	42	-	-	1,573	1,768
Coastal Works	3,580	3,335	3,056	2,604	524	731	-	-	265	1,219
Water Supplies	26,792	26,908	17,698	18,153	9,094	8,755	-	-	438,829	432,799
Sewer Services	35,215	48,106	25,253	37,859	9,962	10,247	-	10	541,292	532,038
Business Services	-	-	376	364	(376)	(364)	-	-	-	-
Financial Services and Logistics	50,608	50,768	19,433	18,186	31,175	32,582	8,897	11,921	280,571	243,416
Sustainable Communities	-	(2)	359	313	(359)	(315)	-	-	-	-
Cultural Services	1,630	857	4,047	3,399	(2,417)	(2,542)	883	242	2,619	1,784
Community Services	155	98	2,085	1,933	(1,930)	(1,835)	105	68	191	207
Sustainable Places	3,327	3,715	5,770	5,886	(2,443)	(2,171)	186	467	496	550
City Prosperity	3,399	1,820	4,911	5,089	(1,512)	(3,269)	2,131	323	4,883	490
Sustainable Infrastructure	548	1,688	1,399	1,438	(851)	250	546	1,639	3,138	3,745
Infrastructure Construction and Maintenance	36,337	36,459	34,359	29,923	1,978	6,536	8,217	6,464	902,053	898,547
Strategic Asset Management	666	529	3,522	3,561	(2,856)	(3,032)	287	252	754	1,987
Business Improvement	-	-	398	517	(398)	(517)	-	-	-	-
Holiday Parks and Reserves	6,155	2,704	5,863	2,351	292	353	-	-	-	-
Total functions and activities	209,477	219,089	170,789	165,276	38,688	53,813	21,829	26,109	2,284,425	2,229,262

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 Services

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance, internal audit, legal advice, insurance services.

Office of the General Manager

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

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.

Airport

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

Business Systems

Hardware and software acquisition and maintenance, rural house numbering, geographical information services, telecommunications

CitySmart Solutions

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

Organisational Development

Training, selection, recruitment, induction, Occupational Health and Safety, Workers Compensation management, health and wellbeing program.

Customer Services

Provision of administration and customer services, record management.

Environmental Laboratory

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

Coastal Works

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

Water Supplies

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 Services

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

Business Services

Support for the provision of Council's Corporate Services and Business Unit functions

Financial Services and Logistics

Provision of financial services, property management, fleet management, plant hire, maintenance and repair of Council buildings, lease management, swimming pools and commercial property management.

Sustainable Communities

Support for the provision of Council's Community and Cultural Services, Sustainable Places and City Prosperity functions.

Cultural Services

Library Services, Museum, Art Gallery, Theatre, Community Centres, and Cultural and Community Industries Development.

Community Services

Lifeguard Services, Community Engagement, Sustainable Living, Community Programs, Youth Services and Aboriginal Services.

Sustainable Places

Sustainable and Precinct Planning, Development Assessment and Building Services, Environmental Services, Public Health and Safety and Ranger Services.

City Prosperity

Economic Development, Event Management, Coffs Harbour International Stadium, Tourism and Marketing, Sports Facilities.

Sustainable Infrastructure

Support for the provision of Council's Infrastructure Planning, Provision and Maintenance.

Infrastructure Construction and Maintenance

Construction and Maintenance of Roads, Bridges, Recreational Services, Footpaths and Cycleways, Parking, Quarries and Drainage.

Strategic Asset Management

Planning and Project Management of Councils Capital Works, Asset Management, Survey and Design, Contracts and Subdivisions.

Business Improvement

Support for the Council in Continuous Improvement Program.

Holiday Parks and Reserves

Provision and management of Holiday Parks and Reserve Trusts.

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	35,663	34,056
Farmland	888	1,498
Business	8,191	8,128
Less: pensioner rebates (mandatory)	(1,556)	(1,571)
Total ordinary rates	43,186	42,111
Special rates		
Environmental	1,397	1,363
less pensioner rebates (Council policy)	(129)	(129)
Total special rates	1,268	1,234
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	19,433	18,844
Stormwater management services	706	698
Water supply services	4,605	4,541
Sewerage services	23,616	23,356
Waste management services (non-domestic)	1,884	1,830
Other	163	160
Less: pensioner rebates (mandatory)	(920)	(928)
Less: pensioner rebates (Council policy)	(523)	(527)
Total annual charges	48,964	47,974
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>93,418</u>	<u>91,319</u>

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

Accounting policy for rates and annual charges

Rates and annual charges are recognised as revenue 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.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	1,118	1,494
Water supply services	15,418	14,467
Sewerage services	2,875	2,613
Waste management services (non-domestic)	2,942	3,194
Other	39	50
Total specific user charges	22,392	21,818
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	1,465	1,343
Private works – section 67	344	134
Regulatory/ statutory fees	123	136
Regulatory fees	806	835
Section 149 certificates (EPA Act)	155	154
Section 603 certificates	152	160
Other	57	57
Total fees and charges – statutory/regulatory	3,102	2,819
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	6,128	5,576
Cemeteries	255	298
Community centres	182	92
Fire and emergency services levy (FESL) implementation	–	113
Lease rentals	93	81
Waste disposal tipping fees	985	–
Water supply recovery charges	124	99
Community village income	–	3
Laboratory income	655	501
Sports stadium	248	251
Other	603	833
Total fees and charges – other	9,273	7,847
TOTAL USER CHARGES AND FEES	34,767	32,484

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	397	411
– Cash and investments	5,961	6,158
– Deferred debtors	13	11
– Other	15	1
Dividend income	35	68
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	81	390
Fair valuation of financial liabilities on recognition		
– Interest free (or favourable) loans and advances received	22	30
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>6,524</u>	<u>7,069</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	397	411
General Council cash and investments	701	278
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	546	657
– Section 64	45	18
Water fund operations	1,001	1,118
Sewerage fund operations	1,362	1,772
Domestic waste management operations	492	404
Restricted investments/funds – internal:		
Internally restricted assets	1,980	2,411
Total interest and investment revenue recognised	6,524	7,069

Accounting policy for interest and investment revenue

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(d) Other revenues		
Rental income – other council properties	2,372	2,234
Fines	378	414
Legal fees recovery – other	–	44
Commissions and agency fees	33	56
Insurance claim recoveries	34	99
Airport parking	1,237	1,167
Conferences	86	156
ICT projects and consultancy	1,704	236
Jetty theatre revenue	169	171
Nursery sales	(4)	336
Optical fibre lease	36	57
CDO recoupment	–	219
Banana sales from reuse trial	81	96
Recoverable rates legals	272	65
Sports stadium food and drink	560	566
Sale of switchboards	1,356	1,206
Reimbursements	286	298
Holiday parks revenue	6,153	2,704
Risk mitigation incentives	73	149
Waste revenue	204	192
Sewer revenue	37	107
Coastal Works income	3,214	2,705
Other	376	855
<u>TOTAL OTHER REVENUE</u>	<u>18,657</u>	<u>14,132</u>

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

Sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,616	4,947	–	–
Financial assistance – local roads component	1,054	2,010	–	–
Payment in advance – future year allocation				
Financial assistance – general component	2,686	2,558	–	–
Financial assistance – local roads component	1,081	1,031	–	–
Other				
Pensioners' rates subsidies – general component	856	864	–	–
Total general purpose	8,293	11,410	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	256	259	–	–
– Sewerage	250	252	–	–
Sewerage services	–	–	–	10
Bushfire and emergency services	369	343	177	1,296
Community care	70	71	–	–
Community centres	–	–	408	–
Environmental protection	278	613	37	22
Heritage and cultural	12	11	–	–
Library	411	135	63	104
Noxious weeds	160	144	–	–
Recreation and culture	–	–	276	193
Street lighting	151	148	–	–
Transport (roads to recovery)	1,865	2,129	–	–
Transport (other roads and bridges funding)	1,151	1,033	1,334	1,011
Boat ramps and facilities	–	–	18	–
Airport	–	–	470	4,526
Jetty4shores	–	–	2,735	1,870
Sports Stadium	–	–	1,895	–
Footpaths and cycleways	–	–	41	112
Flood studies and mitigation works	–	28	565	14
Natural disaster	455	22	–	–
Orara river health	60	60	–	–
Other	5	115	24	178
Total specific purpose	5,493	5,363	8,043	9,336
Total grants	13,786	16,773	8,043	9,336
Grant revenue is attributable to:				
– Commonwealth funding	1,865	2,129	5,658	2,462
– State funding	11,919	14,630	2,352	6,762
– Other funding	2	14	33	112
	13,786	16,773	8,043	9,336

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	3,614	3,707
S 64 – water supply contributions		–	–	4,703	3,511
S 64 – sewerage service contributions		–	–	4,317	3,082
S 64 – stormwater contributions		–	–	57	106
Other developer contributions		–	–	808	140
Total developer contributions – cash		–	–	13,499	10,546
Total developer contributions	25	–	–	13,499	10,546
Other contributions:					
Cash contributions					
Bushfire services		2	2	–	–
Community services		–	–	5	193
Kerb and gutter		–	–	193	–
Recreation and culture		97	190	155	363
Roads and bridges		–	–	5	107
RMS contributions (regional roads, block grant)		120	122	–	–
Caravan parks		141	130	–	–
Contributions to works		2,281	4,049	–	–
Diesel fuel rebate		179	353	–	–
Vehicle lease payments		368	389	–	–
Other		66	55	27	79
Total other contributions – cash		3,254	5,290	385	742
Non-cash contributions					
Dedications – subdivisions (other than by s7.11)		–	–	13,587	13,598
Assets recognised for the first time		–	–	3,557	17,800
Total other contributions – non-cash		–	–	17,144	31,398
Total other contributions		3,254	5,290	17,529	32,140
Total contributions		3,254	5,290	31,028	42,686
TOTAL GRANTS AND CONTRIBUTIONS		17,040	22,063	39,071	52,022

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

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.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	4,107	624
Add: operating grants recognised in the current period but not yet spent	3,992	3,720
Less: operating grants recognised in a previous reporting period now spent	(3,969)	(237)
Unexpended and held as restricted assets (operating grants)	<u>4,130</u>	<u>4,107</u>
Capital grants		
Unexpended at the close of the previous reporting period	606	242
Add: capital grants recognised in the current period but not yet spent	426	477
Less: capital grants recognised in a previous reporting period now spent	(516)	(113)
Unexpended and held as restricted assets (capital grants)	<u>516</u>	<u>606</u>
Contributions		
Unexpended at the close of the previous reporting period	18,901	15,395
Add: contributions recognised in the current period but not yet spent	14,142	11,222
Less: contributions recognised in a previous reporting period now spent	(11,656)	(7,716)
Unexpended and held as restricted assets (contributions)	<u>21,387</u>	<u>18,901</u>

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	36,242	34,762
Employee termination costs	105	543
Travel expenses	2	2
Employee leave entitlements (ELE)	7,064	5,767
Superannuation – defined contribution plans	3,355	3,429
Superannuation – defined benefit plans	1,025	1,058
Workers' compensation insurance	1,264	1,875
Fringe benefit tax (FBT)	52	48
Payroll tax	540	431
Training costs (other than salaries and wages)	724	430
Protective clothing	157	149
Other	63	86
Total employee costs	50,593	48,580
Less: capitalised costs	(4,243)	(5,848)
TOTAL EMPLOYEE COSTS EXPENSED	46,350	42,732
Number of 'full-time equivalent' employees (FTE) at year end	564	550

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	10,451	11,364
Total interest bearing liability costs expensed	10,451	11,364

(ii) Other borrowing costs

Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	14	81
Interest applicable on interest free (and favourable) loans to Council	69	93
Total other borrowing costs	150	1,363
TOTAL BORROWING COSTS EXPENSED	10,601	12,727

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	25,240	22,948
Contractor and consultancy costs	62,705	39,525
Auditors remuneration ⁽²⁾	189	120
Legal expenses:		
– Legal expenses: planning and development	184	86
– Legal expenses: other	410	159
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	22	70
Other	4	–
Total materials and contracts	88,754	62,908
Less: capitalised costs	(35,529)	(17,950)
TOTAL MATERIALS AND CONTRACTS	53,225	44,958
Operating leases		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
1. Operating lease payments are attributable to:		
Buildings	22	70
	22	70
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	124	120
Remuneration for audit and other assurance services	124	120
Total Auditor-General remuneration	124	120
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Other audit and assurance services	56	–
Other audit and assurance services – asset management review	7	–
Remuneration for audit and other assurance services	63	–
(ii) Non-assurance services		
Other services	2	–
Remuneration for non-assurance services	2	–
Total remuneration of non NSW Auditor-General audit firms	65	–
Total Auditor remuneration	189	120

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		3,774	3,745
Office equipment		462	380
Furniture and fittings		167	157
Land improvements (depreciable)		440	284
Infrastructure:			
– Buildings – non-specialised		1,109	606
– Buildings – specialised		1,176	509
– Roads		13,911	10,906
– Bridges		658	755
– Footpaths		780	811
– Stormwater drainage		1,746	1,679
– Water supply network		5,153	5,094
– Sewerage network		10,482	10,645
– Swimming pools		89	86
– Other open space/recreational assets		871	848
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10 & 14	457	447
Intangible assets	12	1,154	1,123
Total depreciation and amortisation costs		42,429	38,075
Impairment / revaluation decrement of IPP&E			
Land Under Roads		1,356	1,054
Infrastructure:			
– Buildings – specialised		17	–
Total IPP&E impairment / revaluation decrement costs / (reversals)		1,373	1,054
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		43,802	39,129

