

Coffs Harbour City Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

*Connected
Sustainable
Thriving*



Coffs Harbour City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*Connected
Sustainable
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General Purpose Financial Statements

for the year ended 30 June 2019

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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.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW 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 2019.

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 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 2019

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 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 this report false or misleading in any way.

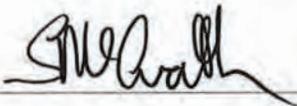
Signed in accordance with a resolution of Council made on 24 October 2019.



Denise Knight
Mayor
24 October 2019



Michael Adendorff
Councillor
24 October 2019



Steve McGrath
General Manager
24 October 2019



Mark Griffioen
Responsible Accounting Officer
24 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
Revenue:				
97,342	Rates and annual charges	3a	98,458	94,780
33,263	User charges and fees	3b	45,088	34,767
4,251	Interest and investment revenue	3c	6,915	6,524
16,676	Other revenues	3d	16,627	18,657
13,592	Grants and contributions provided for operating purposes	3e,3f	13,651	15,678
18,051	Grants and contributions provided for capital purposes	3e,3f	34,484	39,071
183,175	Total income from continuing operations		215,223	209,477
Expenses from continuing operations				
46,363	Employee benefits and on-costs	4a	46,714	46,350
9,723	Borrowing costs	4b	9,934	10,601
57,670	Materials and contracts	4c	55,502	53,225
38,906	Depreciation and amortisation	4d	45,820	42,429
12,526	Other expenses	4e	12,982	12,222
–	Net losses from the disposal of assets	5	3,807	4,589
–	Revaluation decrement / impairment of IPP&E	4d	–	1,373
165,188	Total expenses from continuing operations		174,759	170,789
17,987	Operating result from continuing operations		40,464	38,688
17,987	Net operating result for the year		40,464	38,688
17,987	Net operating result attributable to council		40,464	38,688
(64)	Net operating result for the year before grants and contributions provided for capital purposes		5,980	(383)

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		40,464	38,688
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	84,843	22,127
Total items which will not be reclassified subsequently to the operating result		84,843	22,127
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		(22)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(22)	–
Total other comprehensive income for the year		84,821	22,127
Total comprehensive income for the year		125,285	60,815
Total comprehensive income attributable to Council		125,285	60,815

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	21,434	22,495
Investments	6(b)	100,571	88,881
Receivables	7	18,724	19,178
Inventories	8a	2,039	2,284
Other	8b	1,343	3,041
Current assets classified as 'held for sale'	9i	505	505
Total current assets		<u>144,616</u>	<u>136,384</u>
Non-current assets			
Investments	6(b)	101,309	101,410
Receivables	7	2,841	2,802
Infrastructure, property, plant and equipment	10(a)	2,096,782	1,988,543
Intangible assets	11	54,251	55,286
Total non-current assets		<u>2,255,183</u>	<u>2,148,041</u>
TOTAL ASSETS		<u>2,399,799</u>	<u>2,284,425</u>
LIABILITIES			
Current liabilities			
Payables	12	9,311	10,004
Income received in advance	12	3,717	1,944
Borrowings	12	16,416	15,194
Provisions	13	14,211	14,333
Total current liabilities		<u>43,655</u>	<u>41,475</u>
Non-current liabilities			
Borrowings	12	123,554	139,021
Provisions	13	9,964	6,560
Total non-current liabilities		<u>133,518</u>	<u>145,581</u>
TOTAL LIABILITIES		<u>177,173</u>	<u>187,056</u>
Net assets		<u>2,222,626</u>	<u>2,097,369</u>
EQUITY			
Accumulated surplus		1,410,006	1,369,570
Revaluation reserves	14a	812,076	727,233
Financial asset revaluation reserve	14a	544	566
Council equity interest		<u>2,222,626</u>	<u>2,097,369</u>
Total equity		<u>2,222,626</u>	<u>2,097,369</u>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019				2018 ¹			
		Accumulated surplus	IPP&E revaluation reserve	Financial Asset Revaluation Reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial Asset Revaluation Reserve	Total equity
Opening balance		1,369,570	727,233	566	2,097,369	1,330,907	705,106	541	2,036,554
Adoption of new accounting standards – not retrospective	14b	(28)	–	–	(28)	–	–	–	–
Restated opening balance		1,369,542	727,233	566	2,097,341	1,330,907	705,106	541	2,036,554
Net operating result for the year		40,464	–	–	40,464	38,688	–	–	38,688
Restated net operating result for the period		40,464	–	–	40,464	38,688	–	–	38,688
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	10(a)	–	84,843	–	84,843	–	22,127	–	22,127
– Gain (loss) on revaluation of available for sale investments		–	–	(22)	(22)	(25)	–	25	–
Other comprehensive income		–	84,843	(22)	84,821	(25)	22,127	25	22,127
Total comprehensive income		40,464	84,843	(22)	125,285	38,663	22,127	25	60,815
Equity – balance at end of the reporting period		1,410,006	812,076	544	2,222,626	1,369,570	727,233	566	2,097,369