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for intangible assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Bad and doubtful debts	21	–
Bank charges	248	222
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	1,147	1,126
– Contributions to regional parks	330	264
– Contributions to state parks	1,103	982
– Other contributions/levies	122	–
Councillor expenses – mayoral fee	42	40
Councillor expenses – councillors' fees	170	164
Councillors' expenses (incl. mayor) – other (excluding fees above)	70	72
Donations, contributions and assistance to other organisations (Section 356)	668	1,183
Election expenses	–	421
Electricity and heating	3,346	2,507
Insurance	1,702	1,695
Legal expenses for CDO investment recoupment	–	68
Office expenses (including computer expenses)	94	70
Postage	235	225
Printing and stationery	304	283
Street lighting	1,105	858
Subscriptions and publications	650	531
Telephone and communications	473	403
Valuation fees	241	193
Other	151	115
<u>TOTAL OTHER EXPENSES</u>	<u>12,222</u>	<u>11,422</u>

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Less: carrying amount of property assets sold/written off		(1,014)	(64)
Net gain/(loss) on disposal		(1,014)	(64)
Plant and equipment	10		
Proceeds from disposal – plant and equipment		1,435	966
Less: carrying amount of plant and equipment assets sold/written off		(1,283)	(929)
Net gain/(loss) on disposal		152	37
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(3,776)	(18,497)
Net gain/(loss) on disposal		(3,776)	(18,497)
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		50,045	45,311
Less: carrying amount of financial assets sold/redeemed/matured		(50,045)	(45,311)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’	9		
Proceeds from disposal – non-current assets ‘held for sale’		58	1,001
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(987)
Net gain/(loss) on disposal		58	14
Tip Reinstatement Amortisation			
Proceeds from disposal – Tip Reinstatement Amortisation		–	3,586
Net gain/(loss) on disposal		–	3,586
Regional Water Supply Amortisation			
Proceeds from disposal – Regional Water Supply Amortisation		–	616
Net gain/(loss) on disposal		–	616
Other			
Less: carrying amount of Other assets sold/written off		(9)	–
Net gain/(loss) on disposal		(9)	–
NET LOSS ON DISPOSAL OF ASSETS		(4,589)	(14,308)

Accounting policy for disposal of assets

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

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	5,814	4,095
Deposits at call	16,681	13,456
Total cash and cash equivalents	22,495	17,551

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
'Held to maturity'	79,750	44,385	48,843	36,791
'Loans to Non Profit Organisations'	31	193	29	223
'Available for sale'	9,100	56,832	8,936	79,979
Total investments	88,881	101,410	57,808	116,993
Held to maturity investments				
Long term deposits	79,750	20,500	48,843	36,250
Unlisted equity securities	–	566	–	541
Floating rate term deposits	–	23,319	–	–
Total	79,750	44,385	48,843	36,791
Loans				
Non Profit Organisations	31	193	29	223
Total	31	193	29	223
Available for sale financial assets				
NCD's, FRN's (with maturities > 3 months)	9,100	54,819	8,936	79,979
Fixed coupon bonds	–	2,013	–	–
Total	9,100	56,832	8,936	79,979

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments (continued)

Accounting policy for investments

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(a) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

(b) Loans to Non Profit Organisation

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

(c) 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 are 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. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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.

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	111,376	101,410	75,359	116,993
attributable to:				
External restrictions (refer below)	41,768	90,057	38,465	80,813
Internal restrictions (refer below)	65,080	11,353	32,891	35,957
Unrestricted	4,528	–	4,003	223
	111,376	101,410	75,359	116,993

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – water	19,720	19,819
Specific purpose unexpended loans – sewer	26,457	26,457
External restrictions – included in liabilities	46,177	46,276

External restrictions – other

Developer contributions – general	18,974	18,253
Developer contributions – water fund	628	410
Developer contributions – sewer fund	1,785	238
Specific purpose unexpended grants	4,646	4,713
Water supplies	13,996	14,657
Sewerage services	25,958	20,244
Domestic waste management	19,661	14,487
External restrictions – other	85,648	73,002
Total external restrictions	131,825	119,278

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	13,953	11,748
Employees leave entitlement	8,708	7,062
Deposits, retentions and bonds	980	808
Unexpended grants – general	239	870
RMS contributions – Sapphire to Woolgoolga	3,791	3,933
Environmental levy	282	226
Community facilities	2,426	2,285
Environmental laboratory business unit	1,709	1,446
Car parking upgrade	1,205	1,169
Strategic initiatives	2,696	2,691
Coastal works business unit	1,264	1,185
RMS contributions – pine creek hand over	2,243	2,218
Flood mitigation works	4,609	6,916
Citysmart solutions business unit	37	14
Unexpended loans – general	6,502	2,340
Coffs Harbour regional airport business unit	856	16
Waste management – non-domestic	7,910	5,332
Infrastructure assets renewal – general	9,041	8,886
CBD masterplan	1,207	1,439
Jetty4shores recreation hub	267	3,291
Transition To Sustainability ("T2S") savings	6,142	4,819
Renewable energy	260	154
Other	106	–
Total internal restrictions	76,433	68,848
TOTAL RESTRICTIONS	208,258	188,126

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	3,503	2,049	3,582	1,919
Interest and extra charges	552	495	524	407
User charges and fees	2,453	45	2,300	46
Private works	1,341	–	1,178	–
Accrued revenues				
– Interest on investments	1,126	–	1,327	–
– User charges and fees	2,306	–	2,150	–
Government grants and subsidies	1,271	149	346	232
Net GST receivable	47	–	438	–
Airport landing charges	1,735	43	1,741	44
Switchboard sales	755	–	567	–
Caravan parks	2,901	–	2,092	–
Tip charges	315	–	328	–
Lease rentals	122	–	124	–
Environmental lab	90	–	101	–
Other debtors	725	21	971	29
Total	19,242	2,802	17,769	2,677
Less: provision for impairment				
Other debtors	(64)	–	(50)	–
Total provision for impairment – receivables	(64)	–	(50)	–
TOTAL NET RECEIVABLES	19,178	2,802	17,719	2,677
Externally restricted receivables				
Water supply				
– Rates and availability charges	146	98	158	86
– Other	3,944	37	3,604	38
Sewerage services				
– Rates and availability charges	810	555	860	495
– Other	790	7	2,836	8
Domestic waste management	695	–	1,214	–
Total external restrictions	6,385	697	8,672	627
Internally restricted receivables				
Non Domestic Waste management	569	–	994	–
Internally restricted receivables	569	–	994	–
Unrestricted receivables	12,224	2,105	8,053	2,050
TOTAL NET RECEIVABLES	19,178	2,802	17,719	2,677
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			50	59
+ new provisions recognised during the year			21	8
– amounts already provided for and written off this year			(7)	(7)
– amounts provided for but recovered during the year			–	(10)
Balance at the end of the year			64	50

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	1,235	–	1,368	–
Trading stock	1,049	–	477	–
TOTAL INVENTORIES	2,284	–	1,845	–
(b) Other assets				
Prepayments	490	–	632	–
Work in progress	260	–	464	–
Accrued Revenue	2,291	–	2,076	–
TOTAL OTHER ASSETS	3,041	–	3,172	–
Externally restricted assets				
Water				
Stores and materials	230	–	228	–
Total water	230	–	228	–
Domestic waste management				
Stores and materials	40	–	246	–
Total domestic waste management	40	–	246	–
Other				
Accrued Revenue	2,291	–	2,076	–
Total other	2,291	–	2,076	–
Total externally restricted assets	2,561	–	2,550	–
Total internally restricted assets	2,323	–	2,277	–
Total unrestricted assets	441	–	190	–
TOTAL INVENTORIES AND OTHER ASSETS	5,325	–	5,017	–

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

Inventory held for distribution

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Non-current assets classified as held for sale

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Non-current assets 'held for sale'				
Land	505	–	505	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	505	–	505	–

Land classified as Non Current Assets Held for Sale represent parcels of land that Council is committed to sell and it is expected that those sale will occur in the subsequent financial year.

\$ '000	Assets 'held for sale'	
	2018	2017
	505	1,492
Less: carrying value of assets	–	(987)
Balance still unsold after 12 months:	505	505
Closing balance non-current asset 'held for sale'	505	505

Reconciliation of non-current assets 'held for sale'

Opening balance	505	1,492
Less: carrying value of assets	–	(987)
Balance still unsold after 12 months:	505	505
Closing balance non-current asset 'held for sale'	505	505

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment

Asset class	Asset movements during the reporting period										as at 30/6/2018						
	as at 30/6/2017					Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal / prior period revaluation decrements reversal (via P&L)	WIP transfers	Adjustments and transfers	Assets Recognised for the first time	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount														
\$ '000																	
Capital work in progress	40,678	–	40,678	11,646	10,312	(25)	–	–	(34,522)	–	–	–	–	28,089	–	28,089	
Plant and equipment	41,166	24,250	16,916	3,737	138	(1,163)	(3,774)	–	319	39	–	–	–	41,100	24,888	16,212	
Office equipment	4,495	3,503	992	398	–	(114)	(462)	–	–	–	(14)	–	–	2,552	1,752	800	
Furniture and fittings	3,723	2,081	1,642	67	–	–	(167)	–	80	–	–	–	–	3,871	2,249	1,622	
Land:																	
– Operational land	122,007	–	122,007	–	–	–	–	–	520	–	–	–	12,001	134,528	–	134,528	
– Community land	33,790	–	33,790	–	470	(106)	–	–	–	–	–	–	5,749	39,903	–	39,903	
– Land under roads (post 30/6/08)	2,196	–	2,196	–	2,206	–	–	(1,356)	–	–	–	–	–	3,046	–	3,046	
Land improvements – depreciable	20,956	16,484	4,472	3	95	–	(440)	–	681	–	–	–	–	21,733	16,922	4,811	
Infrastructure:																	
– Buildings – non-specialised	55,392	7,006	48,386	201	428	(578)	(1,109)	–	482	2,455	109	–	(3,750)	67,352	20,728	46,624	
– Buildings – specialised	55,378	6,536	48,842	1,423	–	(329)	(1,176)	(17)	2,720	870	24,893	–	(8,293)	90,466	21,533	68,933	
– Roads	589,191	153,311	435,880	1,684	4,627	(1,145)	(13,911)	–	9,321	–	(24,339)	–	–	576,964	164,847	412,117	
– Bridges	70,410	7,717	62,693	75	237	(314)	(658)	–	599	–	2,177	–	–	73,329	8,520	64,809	
– Footpaths	49,193	9,045	40,148	9	5,136	(108)	(780)	–	2,161	–	(1,803)	–	–	54,940	10,177	44,763	
– Bulk earthworks (non-depreciable)	135,621	–	135,621	630	621	(250)	–	–	818	–	–	–	–	137,440	–	137,440	
– Stormwater drainage	199,562	44,879	154,683	530	2,454	(298)	(1,746)	–	2,833	–	–	–	–	204,977	46,521	158,456	
– Water supply network	432,915	107,896	325,019	2,054	2,010	(1,016)	(5,153)	–	10,077	–	(277)	–	6,693	454,401	114,994	339,407	
– Sewerage network	638,983	174,125	464,858	506	3,392	(579)	(10,482)	–	2,817	–	(412)	–	9,528	657,331	187,703	469,628	
– Swimming pools	4,356	1,900	2,456	–	–	–	(89)	–	–	–	–	–	–	4,356	1,989	2,367	
– Other open space/recreational assets	22,503	12,587	9,916	26	1,459	(39)	(871)	–	1,041	–	(348)	–	–	23,772	12,588	11,184	
Other assets:																	
– Other	1,282	–	1,282	–	194	(9)	–	–	25	194	–	–	199	1,885	–	1,885	
Reinstatement, rehabilitation and restoration assets (refer Note 14):																	
– Tip assets	4,523	2,239	2,284	–	–	–	(457)	–	–	–	92	–	–	4,615	2,696	1,919	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,528,320	573,559	1,954,761	22,989	33,779	(6,073)	(41,275)	(1,373)	(28)	3,558	78	78	22,127	2,626,650	638,107	1,988,543	

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Buildings	Years
Office equipment	3 to 7	Buildings	25 to 50
Office furniture	5 to 25		
Computer equipment	3		
Vehicles	5 to 8	Land improvements	
Heavy plant/road making equipment	5 to 8	Activity area	5 to 60
Other plant and equipment	5 to 15	Landscape area	5
Water and sewer assets		Stormwater assets	
Pump stations	68 to 98	Drains	80 to 100
Mains	59 to 168	Pipes, pits and culverts	60 to 120
Treatment plants	23 to 163	Gross pollutant traps	30
Dams and reservoirs	11 to 159		
Telemetry	10 to 15		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	18 to 22	Bulk earthworks	Infinite
Sealed roads: structure	52	Swimming pools	50
Unsealed roads	40	Other open space/recreational assets	5 to 60
Bridge: concrete	120	Playground equipment	15 to 20
Bridge: other	60	Benches, seats etc	15 to 30
Footpaths and cycleways	18 to 100		
Kerb, gutter and paths	100		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