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
–	Bonds, deposits and retention amounts received		271	60
31,643	Grants and contributions		34,455	38,125
4,251	Investment and interest revenue received		6,661	6,506
97,342	Rates and annual charges		98,146	93,367
33,263	User charges and fees		50,591	37,862
16,676	Other		25,001	24,431
<u>Payments</u>				
(46,363)	Employee benefits and on-costs		(46,953)	(45,501)
(57,670)	Materials and contracts		(65,210)	(62,177)
(9,723)	Borrowing costs		(9,920)	(10,586)
(12,526)	Other		(9,341)	(11,533)
56,893	Net cash provided (or used in) operating activities	15b	83,701	70,554
Cash flows from investing activities				
<u>Receipts</u>				
66,500	Sale of investment securities		83,069	50,045
–	Sale of infrastructure, property, plant and equipment		1,735	1,493
<u>Payments</u>				
(62,500)	Purchase of investment securities		(94,590)	(65,454)
(50,013)	Purchase of infrastructure, property, plant and equipment		(60,601)	(41,844)
–	Purchase of intangible assets		(101)	–
(46,013)	Net cash provided (or used in) investing activities		(70,488)	(55,760)
Cash flows from financing activities				
<u>Receipts</u>				
5,500	Proceeds from borrowings and advances		–	4,720
<u>Payments</u>				
(20,712)	Repayment of borrowings and advances		(14,274)	(14,570)
(15,212)	Net cash flow provided (used in) financing activities		(14,274)	(9,850)
(4,332)	Net increase/(decrease) in cash and cash equivalents		(1,061)	4,944
191,997	Plus: cash and cash equivalents – beginning of year	15a	22,495	17,551
187,665	Cash and cash equivalents – end of the year	15a	21,434	22,495
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	201,880	190,291
187,665	Total cash, cash equivalents and investments		223,314	212,786

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24 October 2019. 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.

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.

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

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 20 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 13
- (iii) employee benefit provisions – refer Note 13.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer 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 property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund has been included in the financial statement of Council.

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
- Holiday Park & Reserves

(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 property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these 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 that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below.

AASB 16 Leases

AASB 16 Leases will result (for financial year 2019/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside any existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (i.e. a lease liability) and an asset (i.e. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months, taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

Council considers the impact of AASB 16 to be immaterial for the 2019/20 financial year, as Council is able to apply exemptions to recognition of the potential leases identified under the standard based on the low value exemption and materiality threshold. However, some additional disclosures will be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Based on Council's analysis of revenue received over the past 12-month period, the impact of AASB 15 on revenue, net operating result and financial position in future financial reporting years is considered to be immaterial.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

There are no anticipated impacts of AASB 1058 for Council based on analysis carried out, with any likely effect deemed to be immaterial.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