Crown Reserves are not recognised as assets of the Council as 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 recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	2,995	–	2,995	11,236	–	11,236
Plant and equipment	1,794	1,562	232	1,793	1,466	327
Office equipment	233	233	–	233	230	3
Land						
– Operational land	5,259	–	5,259	4,773	–	4,773
Buildings	287	28	259	–	–	–
Infrastructure	454,401	114,994	339,407	432,915	107,896	325,019
Total water supply	464,969	116,817	348,152	450,950	109,592	341,358
Sewerage services						
WIP	1,546	–	1,546	3,361	–	3,361
Plant and equipment	82	73	9	82	71	11
Office equipment	70	68	2	70	57	13
Furniture and fittings	78	78	–	78	78	–
Land						
– Operational land	13,369	–	13,369	12,651	–	12,651
Buildings	518	56	462	–	–	–
Infrastructure	657,331	187,703	469,628	638,983	174,125	464,858
Other assets	–	–	–	6	–	6
Total sewerage services	672,994	187,978	485,016	655,231	174,331	480,900
Domestic waste management						
WIP	261	–	261	–	–	–
Plant and equipment	173	165	8	173	162	11
Office equipment	4	3	1	4	2	2
Land						
– Operational land	6,455	–	6,455	6,029	–	6,029
Buildings	1,283	403	880	1,117	156	961
Other structures	331	101	229	–	–	–
Infrastructure	2,494	1,483	1,011	4,461	3,204	1,256
Total DWM	11,001	2,155	8,845	11,783	3,524	8,259
TOTAL RESTRICTED IPP&E	1,148,964	306,950	842,013	1,117,964	287,447	830,517

Note 10(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2018	2017
Reversal of impairment losses previously recognised in the Income Statement:			
Land Under Roads and Buildings Specialised		(1,373)	(1,054)
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	(1,373)	(1,054)

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
Reconciliation of annual movement:		
Opening balance	–	2,798
– Transfers from/(to) owner occupied (Note 10)	–	(2,798)
CLOSING BALANCE – INVESTMENT PROPERTY	–	–

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

Note 12. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values as at 1 July 2017		
Gross book value	64,456	74,983
Accumulated amortisation	(8,225)	(8,930)
Net book value – opening balance	56,231	66,053
Movements for the year		
– Purchases	209	2,229
– Amortisation charges	(1,154)	(1,123)
– Gross book value written off	–	(12,756)
– Accumulated amortisation charges written off	–	1,828
Closing values as at 30 June 2018:		
Gross book value	64,665	64,456
Accumulated amortisation	(9,379)	(8,225)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	55,286	56,231
¹ The net book value of intangible assets represent:		
– Software	1,549	1,938
– Regional water supply scheme (right to receive water from Clarence Valley Council)	51,817	52,373
– Goodwill on purchase of commercial operation	1,920	1,920
	55,286	56,231

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Intangible assets (continued)

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

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

Goodwill on Acquisition of Commercial Operation

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

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

Goodwill is an indefinite life intangible asset and is tested for impairment annually based upon the value in use method of valuation.

The impairment test was conducted at 30 June 2018 and the value in use indicated that there was no impairment of the carrying amount.

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

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

Regional Water Supply Scheme Intangible Asset

Council has contributed to the construction of Regional Water Supply Scheme infrastructure assets that are not controlled by Council to secure water supply entitlements. The contributions are classified as an intangible asset with a definite life as the Council has obligations to contribute to the operation and replacement of the Regional Water Supply Scheme infrastructure assets which have limited effective economic lives.

The intangible asset is amortised relative to the effective economic lives of the Regional Water Supply Scheme infrastructure assets. Amortisation is calculated on a straight line basis over 100 years.

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	1,765	–	2,039	–
Goods and services – capital expenditure	1,776	–	170	–
Accrued expenses:				
– Borrowings	1,288	–	1,423	–
– Salaries and wages	782	–	337	–
– Other expenditure accruals	2,455	–	1,425	–
Security bonds, deposits and retentions	1,265	–	1,205	–
Other	673	–	16	–
Total payables	10,004	–	6,615	–
Income received in advance				
Payments received in advance	1,944	–	1,760	–
Total income received in advance	1,944	–	1,760	–
Borrowings				
Loans – secured ¹	15,194	139,021	14,522	149,496
Total borrowings	15,194	139,021	14,522	149,496
TOTAL PAYABLES AND BORROWINGS	27,142	139,021	22,897	149,496

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	8,824	56,683	7,684	62,307
Sewer	8,108	64,881	8,469	71,703
Domestic waste management	307	–	257	–
Payables and borrowings relating to externally restricted assets	17,239	121,564	16,410	134,010
Internally restricted assets				
Non Domestic Waste management	251	–	211	–
Payables and borrowings relating to internally restricted assets	251	–	211	–
Total payables and borrowings relating to restricted assets	17,490	121,564	16,621	134,010
Total payables and borrowings relating to unrestricted assets	9,652	17,457	6,276	15,486
TOTAL PAYABLES AND BORROWINGS	27,142	139,021	22,897	149,496

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.

Payables – security bonds, deposits and retentions	1,265	1,205
	<u>1,265</u>	<u>1,205</u>

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	164,018	(14,523)	4,720	–	–	154,215
TOTAL	164,018	(14,523)	4,720	–	–	154,215

\$ '000	2018	2017
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(d) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Credit cards/purchase cards	1,200	1,200
Loan facilities	154,215	164,018
Total financing arrangements	155,415	165,218

Drawn facilities as at balance date:

– Credit cards/purchase cards	298	341
– Loan facilities	154,215	164,018
Total drawn financing arrangements	154,513	164,359

Undrawn facilities as at balance date:

– Credit cards/purchase cards	902	859
Total undrawn financing arrangements	902	859

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	3,365	–	3,049	–
Sick leave	181	–	198	–
Long service leave	8,800	839	8,580	596
Accrued leave	212	–	185	–
ELE on-costs	1,775	129	2,177	112
Asset remediation/restoration:				
Tip asset remediation & restoration	–	5,592	–	5,418
Sub-total – asset remediation/restoration	–	5,592	–	5,418
TOTAL PROVISIONS	14,333	6,560	14,189	6,126

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1,860	80	740	39
Sewer	975	25	386	15
Domestic waste management	109	3,045	124	2,988
Provisions relating to externally restricted assets	2,944	3,150	1,250	3,042
Internally restricted assets				
Non Domestic Waste Management	90	2,491	101	2,444
Provisions relating to internally restricted assets	90	2,491	101	2,444
Total provisions relating to restricted assets	3,034	5,641	1,351	5,486
Total provisions relating to unrestricted assets	11,299	919	12,838	640
TOTAL PROVISIONS	14,333	6,560	14,189	6,126

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	11,143	13,896
	11,143	13,896

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	3,049	198	9,176	2,289	185	14,897
Additional provisions	2,864	–	2,018	(385)	196	4,693
Amounts used (payments)	(2,548)	(17)	(1,555)	–	(169)	(4,289)
Total ELE provisions at end of year	3,365	181	9,639	1,904	212	15,301

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	2,835	205	9,029	2,153	130	14,352
Additional provisions	2,933	–	1,198	136	55	4,322
Amounts used (payments)	(2,719)	(7)	(1,051)	–	–	(3,777)
Total ELE provisions at end of year	3,049	198	9,176	2,289	185	14,897

2018	Other provisions	
	Asset remediation	Total
At beginning of year	5,418	5,418
Changes to provision:		
Remeasurement effects	93	93
Unwinding of discount	81	81
Total other provisions at end of year	5,592	5,592

2017	Other provisions	
	Asset remediation	Total
At beginning of year	5,234	5,234
Changes to provision:		
– Revised life	58	58
Remeasurement effects	(1,144)	(1,144)
Unwinding of discount	1,270	1,270
Total other provisions at end of year	5,418	5,418

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip.

Accounting policy for provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

Provisions for close-down and restoration, and environmental clean-up costs – tips

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Rehabilitation

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 reporting 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 reporting 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 unwinding 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.

Other movements in the provisions for close down and restoration 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.

Close down and restoration 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.

Note 15. Revaluation reserves

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Financial Asset Revaluation Reserve

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

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

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 16. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	22,495	17,551
Balance as per the Statement of Cash Flows		22,495	17,551
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		38,688	53,813
Adjust for non-cash items:			
Depreciation and amortisation		42,429	38,075
Net losses/(gains) on disposal of assets		4,589	14,308
Non-cash capital grants and contributions		(17,144)	(29,091)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(81)	(390)
– Favourable financial liabilities (i.e. initial recognition at fair value)		(22)	(30)
– Revaluation decrements / impairments of IPP&E direct to P&L		1,373	1,054
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		69	93
Unwinding of discount rates on reinstatement provisions		81	1,270
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,598)	(1,773)
Increase/(decrease) in provision for doubtful debts		14	(10)
Decrease/(increase) in inventories		(439)	31
Decrease/(increase) in other assets		131	(535)
Increase/(decrease) in payables		(274)	(1,554)
Increase/(decrease) in accrued interest payable		(135)	(134)
Increase/(decrease) in other accrued expenses payable		1,475	1,394
Increase/(decrease) in other liabilities		901	310
Increase/(decrease) in employee leave entitlements		404	545
Increase/(decrease) in other provisions		93	(1,086)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		70,554	76,290
(c) Non-cash investing and financing activities			
Bushfire grants		–	1,261
Assets Recognised for the first time		3,557	17,800
Other dedications (developer)		13,587	26,560
Future reinstatement costs re-measurement		–	1,270
Total non-cash investing and financing activities		17,144	46,891

Coffs Harbour City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Interests in other entities

\$ '000

(a) Unconsolidated structured entities

Council did not consolidate the following structured entities:

1. Coffs Coast State Park Trust

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

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

Management assessed the impact of the Trusts operations to be immaterial to the Financial Statements.

The *Crown Land Management Act 2016* (CLM Act) commenced 1 July 2018 to govern the management of Crown land in NSW. Prior to the CLM Act, Council managed Crown reserves in a number of ways including acting as the appointed manager of individual reserves and as the appointed Corporate Manager of Reserve Trusts (e.g. The Coffs Coast State Park Trust). Under the new Act, the concept of "Reserve Trusts" and "Reserve Trust Managers" is removed and Council is appointed as a "Crown Land Manager" of reserves. All Reserve Trusts have ceased and Council was automatically appointed as Crown Land Manager for all reserves for which they were appointed Reserve Trust Manager.

While Council was appointed as the Crown Land Manager on 1 July 2018, the Government is providing a transitional period of 12 months to enable the necessary operational changes such as updating banking, tax and insurance details associated with Reserve Trusts to be carried out. The Coffs Coast Holiday Parks will no longer be managed as a separate entity by the Coffs Coast State Park Trust, and Council will include their operations in its consolidated fund from 1 July 2018.

Nature of risks relating to the Unconsolidated Structured Entity

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

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

2. Coffs Coast Regional Parks Trust

The Coffs Coast Regional Park Trust was gazetted in 2003 and Council is party to a Memorandum of Understanding and Operational Agreement that together with the Coffs Coast Regional Park Trust Board establishes a framework for joint management and shared responsibility between Council and the Department of Environment and Conservation to manage the area of the Coffs Coast Regional Park. Council is primarily responsible for the provision and maintenance of all facilities and infrastructure, maintenance of areas of open space, maintenance of sewerage infrastructure, provision of access facilities and provision of secretariat services to the Trust Board.

Management assessed the impact of the Trusts operations to be immaterial to the Financial Statements.

Nature of risks relating to the Unconsolidated Structured Entity

There are no material risks to Council relating to the Coffs Coast Regional Parks Trust.

Council has an obligation under the Memorandum of Understanding to contribute financially to the day to day running of the Regional Park.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Interests in other entities (continued)

\$ '000

(a) Unconsolidated structured entities (continued)

3. Coffs Harbour Technology Park Limited

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

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

Nature of risks relating to the Unconsolidated Structured Entity

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

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

4. Prosper Coffs Harbour Limited

Prosper Coffs Harbour Limited is a unlisted public company limited by guarantee that's principal activity is to administer trusts established to secure funding for infrastructure for the ongoing growth and development of the economic, social, cultural and environmental base of the Coffs Harbour community.

The Council is the sole member of the company and the Board of Directors comprise Councillors (25%) Council Executive Staff (25%) and Community Representatives (50%)

The Council's potential share of the net tangible assets of the company are insignificant to Council's operations as the company administers trusts that receive and distribute funds in accordance with trust objectives.

Nature of risks relating to the Unconsolidated Structured Entity

There are no material risks to Council relating to the Prosper Coffs Harbour Limited.

Since the inception of the Prosper Coffs Harbour Limited on 4 January 2012, no agreement exists between the entities that requires Council to provide financial support to the Company or accept liability for any reporting losses.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	36	245
Sewer network	2,118	2
Transport assets	509	–
Water network	2,028	200
Recreational surfaces	282	3,127
Total commitments	4,973	3,574
These expenditures are payable as follows:		
Within the next year	4,973	3,574
Total payable	4,973	3,574
Sources for funding of capital commitments:		
Unrestricted general funds	–	1,127
Section 7.11 and 64 funds/reserves	4,146	202
Unexpended grants	82	1,138
Internally restricted reserves	745	1,107
Total sources of funding	4,973	3,574

Details of capital commitments

Council has tenders and contracts for Capital Works that are in progress as balance date.

The commitments for capital expenditure represent the balance of planned capital works on contracts that will be completed in the subsequent financial year.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies (continued)

CONTINGENT LIABILITIES (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was **\$1,025,399.81**.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is **\$1,143,049.44**.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around **1.29%** of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 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.

Coffs Harbour City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Contingencies (continued)

CONTINGENT LIABILITIES (continued):

1. Guarantees (continued)

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

The Council has provided 15 bank guarantees totalling \$250,691 in the ordinary course of business and apart from these guarantees and the guarantees listed above the council has no other guarantees.

2. Other liabilities

(i) Third party claims

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

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

(ii) 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 (and subsequent land asset) from such potential acquisitions has not been possible.

(iii) Contingent Liability Insurance Claims

Council has been notified of events that may be subject to claims under Public Liability and Professional Indemnity policies of insurance. These events may result in claims and if these claims were successful Council will be liable for an insurance excess payment of \$12,500 if the successful claim is greater than \$12,500.

If the successful claim is less than the insurance excess of \$12,500 then Council is liable for the lesser amount under its policy of self insurance. There are no notified insurance events at 30 June 2018 that have resulted in claims where Council has a present obligation and that present obligation cannot be reliably estimated.

Coffs Harbour City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Contingencies (continued)

CONTINGENT ASSETS:

(i) Infringement notices/fines

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

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

(ii) RMS Land under Dedicated Road

The RMS transferred the Sapphire to Woolgoolga Road to Council control during the year ended 30 June 2016 together with a contribution towards future road maintenance. The land under the road is expected to be transferred during the year ended 30 June 2019 upon finalisation by the RMS of relevant acquisitions, transfer of titles and government gazette.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management

\$ '000

Risk management

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

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

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

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	22,495	17,551	22,495	17,551
Investments				
– 'Held to maturity'	124,135	85,634	124,135	85,634
– 'Loans and receivables'	224	252	224	252
– 'Available for sale'	65,932	88,915	65,932	88,915
Receivables	21,980	20,396	24,271	22,472
Total financial assets	234,766	212,748	237,057	214,824
Financial liabilities				
Payables	10,004	6,615	10,004	6,615
Loans/advances	154,215	164,018	175,857	188,457
Total financial liabilities	164,219	170,633	185,861	195,072

Fair value is determined as follows:

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values	56	56	(56)	(56)
Possible impact of a 1% movement in interest rates	2,084	2,084	(2,084)	(2,084)
2017				
Possible impact of a 10% movement in market values	54	54	(54)	(54)
Possible impact of a 1% movement in interest rates	1,874	1,874	(1,874)	(1,874)

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	66%	0%	73%
Overdue	100%	34%	100%	27%
	100%	100%	100%	100%
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
< 1 year overdue			2,226	2,526
1 – 2 years overdue			1,302	1,203
2 – 5 years overdue			1,705	1,548
> 5 years overdue			319	224
			5,552	5,501
Other receivables				
Current			10,941	10,241
0 – 30 days overdue			1,919	2,534
31 – 60 days overdue			833	654
61 – 90 days overdue			1,077	483
> 91 days overdue			1,722	1,033
			16,492	14,945

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	1,265	8,739	–	–	10,004	10,004
Loans and advances	6.55%	–	15,194	139,021	74,316	228,531	154,215
Total financial liabilities		1,265	23,933	139,021	74,316	238,535	164,219
2017							
Trade/other payables	0.00%	1,205	5,410	–	–	6,615	6,615
Loans and advances	6.66%	–	25,221	94,353	106,221	225,795	164,018
Total financial liabilities		1,205	30,631	94,353	106,221	232,410	170,633

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 28 June 2018 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	94,845	93,418	(1,427)	(2%)	U
User charges and fees	30,750	34,767	4,017	13%	F
Budget variations resulted from differences in the allocation of actual revenue between user charges and fees and other income.					
Interest and investment revenue	5,140	6,524	1,384	27%	F
The budgeted expenditure on capital projects was not achieved and combined with an unbudgeted increase in capital grants resulted in additional funds being available for investment. The continuance of existing and new investments, despite a declining interest rate environment resulted in a better than expected investment return.					
Other revenues	15,171	18,657	3,486	23%	F
The operational cost recovery agreement with Holiday Parks was not budgeted and increased other revenues by \$6.1m. The revenue from Council's Business Units and Commercial Works was higher than budgeted.					
Operating grants and contributions	12,620	17,040	4,420	35%	F
Council received operational grants and contributions during the year that were unbudgeted. Council had budgeted the Roads to Recovery grant as a capital income source due to Council's history of usage of this funding source for capital projects. The funding body does not restrict the usage of the funding to capital projects and accordingly the income from this grant has been recognised as an operational funding source.					
Capital grants and contributions	25,793	39,071	13,278	51%	F
Subdivision dedications of \$13.5m were received during the year and although it was anticipated that Subdivision dedications would arise during the year they were unable to be quantified in the budget.					

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*		
EXPENSES					
Employee benefits and on-costs	44,218	46,350	(2,132)	(5%)	U
Borrowing costs	10,621	10,601	20	0%	F
Materials and contracts	52,233	53,225	(992)	(2%)	U
Depreciation and amortisation	46,170	42,429	3,741	8%	F
Other expenses	12,818	12,222	596	5%	F
Net losses from disposal of assets	-	4,589	(4,589)	0%	U
The derecognition of assets resulting from the revaluation process could not be anticipated or quantified in the budget.					
Revaluation decrement / impairment of IPP&E	-	1,373	(1,373)	0%	U
The decrement in asset values resulting from the revaluation process could not be anticipated or quantified in the budget.					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	64,429	70,554	6,125	9.5%	F
Operating cash flows from User Fees & Charges, Operating Grants and Other Revenue was higher than budget expectations.					
Cash flows from investing activities	(54,482)	(55,760)	(1,278)	2.3%	U
The budgeted expenditure on materials and capital projects did not proceed as expected and these unspent funds were invested.					
Cash flows from financing activities	(9,880)	(9,850)	30	(0.3%)	F

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets

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

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

During a reporting period, Council will measure non-current assets classified as held for sale at fair value on a non-recurring basis if their carrying amount is higher than their fair value and therefore the assets need to be written down to fair value. They are measured at the lower of their carrying amount and fair value less costs to sell.

During the current reporting period, there was no recorded change to the assets measured at fair value on a non-recurring basis. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

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

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

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

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

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

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

2018	Fair value measurement hierarchy			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Financial assets				
Investments				
– 'Available for sale'	65,366	–	–	65,366
Other financial assets	–	566	–	566
Total financial assets	65,366	566	–	65,932

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

\$ '000

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

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	16,212	16,212
Office equipment	–	–	800	800
Furniture and fittings	–	–	1,622	1,622
Operational land	–	134,528	–	134,528
Community land	–	–	39,903	39,903
Land under roads (post 30/6/08)	–	–	3,046	3,046
Land improvements – depreciable	–	–	4,811	4,811
Buildings – non-specialised	–	46,624	–	46,624
Buildings – specialised	–	–	68,933	68,933
Roads	–	–	412,117	412,117
Bridges	–	–	64,809	64,809
Footpaths	–	–	44,763	44,763
Bulk earthworks (non-depreciable)	–	–	137,440	137,440
Stormwater drainage	–	–	158,456	158,456
Water supply network	–	–	339,407	339,407
Sewerage network	–	–	469,628	469,628
Swimming pools	–	–	2,367	2,367
Other open space/recreational assets	–	–	11,184	11,184
Other assets	–	–	1,885	1,885
Tip asset	–	–	1,919	1,919
Total infrastructure, property, plant and equipment	–	181,152	1,779,302	1,960,454
Non-recurring fair value measurements				
Non-current assets classified as 'held for sale'				
Operating Land	–	505	–	505
Total NCA's classified as 'held for sale'	–	505	–	505
2017				
Recurring fair value measurements				
Financial assets				
Investments				
– 'Designated at fair value on initial recognition'	57,269	12,323	–	69,592
– 'Available for sale'	–	541	–	541
Total financial assets	57,269	12,864	–	70,133

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

\$ '000

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	16,916	16,916
Office equipment	–	–	992	992
Furniture and fittings	–	–	1,642	1,642
Operational land	–	122,007	–	122,007
Community land	–	–	33,790	33,790
Land under roads (post 30/6/08)	–	–	2,196	2,196
Land improvements – depreciable	–	–	4,472	4,472
Buildings – non-specialised	–	48,386	–	48,386
Buildings – specialised	–	–	48,842	48,842
Roads	–	–	435,880	435,880
Bridges	–	–	62,693	62,693
Footpaths	–	–	40,148	40,148
Bulk earthworks (non-depreciable)	–	–	135,621	135,621
Stormwater drainage	–	–	154,683	154,683
Water supply network	–	–	325,019	325,019
Sewerage network	–	–	464,858	464,858
Swimming pools	–	–	2,456	2,456
Other open space/recreational assets	–	–	9,916	9,916
Other assets	–	–	1,282	1,282
Tip asset	–	–	2,284	2,284
Total infrastructure, property, plant and equipment	–	170,393	1,743,690	1,914,083
Non-recurring fair value measurements				
Non-current assets classified as 'held for sale'				
Operating Land	–	505	–	505
Total NCA's classified as 'held for sale'	–	505	–	505

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

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

Council's policy for determining transfers between fair value hierarchies is at the end of the reporting period.

Coffs Harbour City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Financial assets

Financial assets are shares in an unlisted public company valued at the net asset backing derived from the 2017 Audited Financial Statements.

Infrastructure, property, plant and equipment

Community Land

Assets within the "Community Land" class are Council owned land.

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer-General. Currently all Council assets in this asset class are based on UCV. Valuation techniques remained the same for this reporting period.

Operational Land

Council's operational land includes all of Council's land classified as operational land under Local Government Act 1993. The total area of land at the time of the last valuation was 9,973,599 m².

Council's operational land is valued on an annual basis with a comprehensive valuation completed and revalued every five years. APV Valuers Pty Ltd completed the last valuation in May 2018 with a valuation date of 1 July 2017.

Council's operational land was valued using the market approach (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses where there is a market for land of similar characteristics and competition with between market participants or replacement cost (highest and best alternative use) being the cost to Council to acquire the land.

Condition of asset and future cash flow from the use of asset are also considered when determining the fair value.

This asset class is categorised as Level 2 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Land Under Roads (post 30/6/08)

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

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

Land Improvements Depreciable

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

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

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

Stormwater Drainage

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

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

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

Open Space & Recreational Assets

The open space and recreational asset class includes barbeques, fences, gates, lighting, jetties, viewing platforms, ramps, playground units, shade-sails, stairs, pontoons and parks and sport shelters and outdoor furniture.

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Valuation techniques remained the same for this reporting period.

Buildings - Non specialised and Specialised

Council engaged APV Valuers Pty Ltd. to value all buildings and shelters during the 2017/18 financial year, with a 1 July 2017 valuation date. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset. Council's buildings are separated into commercial, community and operational assets.

Specialised Buildings

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

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

Valuation techniques remained the same for this reporting period.

Non Specialised Buildings

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

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

Valuation techniques remained the same for this reporting period.

Bulk Earthworks

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

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

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

Valuation techniques remained the same for this reporting period.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Roads

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

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

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

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

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

Valuation techniques remained the same for this reporting period.

Bridges

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

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

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

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

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

Valuation techniques remained the same for this reporting period.

Footpaths

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

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

Valuation techniques remained the same for this reporting period.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Swimming Pool

Swimming pools include all assets located within the facility. APV Valuers Pty Ltd valued the building components of the swimming pools as at 1 July 2017.

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

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

Valuation techniques remained the same for this reporting period.

Plant & Equipment, Office Equipment and Furniture & Fittings

This asset category includes:

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

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

Valuation techniques remained the same for this reporting period.

Water Network

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

The valuation of these assets was carried out by APV Valuers & Asset Management with a 1 July 2016 valuation date. The assets were valued based on the replacement cost approach. This method is based on determining the replacement cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. This valuation technique is based on a range of inputs that were applied at asset level or component level which included; componentisation, unit rates/overall value, consumption scores & valuation profiles. A range of sources were used to determine the replacement cost including; actual construction or purchase prices for recent projects including adjustments for price movements, APV's database of actual costs of recent projects sourced by clients with preference to nearby locations, Rawlinson's Construction Guide or similar guides (such as Cordells) and benchmarking against other valuations. As per AASB13, allowance was then made to adjust for condition and comparability.

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

Sewer Network

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

The valuation of these assets was carried out by APV Valuers & Asset Management with a 1 July 2016 valuation date. The assets were valued based on the gross replacement cost approach. This method is based on determining the replacement cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. This valuation technique is based on a range of inputs that were applied at asset level or component level which included; components, unit rates/overall value, consumption scores & valuation profiles. A range of sources were used to determine the replacement cost including; actual construction or purchase prices for recent projects including adjustments for price movements, APV's database of actual costs of recent projects sourced by clients with preference to nearby locations, Rawlinson's Construction Guide or similar guides (such as Cordells) and benchmarking against other valuations. As per AASB13, allowance was then made to adjust for condition and comparability.

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

Tip Asset

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

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

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

Other landfilling reduction projects are currently under consideration. At current landfilling rates we estimate that the landfill may require rehabilitation by 2021/22 Financial Year.

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

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

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

Others Assets (Artwork & Sculptures)

Council engaged The Curators Department Pty Ltd to value all artwork, memorabilia and monuments with a 1 July 2017 valuation date.

This information was updated into Council's public art register. The valuation methodology was based on determining market value and setting this as the Insurable Value. The insurable value is the assessment of value which would indemnify the council in the event of a loss.

Where a market could be identified, assets were assessed at Net Current Value on the basis of Fair Value in accordance with AASB 13 *Fair Value Measurement*.

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

Coffs Harbour City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Valuation techniques remained the same for this reporting period.

Non-current assets classified as 'held for sale'

Non-current assets classified as held for sale are measured at fair value on a non-recurring basis if their carrying amount is higher than their fair value and therefore the assets need to be written down to fair value. The assets are recognised at the lower of their carrying value and fair value less costs to sell.