The potential impacts of AASB 2018-8 have been analysed and considered to be immaterial.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Governance Services	141	77	4,066	3,638	(3,925)	(3,561)	–	–	118	105
Office of the General Manager	–	–	635	560	(635)	(560)	–	–	4	5
Domestic Waste Management	22,187	21,957	15,351	15,152	6,836	6,805	–	–	10,147	9,395
Non Domestic Waste Management	7,582	6,579	5,516	5,451	2,066	1,128	107	107	9,116	7,687
Airport	8,219	8,447	5,145	6,456	3,074	1,991	–	470	88,720	87,379
Business Systems	376	92	4,642	3,574	(4,266)	(3,482)	–	–	1,689	2,109
CitySmart Solutions	2,768	3,062	3,885	2,727	(1,117)	335	–	–	3,332	1,036
Organisational Development	233	92	3,627	1,610	(3,394)	(1,518)	–	–	1	1
Customer Services	64	59	2,327	2,458	(2,263)	(2,399)	–	–	33	43
Environmental Laboratory	750	700	635	634	115	66	–	–	1,582	1,573
Coastal Works	5,306	3,580	4,817	3,056	489	524	–	–	–	265
Water Supplies	28,005	26,792	16,810	17,698	11,195	9,094	–	–	438,962	438,829
Sewer Services	38,779	35,215	25,803	25,253	12,976	9,962	–	–	543,413	541,292
Business Services	–	–	356	376	(356)	(376)	–	–	–	–
Financial Services and Logistics	50,046	50,608	16,896	19,433	33,150	31,175	7,582	7,535	257,423	280,571
Sustainable Communities	–	–	378	359	(378)	(359)	–	–	–	–
Cultural Services	1,170	1,630	3,949	4,047	(2,779)	(2,417)	592	883	4,155	2,619
Community Services	112	155	2,770	2,085	(2,658)	(1,930)	71	105	339	191
Sustainable Places	3,116	3,327	6,119	5,770	(3,003)	(2,443)	225	186	7	496
City Prosperity	4,939	3,399	5,685	4,911	(746)	(1,512)	3,873	2,131	21,704	4,883
Sustainable Infrastructure	829	548	1,278	1,399	(449)	(851)	826	546	2,991	3,138
Infrastructure Construction and Maintenance	26,542	36,337	31,902	34,359	(5,360)	1,978	5,307	8,217	946,434	902,053
Strategic Asset Management	507	666	3,371	3,522	(2,864)	(2,856)	180	287	1,310	754
Business Improvement	5	–	314	398	(309)	(398)	–	–	–	–
Holiday Parks and Reserves	13,547	6,155	8,482	5,863	5,065	292	338	–	68,319	–
Other	–	–	–	–	–	–	–	–	–	1
Total functions and activities	215,223	209,477	174,759	170,789	40,464	38,688	19,101	20,467	2,399,799	2,284,425

Notes to the Financial Statements

for the year ended 30 June 2019

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 policymaking 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Holiday Park operations at 4 locations and maintenance of Crown Reserves.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	36,787	35,663
Farmland	930	888
Business	8,389	8,191
Less: pensioner rebates (mandatory)	(1,504)	(1,556)
Rates levied to ratepayers	44,602	43,186
Pensioner rate subsidies received	868	856
Total ordinary rates	45,470	44,042
Special rates		
Environmental	1,439	1,397
less pensioner rebates (Council policy)	(127)	(129)
Rates levied to ratepayers	1,312	1,268
Total special rates	1,312	1,268
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	20,079	19,433
Stormwater management services	717	706
Water supply services	4,646	4,605
Sewerage services	24,939	23,616
Waste management services (non-domestic)	1,942	1,884
Other	168	163
Less: pensioner rebates (mandatory)	(824)	(920)
Less: pensioner rebates (Council policy)	(507)	(523)
Annual charges levied	51,160	48,964
Pensioner subsidies received:		
– Water	261	256
– Sewerage	255	250
Total annual charges	51,676	49,470
TOTAL RATES AND ANNUAL CHARGES	98,458	94,780

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	945	1,118
Water supply services	15,546	15,418
Sewerage services	2,654	2,875
Waste management services (non-domestic)	3,852	2,942
Other	39	39
Total specific user charges	23,036	22,392
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	1,147	1,465
Private works – section 67	339	344
Regulatory/ statutory fees	98	123
Regulatory fees	817	806
Section 10.7 certificates (EP&A Act)	128	155
Section 603 certificates	122	152
Other	31	57
Total fees and charges – statutory/regulatory	2,682	3,102
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	6,024	6,128
Caravan park	10,496	–
Cemeteries	318	255
Community centres	174	182
Lease rentals	62	93
Waste disposal tipping fees	697	985
Water supply recovery charges	133	124
Laboratory income	695	655
Sports stadium	164	248
Other	607	603
Total fees and charges – other	19,370	9,273
TOTAL USER CHARGES AND FEES	45,088	34,767