The fair value of the Operational Land held for sale was reassessed as part of the Operational Land revaluation during the 2017/18 financial year and no increment was recorded in accordance with Australian Accounting Standards.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)**a. The following tables present the changes in level 3 fair value asset classes.**

	Community land	Land under roads (post 30/06/08)	Land improv'mnts depreciable	Stormwater drainage	Total
Opening balance – 1/7/16	33,303	2,746	3,816	152,649	192,514
Transfers from/(to) another asset class	–	–	–	31	31
Purchases (GBV)	487	1,528	940	3,682	6,637
Depreciation and impairment	–	–	(284)	(1,679)	(1,963)
Revaluation Increments to Equity (ARR)	–	(2,078)	–	–	(2,078)
Closing balance – 30/6/17	33,790	2,196	4,472	154,683	195,141
Purchases (GBV)	470	2,206	98	2,984	5,758
Disposals (WDV)	(106)	–	–	(298)	(404)
Depreciation and impairment	–	–	(440)	(1,746)	(2,186)
FV gains – other comprehensive income	5,749	–	–	–	5,749
FV gains – Income Statement ¹	–	(1,356)	–	–	(1,356)
Other movement (WIP Transfers)	–	–	681	2,833	3,514
Closing balance – 30/6/18	39,903	3,046	4,811	158,456	206,216

¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:

YE 17/18	–	(1,356)	–	–	(1,356)
	Other structures	Buildings specialised	Buildings non- specialised	Other assets	Total
Opening balance – 1/7/16	676	48,920	48,466	4,835	102,897
Transfers from/(to) another asset class	(676)	–	284	(3,585)	(3,977)
Purchases (GBV)	–	431	242	32	705
Depreciation and impairment	–	(509)	(606)	–	(1,115)
Closing balance – 30/6/17	–	48,842	48,386	1,282	98,510
Transfers from/(to) another asset class	–	24,893	109	–	25,002
Purchases (GBV)	–	1,423	629	194	2,246
Disposals (WDV)	–	(329)	(578)	(9)	(916)
Depreciation and impairment	–	(1,176)	(1,109)	–	(2,285)
FV gains – other comprehensive income	–	(8,293)	(3,750)	199	(11,844)
FV gains – Income Statement ¹	–	(17)	–	–	(17)
Other movement (WIP Transfers)	–	2,720	482	25	3,227
Other movement (Assets recognised first time)	–	870	2,455	194	3,519
Closing balance – 30/6/18	–	68,933	46,624	1,885	117,442

¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:

YE 17/18	–	(17)	–	–	(17)
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Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

\$ '000

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

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

	Roads	Bridges	Footpaths	Bulk earthworks	Total
Opening balance – 1/7/16	437,960	64,809	39,192	134,473	676,434
Transfers from/(to) another asset class	73	–	48	4	125
Purchases (GBV)	8,753	–	1,719	1,144	11,616
Disposals (WDV)	–	(1,361)	–	–	(1,361)
Depreciation and impairment	(10,906)	(755)	(811)	–	(12,472)
Closing balance – 30/6/17	435,880	62,693	40,148	135,621	674,342
Transfers from/(to) another asset class	(24,339)	2,177	(1,803)	–	(23,965)
Purchases (GBV)	6,311	312	5,145	1,251	13,019
Disposals (WDV)	(1,145)	(314)	(108)	(250)	(1,817)
Depreciation and impairment	(13,911)	(658)	(780)	–	(15,349)
Other movement (WIP Transfers)	9,321	599	2,161	818	12,899
Closing balance – 30/6/18	412,117	64,809	44,763	137,440	659,129

	Water network	Sewer network	Swimming pools	Recreational assets	Total
Opening balance – 1/7/16	275,761	440,392	2,396	5,926	724,475
Transfers from/(to) another asset class	2,725	14,941	–	4,261	21,927
Purchases (GBV)	84	–	146	577	807
Disposals (WDV)	–	(7,910)	–	–	(7,910)
Depreciation and impairment	(5,094)	(10,645)	(86)	(848)	(16,673)
Revaluation Increments to Equity (ARR)	51,543	28,080	–	–	79,623
Closing balance – 30/6/17	325,019	464,858	2,456	9,916	802,249
Transfers from/(to) another asset class	(277)	(412)	–	(348)	(1,037)
Purchases (GBV)	4,064	3,898	–	1,485	9,447
Disposals (WDV)	(1,016)	(579)	–	(39)	(1,634)
Depreciation and impairment	(5,153)	(10,482)	(89)	(871)	(16,595)
FV gains – other comprehensive income	6,693	9,528	–	–	16,221
Other movement (WIP Transfers)	10,077	2,817	–	1,041	13,935
Closing balance – 30/6/18	339,407	469,628	2,367	11,184	822,586

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

\$ '000

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

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

	Office equipment	Plant and equipment	Furniture and fittings	Total
Opening balance – 1/7/16	916	16,942	1,614	19,472
Transfers from/(to) another asset class	–	104	–	104
Purchases (GBV)	456	3,615	185	4,256
Depreciation and impairment	(380)	(3,745)	(157)	(4,282)
Closing balance – 30/6/17	992	16,916	1,642	19,550
Transfers from/(to) another asset class	(14)	–	–	(14)
Purchases (GBV)	398	3,875	67	4,340
Disposals (WDV)	(114)	(1,163)	–	(1,277)
Depreciation and impairment	(462)	(3,774)	(167)	(4,403)
Other movement (WIP Transfers)	–	319	80	399
Other movement (Assets recognised first time)	–	39	–	39
Closing balance – 30/6/18	800	16,212	1,622	18,634

	Tip asset	Operational land	Total
Opening balance – 1/7/16	230	119,493	119,723
Transfers from/(to) another asset class	2,501	2,514	5,015
Depreciation and impairment	(447)	–	(447)
Closing balance – 30/6/17	2,284	122,007	124,291
Depreciation and impairment	(457)	–	(457)
FV gains – other comprehensive income	–	12,001	12,001
Other movement (WIP Transfers)	–	520	520
Other movement (details here)	92	–	92
Closing balance – 30/6/18	1,919	134,528	136,447

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

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

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

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

I,PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Community Land	39,903	Land values obtained from the NSW Valuer-General	Unimproved Capital Value per square metre provided by Valuer General
Land Under Roads	3,046	Average unit rate of all Community Land held (\$7.28 per square metre)	Unimproved Capital Value per square metre provided by Valuer General
Operational Land	134,528	Rate per square metre	Rate per square metre
Furniture and Fittings, Office Equipment and Plant and Equipment.	18,634	Replacement Cost	Gross replacement cost Asset condition Remaining useful life Residual value
Buildings (Specialised & Non Specialised)	115,557	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Roads	412,117	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Bridges	64,809	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Footpaths	44,763	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Stormwater Drainage	158,456	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Water Supply Network	339,407	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Sewer Network	469,628	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Tip Asset	1,919	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Swimming Pools	2,367	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Recreational Assets	11,184	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Bulk Earthworks	137,440	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Land Improvements - Depreciable	4,811	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other Assets	1,885	Insurance Values (Artworks, Sculptures) <u>Non artworks/sculptures:</u> Gross replacement cost Asset condition Remaining useful life Residual value	Insurance Values (Artworks, Sculptures) <u>Non artworks/sculptures:</u> Gross replacement cost Asset condition Remaining useful life Residual value

Non-current assets classified as 'held for sale'

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Land	505	Level 2 valuation inputs were used to value land held in freehold title as well as land used for special purposes which is restricted in use under current zoning rules	Replacement cost

(5). Highest and best use

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Related party transactions

\$ '000

a. Key management personnel

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

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

	2018	2017
Compensation:		
Short-term benefits	1,249	1,128
Post-employment benefits	95	99
Other long-term benefits	250	183
Total	1,594	1,410

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions	Doubtful
				for doubtful debts outstanding	debts expense recognised
	Actual \$	Actual \$		Actual \$	Actual \$
2018					
Supply of hire vehicles ¹	Ref 4c 101,499	–	30 day terms on invoices	–	–
Employee expenses relating to close family members of KMP ²	4a 29,185	–	Enterprise Agreement and Local Government (NSW) Award	–	–
2017					
Supply of hire vehicles ¹	4c 66,000	–	30 day terms on invoices	–	–
Employee expenses relating to close family members of KMP ²	4a 67,000	–	Local Government (NSW) Award	–	–
Rates and Annual charges overdue ³	7 –	7,000		–	–

- Council hired vehicles for use during the year from Thrifty Car and Truck Rental, a company which has a member of Council's KMP as a director. Amounts were billed on normal hire rates and were due and payable under normal payment terms following the Council's procurement processes.
- Close family members of Council's KMP are employed by Council under the relevant pay award on an arm's length basis. There is 1 close family member of KMP currently employed by Council.
- A member of Council's KMP had an overdue Rates charge at 30 June 2017 that was submitted to Council's External Recoveries agency for collection during the financial year.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Related party transactions (continued)**c. Other related party transactions**

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
Related Party	Nature of Transaction	Actual \$	Actual \$	Actual \$	Actual \$
2018					
Coffs Coast State Parks Trust	Operational cost recovery	6,153,000	30 day terms on invoices	–	–
Coffs Coast Regional Parks Trust	Contribution to maintenance	330,000	Memorandum of Understanding	–	–
Coffs Coast State Parks Trust	Contribution to maintenance	1,103,000	Memorandum of Understanding	–	–
Prosper Coffs Harbour Limited	Contribution to operational cost:	7,000	Memorandum of Understanding	–	–
2017					
Coffs Coast State Parks Trust	Operational cost recovery	2,704,000	30 day terms on invoices	–	–
Prosper Coffs Harbour Limited	Contribution to Council	(1,000,000)		–	–
Coffs Coast Regional Parks Trust	Contribution to maintenance	264,000	Memorandum of Understanding	–	–
Coffs Coast State Parks Trust	Contribution to maintenance	982,000	Memorandum of Understanding	–	–

Note 24. Events occurring after the reporting date

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 year ended 30 June 2018

Note 25. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	2,307	101	-	61	(375)	(43)	2,051	-
Roads	4,699	1,799	-	146	(2,052)	239	4,831	-
Traffic facilities	37	3	-	1	-	-	41	-
Parking	1,110	146	-	31	(539)	-	748	-
Open space	6,497	2,048	-	185	(985)	(194)	7,551	-
Community facilities	1,742	75	-	57	(33)	-	1,841	-
Other	1,321	307	-	47	(290)	-	1,385	-
S7.11 contributions – under a plan	17,713	4,479	-	528	(4,274)	2	18,448	-
Total S7.11 and S7.12 revenue under plans	17,713	4,479	-	528	(4,274)	2	18,448	-
S7.11 not under plans	540	-	-	18	(30)	(2)	526	-
S64 contributions	648	9,020	-	45	(7,300)	-	2,413	-
Total contributions	18,901	13,499	-	591	(11,604)	-	21,387	-

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

City Centre Car Parking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	521	86	-	19	-	-	626	-
Total	521	86	-	19	-	-	626	-

Coffs Harbour Road Network

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	22	408	-	-	(430)	-	-	-
Total	22	408	-	-	(430)	-	-	-

Corindi

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	108	3	-	4	-	-	115	-
Community facilities	278	4	-	10	(4)	-	288	-
Total	386	7	-	14	(4)	-	403	-

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Hearnes Lake / Sandy Beach

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	234	317	-	-	(523)	(25)	3	-
Open space	146	519	-	13	(92)	27	613	-
Other	-	3	-	-	(3)	-	-	-
Total	380	839	-	13	(618)	2	616	-

Jetty Area Car Parking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	17	35	-	1	-	-	53	-
Total	17	35	-	1	-	-	53	-

Korora Rural Residential Release Area

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	190	98	-	12	-	221	521	-
Open space	221	-	-	-	-	(221)	-	-
Other	55	8	-	2	(6)	-	59	-
Total	466	106	-	14	(6)	-	580	-

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Mines and Extractive Industries

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	36	10	-	1	-	-	47	-
Total	36	10	-	1	-	-	47	-

Moonee Release Area

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	43	-	-	-	-	(43)	-	-
Roads	1,916	178	-	58	(293)	43	1,902	-
Open space	593	277	-	22	-	-	892	-
Community facilities	472	46	-	17	-	-	535	-
Other	-	1	-	-	(1)	-	-	-
Total	3,024	502	-	97	(294)	-	3,329	-

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

North Boambee Valley (East)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	396	2	-	7	(375)	-	30	-
Roads	62	2	-	2	-	-	66	-
Open space	160	1	-	2	(117)	-	46	-
Community facilities	88	1	-	3	-	-	92	-
Other	96	3	-	2	(96)	-	5	-
Total	802	9	-	16	(588)	-	239	-

North Bonville

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	264	18	-	9	-	-	291	-
Roads	211	76	-	8	-	-	295	-
Open space	224	7	-	8	-	-	239	-
Other	-	1	-	-	(1)	-	-	-
Total	699	102	-	25	(1)	-	825	-

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Park Beach

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	37	3	–	1	–	–	41	–
Parking	20	–	–	1	–	–	21	–
Open space	183	21	–	6	(26)	–	184	–
Total	240	24	–	8	(26)	–	246	–

Regional, District and Neighbourhood Facilities and Services

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	4,741	1,158	–	126	(726)	–	5,299	–
Community facilities	6	11	–	–	(15)	–	2	–
Other	618	189	–	23	(122)	–	708	–
Total	5,365	1,358	–	149	(863)	–	6,009	–

South Coffs

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	28	–	–	1	–	–	29	–
Open space	12	–	–	–	–	–	12	–
Total	40	–	–	1	–	–	41	–

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Surf Rescue Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	144	32	-	5	(50)	-	131	-
Total	144	32	-	5	(50)	-	131	-

West Coffs

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,604	81	-	45	-	-	1,730	-
Roads	1,423	189	-	34	(806)	-	840	-
Open space	192	46	-	7	(24)	-	221	-
Community facilities	898	13	-	27	(14)	-	924	-
Other	375	44	-	14	(4)	-	429	-
Total	4,492	373	-	127	(848)	-	4,144	-

West Woolgoolga

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	469	473	-	25	-	-	967	-
Open space	25	19	-	1	-	-	45	-
Other	33	24	-	1	(5)	-	53	-
Total	527	516	-	27	(5)	-	1,065	-

Coffs Harbour City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Woolgoolga Car Parking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	552	25	-	10	(539)	-	48	-
Total	552	25	-	10	(539)	-	48	-

Bonville Large Lot Release Area

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	-	45	-	1	-	-	46	-
Other	-	2	-	-	(2)	-	-	-
Total	-	47	-	1	(2)	-	46	-

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	157	-	-	5	-	-	162	-
Open space	2	-	-	-	-	(2)	-	-
Community facilities	182	-	-	6	(30)	-	158	-
Other	199	-	-	7	-	-	206	-
Total	540	-	-	18	(30)	(2)	526	-

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	4,196	23,161	66,061
User charges and fees	15,799	3,185	15,783
Interest and investment revenue	1,016	1,392	4,116
Other revenues	115	119	18,423
Grants and contributions provided for operating purposes	256	263	16,521
Grants and contributions provided for capital purposes	5,841	7,354	25,876
Total income from continuing operations	27,223	35,474	146,780
Expenses from continuing operations			
Employee benefits and on-costs	3,435	4,420	38,495
Borrowing costs	4,481	5,180	940
Materials and contracts	2,860	5,013	45,352
Depreciation and amortisation	5,894	10,503	26,032
Other expenses	4,070	5,293	2,859
Net losses from the disposal of assets	1,038	579	2,972
Revaluation decrement / impairment of IPPE	–	–	1,373
Total expenses from continuing operations	21,778	30,988	118,023
Operating result from continuing operations	5,445	4,486	28,757
Net operating result attributable to each council fund	5,445	4,486	28,757
Net operating result for the year before grants and contributions provided for capital purposes	(396)	(2,868)	2,881

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

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

Coffs Harbour City Council

Notes to the Financial Statements

as at 30 June 2018

Note 26. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	–	–	22,495
Investments	22,268	19,500	47,113
Receivables	4,090	1,600	13,488
Inventories	230	–	2,054
Other	–	–	3,041
Non-current assets classified as 'held for sale'	–	–	505
Total current assets	26,588	21,100	88,696
Non-current assets			
Investments	12,076	34,700	54,634
Receivables	135	562	2,105
Infrastructure, property, plant and equipment	348,152	485,016	1,155,375
Intangible assets	51,817	–	3,469
Total non-current assets	412,180	520,278	1,215,583
TOTAL ASSETS	438,768	541,378	1,304,279
LIABILITIES			
Current liabilities			
Payables	2,612	630	6,762
Income received in advance	–	–	1,944
Borrowings	6,212	7,478	1,504
Provisions	1,860	975	11,498
Total current liabilities	10,684	9,083	21,708
Non-current liabilities			
Borrowings	56,683	64,881	17,457
Provisions	80	25	6,455
Total non-current liabilities	56,763	64,906	23,912
TOTAL LIABILITIES	67,447	73,989	45,620
Net assets	371,321	467,389	1,258,659
EQUITY			
Accumulated surplus	183,995	266,898	918,677
Revaluation reserves	178,564	174,398	374,271
Other reserves	8,762	26,093	(34,289)
Total equity	371,321	467,389	1,258,659

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	Prior periods 2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	5,498	3.23%	18.74%	-0.73%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	170,325				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	153,285	73.20%	66.12%	58.73%	> 60.00%
Total continuing operating revenue ⁽¹⁾	209,396				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	85,670	9.64x	7.21x	4.10x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	8,884				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	58,528	2.33x	3.13x	1.79x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	25,171				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	6,599	6.58%	6.62%	5.96%	5%
Rates, annual and extra charges collectible	100,247				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	122,745	10.20 mths	9.1 mths	8.2 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	12,031				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 13 and 14.

⁽⁴⁾ Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁵⁾ Prior period ratios are restated where the basis for calculation has changed as a result of the classification of Assets Recognised for the First Time from Other Revenue to Contributions for Capital purposes

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 27(b). Statement of performance measures – by fund

	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
\$ '000							
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	6.07%	16.76%	2.82%	-0.52%	-8.67%	-6.26%	> 0.00%
less operating expenses							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	71.09%	66.24%	77.61%	76.49%	78.56%	59.66%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	9.64x	11.31x	No unrestricted	5.00x	No unrestricted	-14.40x	> 1.5x
Current liabilities less specific purpose liabilities ^(3,4)			ted	ted			

^{(1) - (4)} Refer to Notes at Note 27a above.⁽⁵⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Coffs Harbour City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 27(b). Statement of performance measures – by fund (continued)

	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
\$ '000							
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	9.40x	7.65x	1.06x	0.95x	1.08x	1.17x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	7.00%	7.02%	5.50%	5.61%	5.57%	5.63%	< 5% metro
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.47	8.97	12.07	9.96	15.16	8.83	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 27a above.

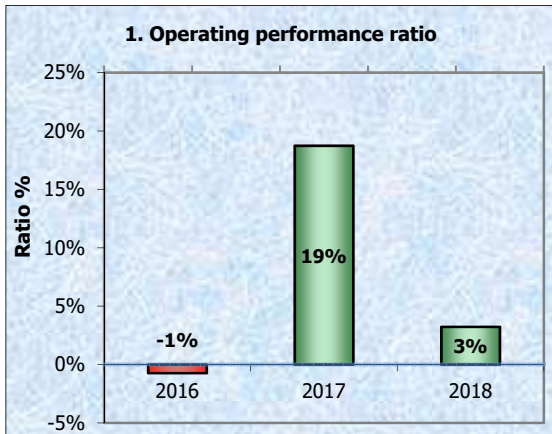
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of audited financial statements

Coffs Harbour City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 27(c). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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

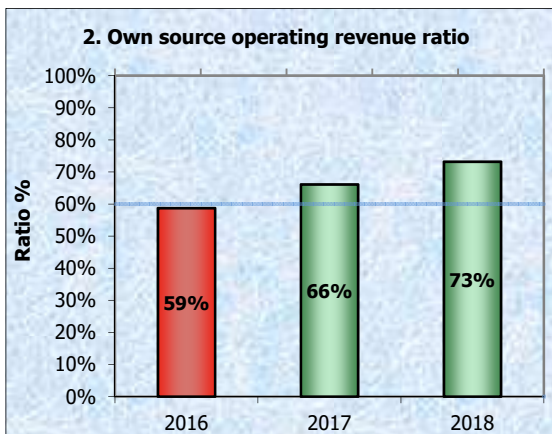
Commentary on 2017/18 result

2017/18 ratio 3.23%

Council has achieved a favourable result, through aligning its operational expenditure to the available operating revenue.

Benchmark: Minimum $\geq 0.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

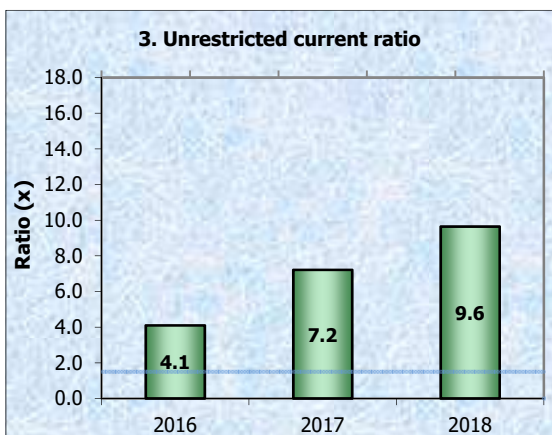
Commentary on 2017/18 result

2017/18 ratio 73.20%

Council's level of reliance on external grants and contributions for the funding of operational projects has continued, resulting in a largely unchanged own source operating revenue ratio reported.

Benchmark: Minimum $\geq 60.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2017/18 result

2017/18 ratio 9.64x

Council's unrestricted current ratio has improved reflecting the increase in short term investments of \$36 million.

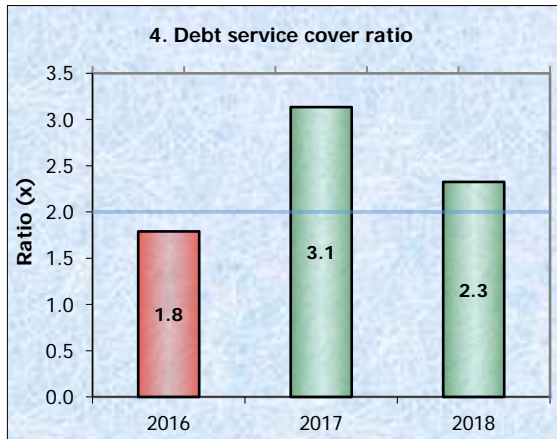
Benchmark: Minimum ≥ 1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

Coffs Harbour City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 27(c). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

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

Commentary on 2017/18 result

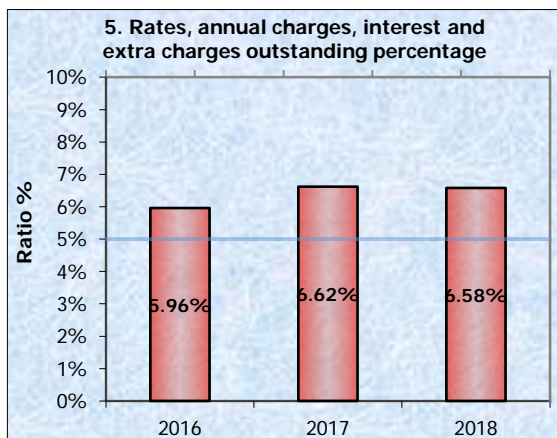
2017/18 ratio 2.33x

Interest costs have decreased however Council's operating result was less than comparable years due to a reduction in discovered assets.

Benchmark: ——— Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2017/18 result

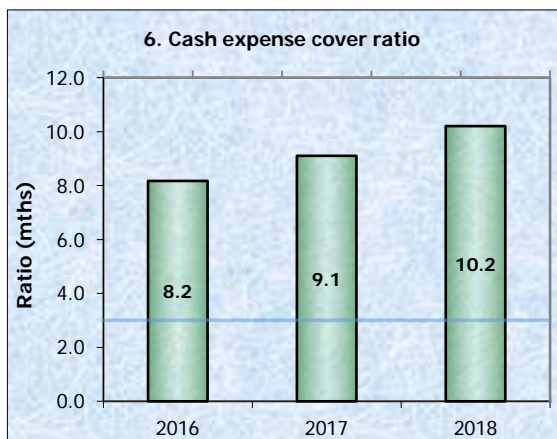
2017/18 ratio 6.58%

Council's rates and charges outstanding ratio has remained steady due to increased debt recovery efforts during the 2017/18 financial year.

Benchmark: ——— Maximum <5.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2017/18 result

2017/18 ratio 10.20 mths

The budgeted expenditure on capital projects was not achieved, resulting in a greater amount of cash held for investments at the end of financial year, improving this performance ratio.

Benchmark: ——— Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Coffs Harbour City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 28. Council information and contact details

Principal place of business:

Corner Coff and Castle Streets
Coffs Harbour NSW 2450

Contact details**Mailing address:**

Locked Bag 155
Coffs Harbour NSW 2450

Opening hours:

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

Telephone: 02 6648 4000

Facsimile: 02 6648 4199

Internet: www.coffsharbour.nsw.gov.au

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

Officers**GENERAL MANAGER**

Steve McGrath

RESPONSIBLE ACCOUNTING OFFICER

Mark Griffioen

PUBLIC OFFICER

Lisa Garden

AUDITORS

Audit Office of NSW
Level 15
1 Margaret Street
Sydney NSW 2001

Elected members**MAYOR**

Denise Knight

COUNCILLORS

Michael Adendorff
Paul Amos
John Arkan
George Cecato
Keith Rhoades
Jan Strom
Tegan Swan
Sally Townley

Other information

ABN: 79 126 214 487



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Coffs Harbour City Council

To the Councillors of Coffs Harbour City Council

Opinion

I have audited the accompanying financial report of Coffs Harbour City Council (the Council), which comprises the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)

- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a long, sweeping underline.

James Sugumar
Director, Financial Audit Services

25 October 2018
SYDNEY

Coffs Harbour City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018

Connected
Sustainable
Thriving



Coffs Harbour City Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
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2. Special Purpose Financial Statements:	
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	7
Statement of Financial Position – Sewerage Business Activity	8
Statement of Financial Position – Other Business Activities	9
3. Notes to the Special Purpose Financial Statements	11
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Background

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

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

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

Coffs Harbour City Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2018.