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	403	397
– Cash and investments	6,361	5,961
– Deferred debtors	9	13
– Other	1	15
Dividend income (other)	35	35
Fair value adjustments		
– Movements in investments at fair value through profit and loss	90	81
Fair valuation of financial liabilities on recognition		
– Interest free (or favourable) loans and advances received	16	22
TOTAL INTEREST AND INVESTMENT REVENUE	6,915	6,524

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	403	397
General Council cash and investments	515	701

Restricted investments/funds – external:

Development contributions		
– Section 7.11	508	546
– Section 64	88	45
Water fund operations	972	1,001
Sewerage fund operations	1,524	1,362
Domestic waste management operations	683	492

Restricted investments/funds – internal:

Internally restricted assets	2,222	1,980
Total interest and investment revenue	6,915	6,524

Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Rental income – other council properties	2,647	2,372
Fines	421	378
Legal fees recovery – other	18	–
Commissions and agency fees	37	33
Insurance claims recoveries	68	34
Airport parking	1,296	1,237
Conferences	370	86
ICT projects and consultancy	1,994	1,704
Jetty theatre revenue	183	169
Other	204	376
Nursery sales	(15)	(4)
Optical fibre lease	93	36
Banana sales from reuse trial	95	81
Recoverable rates legals	212	272
Sports stadium food and drink	582	560
Sale of switchboards	715	1,356
Reimbursements	331	286
Holiday parks revenue	2,172	6,153
Risk mitigation incentives	101	73
Waste revenue	173	204
Sewer revenue	13	37
Coastal Works income	4,917	3,214
<u>TOTAL OTHER REVENUE</u>	<u>16,627</u>	<u>18,657</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.

Airport parking revenue is recorded when the payment is received.

ICT projects and consultancy income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

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

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

All other revenue streams are recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,585	2,616	–	–
Financial assistance – local roads component	1,109	1,054	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,680	2,686	–	–
Financial assistance – local roads component	1,150	1,081	–	–
Total general purpose	7,524	7,437	–	–
Specific purpose				
Bushfire and emergency services	284	369	542	177
Community care	26	70	–	–
Community centres	–	–	579	408
Environmental programs	207	278	52	37
Heritage and cultural	26	12	–	–
Library	356	411	41	63
Noxious weeds	138	160	–	–
Recreation and culture	–	–	824	276
Street lighting	148	151	–	–
Transport (roads to recovery)	924	1,865	–	–
Transport (other roads and bridges funding)	1,104	1,151	1,136	1,334
Other	262	5	798	24
Boat ramps and facilities	–	–	26	18
Airport	–	–	–	470
Jetty4shores	–	–	–	2,735
Sports Stadium	–	–	3,152	1,895
Footpaths and cycleways	–	–	–	41
Flood studies and mitigation works	–	–	802	565
Natural disaster	–	455	–	–
Orara river health	150	60	–	–
Total specific purpose	3,625	4,987	7,952	8,043
Total grants	11,149	12,424	7,952	8,043
Grant revenue is attributable to:				
– Commonwealth funding	930	1,865	4,243	5,658
– State funding	10,215	10,557	3,705	2,352
– Other funding	4	2	4	33
	11,149	12,424	7,952	8,043

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	2,795	3,614
S 64 – water supply contributions		–	–	4,502	4,703
S 64 – sewerage service contributions		–	–	4,973	4,317
S 64 – stormwater contributions		–	–	104	57
Other developer contributions		–	–	690	808
Total developer contributions – cash		–	–	13,064	13,499
Total developer contributions	24	–	–	13,064	13,499
Other contributions:					
Cash contributions					
Bushfire services		3	2	–	–
Community services		–	–	110	5
Kerb and gutter		–	–	225	193
Recreation and culture		62	97	110	155
Roads and bridges		–	–	15	5
RMS contributions (regional roads, block grant)		120	120	–	–
Other		57	66	234	27
Caravan parks		–	141	–	–
Contributions to works		1,716	2,281	–	–
Diesel fuel rebate		177	179	–	–
Vehicle lease payments		367	368	–	–
Total other contributions – cash		2,502	3,254	694	385
Non-cash contributions					
Dedications – subdivisions (other than by s7.11)		–	–	7,645	13,587
Assets recognised for the first time		–	–	5,129	3,557
Total other contributions – non-cash		–	–	12,774	17,144
Total other contributions		2,502	3,254	13,468	17,529
Total contributions		2,502	3,254	26,532	31,028
TOTAL GRANTS AND CONTRIBUTIONS		13,651	15,678	34,484	39,071