Denise Knight
Mayor


Tegan Swan
Councillor


Steve McGrath
General manager


Mark Griffioen
Responsible accounting officer

Coffs Harbour City Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	4,196	4,127
User charges	15,415	14,408
Fees	384	410
Interest	1,016	1,128
Grants and contributions provided for non-capital purposes	256	261
Other income	115	82
Total income from continuing operations	21,382	20,416
Expenses from continuing operations		
Employee benefits and on-costs	3,435	3,479
Borrowing costs	4,481	4,828
Materials and contracts	2,860	8,356
Depreciation, amortisation and impairment	5,894	5,331
Loss on sale of assets	1,038	1,851
Calculated taxation equivalents	33	31
Debt guarantee fee (if applicable)	623	676
Other National Competition Policy imputation payments	6	6
Other expenses	4,070	1,653
Total expenses from continuing operations	22,440	26,211
Surplus (deficit) from continuing operations before capital amounts	(1,058)	(5,795)
Grants and contributions provided for capital purposes	5,841	10,112
Surplus (deficit) from continuing operations after capital amounts	4,783	4,317
Surplus (deficit) from all operations before tax	4,783	4,317
SURPLUS (DEFICIT) AFTER TAX	4,783	4,317
Plus opening retained profits	187,344	182,737
Plus/less: prior period adjustments	–	(442)
Plus/less: Transfers to Reserves & Special Schedule Additional Expenses	(8,762)	50
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	33	31
– Debt guarantee fees	623	676
– Other National Competition Policy imputation payments	6	6
Less:		
– Tax equivalent dividend paid	(32)	(31)
Closing retained profits	183,995	187,344
Return on capital %	1.0%	-0.3%
Subsidy from Council	5,733	9,091
Calculation of dividend payable:		
Surplus (deficit) after tax	4,783	4,317
Less: capital grants and contributions (excluding developer contributions)	(1,138)	(6,602)
Surplus for dividend calculation purposes	3,645	–
Potential dividend calculated from surplus	1,823	–

Coffs Harbour City Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	23,161	22,832
User charges	2,585	2,498
Liquid trade waste charges	586	564
Fees	14	22
Interest	1,392	1,780
Grants and contributions provided for non-capital purposes	263	220
Other income	119	153
Total income from continuing operations	28,120	28,069
Expenses from continuing operations		
Employee benefits and on-costs	4,420	4,009
Borrowing costs	5,180	5,608
Materials and contracts	5,013	10,670
Depreciation, amortisation and impairment	10,503	10,689
Loss on sale of assets	579	13,324
Calculated taxation equivalents	139	182
Debt guarantee fee (if applicable)	717	782
Other National Competition Policy imputation payments	10	10
Other expenses	5,293	1,634
Total expenses from continuing operations	31,854	46,908
Surplus (deficit) from continuing operations before capital amounts	(3,734)	(18,839)
Grants and contributions provided for capital purposes	7,354	23,335
Surplus (deficit) from continuing operations after capital amounts	3,620	4,496
Surplus (deficit) from all operations before tax	3,620	4,496
SURPLUS (DEFICIT) AFTER TAX	3,620	4,496
Plus opening retained profits	288,591	284,368
Plus/less: prior period adjustments	–	(1,154)
Plus/less: Transfers to Reserves & Special Schedule Additional Expenses	(26,098)	(14)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	139	182
– Debt guarantee fees	717	782
– Other National Competition Policy imputation payments	10	10
Less:		
– Tax equivalent dividend paid	(81)	(79)
Closing retained profits	266,898	288,591
Return on capital %	0.3%	-2.8%
Subsidy from Council	11,310	24,676
Calculation of dividend payable:		
Surplus (deficit) after tax	3,620	4,496
Less: capital grants and contributions (excluding developer contributions)	(3,037)	(20,253)
Surplus for dividend calculation purposes	583	–
Potential dividend calculated from surplus	292	–

Coffs Harbour City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	CitySmart Solutions		Airport	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
User charges	–	–	6,139	5,576
Interest	–	–	12	23
Other income	3,704	1,942	1,817	1,668
Total income from continuing operations	3,704	1,942	7,968	7,267
Expenses from continuing operations				
Employee benefits and on-costs	681	601	648	763
Borrowing costs	34	19	375	477
Materials and contracts	2,448	1,689	2,644	2,611
Depreciation, amortisation and impairment	–	–	1,896	1,362
Loss on sale of assets	–	–	515	296
Calculated taxation equivalents	–	–	248	286
Debt guarantee fee (if applicable)	–	–	55	68
Other National Competition Policy imputation payments	–	–	6	6
Other expenses	166	57	1,057	978
Total expenses from continuing operations	3,329	2,366	7,444	6,847
Surplus (deficit) from continuing operations before capital amounts	375	(424)	524	420
Grants and contributions provided for capital purposes	–	–	482	4,525
Surplus (deficit) from continuing operations after capital amounts	375	(424)	1,006	4,945
Surplus (deficit) from all operations before tax	375	(424)	1,006	4,945
Less: corporate taxation equivalent (30%) [based on result before capital]	(113)	–	(157)	(126)
SURPLUS (DEFICIT) AFTER TAX	263	(424)	849	4,819
Plus opening retained profits	1,335	1,759	48,923	43,618
Plus/less: Transfer to Reserves	(1,358)	–	(856)	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	–	248	286
– Debt guarantee fees	–	–	55	68
– Other National Competition Policy imputation payments	–	–	6	6
– Corporate taxation equivalent	113	–	157	126
Less:				
– TER dividend paid	–	–	(248)	–
– Dividend paid	(347)	–	(159)	–
Closing retained profits	5	1,335	48,975	48,923
Return on capital %	n/a	-20250.0%	1.0%	1.0%
Subsidy from Council	–	405	1,414	1,174

Coffs Harbour City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Environmental Laboratory Category 2		Coastal Works Category 1	
	2018	2017	2018	2017
\$ '000	2018	2017	2018	2017
Income from continuing operations				
Fees	–	–	–	4
Interest	46	51	–	–
Grants and contributions provided for non-capital purposes	–	–	199	444
Other income	973	844	3,537	3,079
Total income from continuing operations	1,019	895	3,736	3,527
Expenses from continuing operations				
Employee benefits and on-costs	380	349	1,010	645
Borrowing costs	–	2	–	–
Materials and contracts	244	181	2,217	2,093
Depreciation, amortisation and impairment	31	17	–	–
Loss on sale of assets	1	–	–	–
Other expenses	115	90	480	612
Total expenses from continuing operations	771	639	3,707	3,350
Surplus (deficit) from continuing operations before capital amounts	248	256	29	177
Surplus (deficit) from continuing operations after capital amounts	248	256	29	177
Surplus (deficit) from all operations before tax	248	256	29	177
Less: corporate taxation equivalent (30%) [based on result before capital]	(74)	(77)	(9)	(53)
SURPLUS (DEFICIT) AFTER TAX	174	179	20	124
Plus opening retained profits	1,619	–	1,177	1,000
Plus/less: prior period adjustments	–	1,363	–	–
Plus/less: Transfer to Reserves	(1,882)	–	(1,256)	–
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	74	77	9	53
Closing retained profits	(15)	1,619	(50)	1,177
Return on capital %	16.1%	17.7%	n/a	n/a

Coffs Harbour City Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	22,268	16,500
Receivables	4,090	3,762
Inventories	230	228
Total current assets	26,588	20,490
Non-current assets		
Investments	12,076	18,386
Receivables	135	124
Infrastructure, property, plant and equipment	348,152	341,358
Intangible assets	51,817	52,441
Total non-current assets	412,180	412,309
TOTAL ASSETS	438,768	432,799
LIABILITIES		
Current liabilities		
Payables	2,612	5,726
Borrowings	6,212	5,257
Provisions	1,860	740
Total current liabilities	10,684	11,723
Non-current liabilities		
Borrowings	56,683	62,307
Provisions	80	39
Total non-current liabilities	56,763	62,346
TOTAL LIABILITIES	67,447	74,069
NET ASSETS	371,321	358,730
EQUITY		
Accumulated surplus	183,995	187,344
Revaluation reserves	178,564	171,386
Other reserves	8,762	–
Council equity interest	371,321	358,730
TOTAL EQUITY	371,321	358,730

Coffs Harbour City Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	19,500	15,518
Receivables	1,600	3,696
Total current Assets	21,100	19,214
Non-current assets		
Investments	34,700	31,421
Receivables	562	503
Infrastructure, property, plant and equipment	485,016	480,900
Total non-current assets	520,278	512,824
TOTAL ASSETS	541,378	532,038
LIABILITIES		
Current liabilities		
Payables	630	786
Borrowings	7,478	6,461
Provisions	975	386
Total current liabilities	9,083	7,633
Non-current liabilities		
Borrowings	64,881	71,703
Provisions	25	15
Total non-current liabilities	64,906	71,718
TOTAL LIABILITIES	73,989	79,351
NET ASSETS	467,389	452,687
EQUITY		
Accumulated surplus	266,898	288,591
Revaluation reserves	174,398	164,096
Other reserves	26,093	–
Council equity interest	467,389	452,687
TOTAL EQUITY	467,389	452,687

Coffs Harbour City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	CitySmart Solutions		Airport	
	Category 1		Category 1	
	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	–	–	6	6
Receivables	–	694	1,102	1,713
Inventories	1,005	901	–	–
Total Current Assets	1,005	1,595	1,108	1,719
Non-current assets				
Receivables	–	–	149	232
Infrastructure, property, plant and equipment	–	2	87,959	87,036
Other	–	–	–	1,920
Total non-current assets	–	2	88,108	89,188
TOTAL ASSETS	1,005	1,597	89,216	90,907
LIABILITIES				
Current liabilities				
Payables	680	4	127	388
Borrowings	–	–	1,040	1,302
Provisions	276	258	122	338
Total current liabilities	956	262	1,289	2,028
Non-current liabilities				
Borrowings	–	–	4,459	5,470
Provisions	7	–	2	–
Total non-current liabilities	7	–	4,461	5,470
TOTAL LIABILITIES	963	262	5,750	7,498
NET ASSETS	42	1,335	83,466	83,409
EQUITY				
Accumulated surplus	5	1,335	48,975	48,923
Revaluation reserves	–	–	33,635	34,486
Other reserves	37	–	856	–
Council equity interest	42	1,335	83,466	83,409
TOTAL EQUITY	42	1,335	83,466	83,409

Coffs Harbour City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Environmental Laboratory		Coastal Works	
	Category 2		Category 1	
	2018	2017	2018	2017
ASSETS				
Current assets				
Receivables	317	281	1,153	1,219
Inventories	37	32	260	–
Total Current Assets	354	313	1,413	1,219
Non-current assets				
Infrastructure, property, plant and equipment	1,539	1,455	–	–
Total non-current assets	1,539	1,455	–	–
TOTAL ASSETS	1,893	1,768	1,413	1,219
LIABILITIES				
Current liabilities				
Payables	6	1	199	42
Provisions	121	148	–	–
Total current liabilities	127	149	199	42
Non-current liabilities				
Provisions	2	–	–	–
Total non-current liabilities	2	–	–	–
TOTAL LIABILITIES	129	149	199	42
NET ASSETS	1,764	1,619	1,214	1,177
EQUITY				
Accumulated surplus	(15)	1,619	(50)	1,177
Revaluation reserves	70	–	–	–
Other reserves	1,709	–	1,264	–
Council equity interest	1,764	1,619	1,214	1,177
TOTAL EQUITY	1,764	1,619	1,214	1,177

Coffs Harbour City Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

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2	Water Supply Business Best-Practice Management disclosure requirements	16
3	Sewerage Business Best-Practice Management disclosure requirements	18

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

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

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

Declared business activities

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

Category 1

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

a. Coffs Harbour City Council Water Supplies

Water supply activity servicing the Coffs Harbour local government area

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

b. Coffs Harbour City Council Sewerage Service

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

c. Coffs Harbour Regional Airport

Airport activities carried out by Council in its own name

d. CitySmart Solutions

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

e. Coffs Harbour Coastal Works

Infrastructure construction, maintenance and consultancy

Category 2

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

a. Coffs Harbour Environmental Laboratory

Environmental testing, analysis and consultancy

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

End of audited special purpose financial statements

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	656,000
(ii)	Number of assessments multiplied by \$3/assessment	83,541
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	83,541
(iv)	Amounts actually paid for tax equivalents	32

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,822,500
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	751,869
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	2,895,000

2018 Surplus	3,645,000	2017 Surplus	(2,285,000)	2016 Surplus	1,535,000
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	751,869
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	26,208
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	75.93%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	347,920
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	10,341
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	4,064
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.87%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	856,000
(ii)	Number of assessments multiplied by \$3/assessment	80,031
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	80,031
(iv)	Amounts actually paid for tax equivalents	81

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	291,500
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	720,279
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(17,973,000)

2018 Surplus	583,000	2017 Surplus	(15,757,000)	2016 Surplus	(2,799,000)
		2017 Dividend	-	2016 Dividend	-

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

3. Required outcomes for 4 criteria

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	34,062
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	485,005
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	14,693
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	2,960
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.83%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	58,653
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.86%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	7,024
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.26%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	5.57%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		3
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	9,818
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	506

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Coffs Harbour City Council

To the Councillors of the Coffs Harbour City Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Coffs Harbour City Council's (the Council) Declared Business Activities, which comprises the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- CitySmart Solutions
- Airport
- Environmental Laboratory
- Coastal Works.

In my opinion, the financial report presents fairly, in all material respects, the financial positions of the Council's Declared Business Activities as at 30 June 2018, and their financial performances for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive, flowing style.

James Sugumar
Director, Financial Audit Services

25 October 2018
SYDNEY

Coffs Harbour City Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

Connected
Sustainable
Thriving



Coffs Harbour City Council

Special Schedules

for the year ended 30 June 2018

Contents

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

Coffs Harbour City Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,590	–	–	(1,590)
Administration	38,365	11,628	7,747	(18,990)
Public order and safety				
Fire service levy, fire protection, emergency services	1,529	370	177	(982)
Beach control	801	35	–	(766)
Enforcement of local government regulations	1,292	342	–	(950)
Animal control	149	179	–	30
Other	–	264	–	264
Total public order and safety	3,771	1,190	177	(2,404)
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	873	269	5	(599)
Solid waste management	21,094	28,196	114	7,216
Street cleaning	241	–	–	(241)
Drainage	2,845	33	582	(2,230)
Stormwater management	1	706	–	705
Total environment	25,054	29,204	701	4,851
Community services and education				
Administration and education	417	91	–	(326)
Social protection (welfare)	1,614	115	426	(1,073)
Aged persons and disabled	11	9	–	(2)
Children's services	6	–	–	(6)
Total community services and education	2,048	215	426	(1,407)
Housing and community amenities				
Public cemeteries	268	212	–	(56)
Public conveniences	772	111	–	(661)
Street lighting	1,125	151	–	(974)
Town planning	1,745	74	–	(1,671)
Other community amenities	–	–	–	–
Total housing and community amenities	3,910	548	–	(3,362)
Water supplies	17,703	20,961	5,841	9,099
Sewerage services	25,326	27,995	7,354	10,023

Coffs Harbour City Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,108	463	63	(1,582)
Museums	53	9	–	(44)
Art galleries	145	34	194	83
Community centres and halls	250	306	–	56
Performing arts venues	545	328	–	(217)
Other performing arts	–	–	–	–
Other cultural services	15	–	–	(15)
Sporting grounds and venues	2,752	751	2,065	64
Swimming pools	642	–	97	(545)
Parks and gardens (lakes)	5,946	1,168	2,984	(1,794)
Other sport and recreation	58	34	5	(19)
Total recreation and culture	12,514	3,093	5,408	(4,013)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,740	2,153	–	413
Other mining, manufacturing and construction	34	–	–	(34)
Total mining, manufacturing and const.	1,774	2,153	–	379
Transport and communication				
Urban roads (UR) – local	707	1,508	322	1,123
Urban roads – regional	19,308	485	9,413	(9,410)
Sealed rural roads (SRR) – local	393	–	131	(262)
Sealed rural roads (SRR) – regional	165	1,027	233	1,095
Unsealed rural roads (URR) – local	109	–	–	(109)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	271	70	169	(32)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	253	–	–	(253)
Footpaths	935	62	309	(564)
Aerodromes	6,457	7,955	482	1,980
Other transport and communication	1,563	135	131	(1,297)
Total transport and communication	30,161	11,242	11,190	(7,729)
Economic affairs				
Camping areas and caravan parks	7,432	6,437	227	(768)
Other economic affairs	1,141	1,183	–	42
Total economic affairs	8,573	7,620	227	(726)
Totals – functions	170,789	115,849	39,071	(15,869)
General purpose revenues ⁽¹⁾		54,557		54,557
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	170,789	170,406	39,071	38,688

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

Coffs Harbour City Council

Special Schedule 2 – Permissible income for general rates
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	47,001	45,858
Plus or minus adjustments ⁽²⁾	b	403	365
Notional general income	c = (a + b)	47,404	46,223
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	1,090	693
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	48,494	46,916
Plus (or minus) last year's carry forward total	l	99	71
Less valuation objections claimed in the previous year	m	(113)	–
Sub-total	n = (l + m)	(14)	71
Total permissible income	o = k + n	48,481	46,987
Less notional general income yield	p	48,478	47,001
Catch-up or (excess) result	q = o – p	3	(14)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	43	113
Less unused catch-up ⁽⁵⁾	s	(71)	–
Carry forward to next year	t = q + r – s	(25)	99

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Coffs Harbour City Council

To the Councillors of Coffs Harbour City Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Coffs Harbour City Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

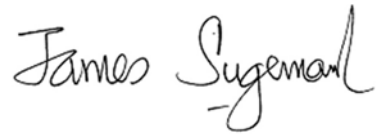
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large initial 'J' and a distinct 'S'.

James Sugumar
Director, Financial Audit Services

25 October 2018
SYDNEY

Coffs Harbour City Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	2,816	2,720
b. Engineering and supervision	1,245	1,090
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	339	528
b. Maintenance expenses	57	38
– Mains		
c. Operation expenses	487	319
d. Maintenance expenses	1,158	1,495
– Reservoirs		
e. Operation expenses	337	384
f. Maintenance expenses	37	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	1	–
h. Energy costs	232	122
i. Maintenance expenses	22	30
– Treatment		
j. Operation expenses (excluding chemical costs)	1,521	1,473
k. Chemical costs	172	167
l. Maintenance expenses	220	115
– Other		
m. Operation expenses	341	621
n. Maintenance expenses	1,310	1,136
o. Purchase of water	46	56
3. Depreciation expenses		
a. System assets	5,778	5,094
b. Plant and equipment	99	106
4. Miscellaneous expenses		
a. Interest expenses	4,481	4,828
b. Revaluation decrements	17	–
c. Other expenses	25	124
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	32	31
5. Total expenses	20,773	20,477

Coffs Harbour City Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	3,535	3,476
b. Usage charges	11,154	10,499
7. Non-residential charges		
a. Access (including rates)	661	654
b. Usage charges	4,087	3,883
8. Extra charges	–	–
9. Interest income	1,016	1,128
10. Other income	675	530
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	256	259
c. Other grants	–	–
12. Contributions		
a. Developer charges	4,703	3,473
b. Developer provided assets	1,137	3,402
c. Other contributions	–	23
13. Total income	27,224	27,327
14. Gain (or loss) on disposal of assets	(1,038)	(1,851)
15. Operating result	5,413	4,999
15a. Operating result (less grants for acquisition of assets)	5,413	4,999

Coffs Harbour City Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	883	245
b. New assets for growth	1,127	677
c. Renewals	2,054	331
d. Plant and equipment	–	–
17. Repayment of debt	5,257	4,913
18. Totals	9,321	6,166
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	31
21. Totals	–	31
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	25,284	24,864
b. Residential (unoccupied, ie. vacant lot)	793	775
c. Non-residential (occupied)	1,693	1,673
d. Non-residential (unoccupied, ie. vacant lot)	77	75
23. Number of ETs for which developer charges were received	450 ET	346 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 255,880	\$ 258,522

Coffs Harbour City Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	628	–	628
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	19,720	–	19,720
e. Sinking fund	–	–	–
f. Other	1,920	12,076	13,996
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	146	98	244
c. User charges	3,891	37	3,928
d. Other	53	–	53
27. Inventories	230	–	230
28. Property, plant and equipment			
a. System assets	–	347,920	347,920
b. Plant and equipment	–	232	232
29. Other assets	–	51,817	51,817
30. Total assets	26,588	412,180	438,768
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	2,612	–	2,612
33. Borrowings	6,212	56,683	62,895
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	1,860	80	1,940
35. Total liabilities	10,684	56,763	67,447
36. NET ASSETS COMMITTED	15,904	355,417	371,321
EQUITY			
37. Accumulated surplus			183,995
38. Asset revaluation reserve			178,564
39. Other reserves			8,762
40. TOTAL EQUITY			371,321
Note to system assets:			
41. Current replacement cost of system assets			462,942
42. Accumulated current cost depreciation of system assets			(115,022)
43. Written down current cost of system assets			347,920

Coffs Harbour City Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	3,006	3,007
b. Engineering and supervision	1,796	1,158
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	200	1
b. Maintenance expenses	1,497	1,423
– Pumping stations		
c. Operation expenses (excluding energy costs)	1,537	1,454
d. Energy costs	501	447
e. Maintenance expenses	961	577
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	2,347	2,327
g. Chemical costs	202	188
h. Energy costs	969	883
i. Effluent management	12	28
j. Biosolids management	313	645
k. Maintenance expenses	946	800
– Other		
l. Operation expenses	406	328
m. Maintenance expenses	–	65
3. Depreciation expenses		
a. System assets	10,489	10,645
b. Plant and equipment	13	28
4. Miscellaneous expenses		
a. Interest expenses	5,180	5,608
b. Revaluation decrements	–	–
c. Other expenses	14	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	81	79
5. Total expenses	30,470	29,691

Coffs Harbour City Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	20,628	20,312
7. Non-residential charges		
a. Access (including rates)	2,692	2,679
b. Usage charges	2,459	2,372
8. Trade waste charges		
a. Annual fees	120	128
b. Usage charges	403	372
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	1,392	1,780
11. Other income	156	111
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	10
b. Grants for pensioner rebates	250	252
c. Other grants	–	–
13. Contributions		
a. Developer charges	4,317	3,050
b. Developer provided assets	3,037	17,255
c. Other contributions	–	80
14. Total income	35,454	48,401
15. Gain (or loss) on disposal of assets	(579)	(13,319)
16. Operating result	4,405	5,391
16a. Operating result (less grants for acquisition of assets)	4,405	5,381

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Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	255	2,328
b. New assets for growth	2,199	1,542
c. Renewals	506	268
d. Plant and equipment	–	–
18. Repayment of debt	6,461	6,037
19. Totals	9,421	10,175
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	470
22. Totals	–	470
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	24,284	23,870
b. Residential (unoccupied, ie. vacant lot)	755	733
c. Non-residential (occupied)	1,553	1,533
d. Non-residential (unoccupied, ie. vacant lot)	85	83
24. Number of ETs for which developer charges were received	– ET	318 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 250,268	\$ 251,746

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Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	1,785	–	1,785
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	17,715	8,742	26,457
e. Sinking fund	–	–	–
f. Other	–	25,958	25,958
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	810	555	1,365
c. User charges	790	7	797
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	485,005	485,005
b. Plant and equipment	–	11	11
30. Other assets	–	–	–
31. Total assets	21,100	520,278	541,378
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	630	–	630
34. Borrowings	7,478	64,881	72,359
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	975	25	1,000
36. Total liabilities	9,083	64,906	73,989
37. NET ASSETS COMMITTED	12,017	455,372	467,389
EQUITY			
38. Accumulated surplus			266,898
39. Asset revaluation reserve			174,398
40. Other reserves			26,093
41. TOTAL EQUITY			467,389
Note to system assets:			
42. Current replacement cost of system assets			672,764
43. Accumulated current cost depreciation of system assets			(187,759)
44. Written down current cost of system assets			485,005

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Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Coffs Harbour City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Buildings	Buildings			2,129	1,517	115,557	157,815	31%	62%	6%	1%	0%	
	Sub-total	-	-	2,129	1,517	115,557	157,815	31.0%	62.0%	6.0%	1.0%	0.0%	
Roads	Sealed roads			5,700	6,573	355,242	497,791	34%	44%	16%	6%	1%	
	Unsealed roads			325	375	4,677	11,836	14%	9%	34%	29%	14%	
	Bridges			213	143	64,809	73,329	96%	2%	1%	0%	0%	
	Footpaths			245	237	44,764	54,940	70%	10%	15%	6%	0%	
	Other road assets			172	198	16,031	18,399	74%	11%	11%	3%	1%	
	Bulk earthworks			33	33	137,440	137,440	100%	0%	0%	0%	0%	
	Kerb & Gutter			58	67	36,166	48,944	28%	17%	43%	12%	0%	
	Sub-total	-	-	6,746	7,626	659,129	842,679	52.5%	27.9%	13.6%	4.9%	1.0%	
Water supply network	Water supply network			2,704	2,648	339,407	454,401	5%	18%	73%	4%	0%	
	Sub-total	-	-	2,704	2,648	339,407	454,401	5.0%	18.0%	73.0%	4.0%	0.0%	
Sewerage network	Sewerage network			2,885	2,907	469,628	657,331	16%	39%	41%	3%	1%	
	Sub-total	-	-	2,885	2,907	469,628	657,331	16.0%	39.0%	41.0%	3.0%	1.0%	

Coffs Harbour City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage			329	204	158,456	204,977	43%	40%	16%	1%	0%
	Sub-total	-	-	329	204	158,456	204,977	43.0%	40.0%	16.0%	1.0%	0.0%
Open space/recreational assets	Other Open Space			562	523	11,185	23,772	38%	22%	25%	7%	8%
	Swimming Pools			77	51	2,366	4,356	0%	69%	31%	0%	0%
	Sub-total	-	-	639	574	13,551	28,128	32.1%	29.3%	25.9%	5.9%	6.8%
	TOTAL – ALL ASSETS	-	-	15,432	15,476	1,755,728	2,345,331	30.5%	32.5%	32.6%	3.6%	0.7%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Coffs Harbour City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods 2017 2016	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	<u>21,331</u>	59.27%	79.43%	>= 100%
Depreciation, amortisation and impairment	<u>35,992</u>			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	<u>–</u>	0.00%	0.00%	< 2.00%
Net carrying amount of infrastructure assets	<u>1,760,539</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>15,476</u>	100.29%	100.50%	> 100%
Required asset maintenance	<u>15,432</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>–</u>	0.00%	0.00%	
Gross replacement cost	<u>2,345,331</u>			

Notes

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

(1) Excludes Work In Progress (WIP)

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

Coffs Harbour City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 59.27%</p> <p>Council's infrastructure assets are currently assessed as good/satisfactory condition. Depreciation expense has increased as a result of prior valuations. Capital expenditure for 2017-18 was mainly on new and upgraded infrastructure.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 0.00%</p> <p>The Council has again recorded no backlog for the 2017-18 financial year, consistent with the consultation and service levels determined as part of the Special Rates Variation Consultation in 2014-15.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 100.29%</p> <p>The asset maintenance ratio demonstrates the effort that Council has put into ensuring that Council is investing the required funds to maintain infrastructure at the required service levels.</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>2017/18 Ratio 0.00%</p>

Coffs Harbour City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	87.42%	153.68%	51.50%	6.50%	8.40%	8.67%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	100.79%	100.76%	97.93%	99.86%	100.76%	100.29%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross replacement cost							

Notes

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

(2) Excludes Work In Progress (WIP)

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