Accounting policy for grants and 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 below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

A 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
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(g) Unspent grants and contributions

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

Operating grants

Unexpended at the close of the previous reporting period	4,130	4,107
Add: operating grants recognised in the current period but not yet spent	4,070	3,992
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(4,088)	(3,969)
Unexpended and held as restricted assets (operating grants)	4,112	4,130

Unexpended operating grant funds held as restricted assets include initial milestone payments for Stronger Country Communities Fund Round 2 projects and funding from the Community Sport Infrastructure Grant for a project which has received an extension to its term. All amounts are expected to be spent within the next 12 months.

Capital grants

Unexpended at the close of the previous reporting period	516	606
Add: capital grants recognised in the current period but not yet spent	1,049	426
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	(641)	(516)
Unexpended and held as restricted assets (capital grants)	924	516

Unexpended capital grant funds held as restricted assets include an advance payment of fifty percent of the 2019/2020 Financial Assistance Grant and an interim milestone payment for the Cultural Infrastructure Program Management Office's digitisation funding, all amounts are expected to be spent within the next 12 months.

Contributions

Unexpended at the close of the previous reporting period	21,387	18,901
Add: contributions recognised in the current period but not yet spent	13,727	14,142
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(11,434)	(11,656)
Unexpended and held as restricted assets (contributions)	23,680	21,387

Unexpended contributions held as restricted assets are Developer Contributions. The funds are collected across a variety of district and area specific Contribution Plans. The funds collected are derived and levied from development consents issued. Funds are expended on an ongoing basis in accordance with project delivery requirements as outlined within the specified Contribution Plans.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	37,239	36,242
Employee termination costs	216	105
Travel expenses	75	2
Employee leave entitlements (ELE)	7,206	7,064
Superannuation – defined contribution plans	3,669	3,355
Superannuation – defined benefit plans	1,133	1,025
Workers' compensation insurance	678	1,264
Fringe benefit tax (FBT)	29	52
Payroll tax	531	540
Training costs (other than salaries and wages)	751	724
Protective clothing	181	157
Other	61	63
Total employee costs	51,769	50,593
Less: capitalised costs	(5,055)	(4,243)
TOTAL EMPLOYEE COSTS EXPENSED	46,714	46,350
Number of 'full-time equivalent' employees (FTE) at year end	578	564

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, 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 18 for more information.

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		9,781	10,451
Total interest bearing liability costs expensed		9,781	10,451
(ii) Other borrowing costs			
Amortisation of discounts and premiums			
– Remediation liabilities	13	108	81
Interest applicable on interest free (and favourable) loans to Council		45	69
Total other borrowing costs		153	150
TOTAL BORROWING COSTS EXPENSED		9,934	10,601

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	27,671	25,240
Contractor and consultancy costs	72,908	62,705
Auditors remuneration ²	187	189
Legal expenses:		
– Legal expenses: planning and development	765	184
– Legal expenses: other	696	410
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	–	22
Other	10	4
Total materials and contracts	<u>102,237</u>	<u>88,754</u>
Less: capitalised costs	(46,735)	(35,529)
TOTAL MATERIALS AND CONTRACTS	<u>55,502</u>	<u>53,225</u>

Accounting policy for 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
	<u>–</u>	<u>22</u>

2. Auditor remuneration

During the year, the following fees were incurred 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	132	124
Remuneration for audit and other assurance services	<u>132</u>	<u>124</u>
Total Auditor-General remuneration	<u>132</u>	<u>124</u>

Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Other audit and assurance services	53	56
Other audit and assurance services – asset management review	–	7
Remuneration for audit and other assurance services	<u>53</u>	<u>63</u>

(ii) Non-assurance services

Other services	2	2
Remuneration for non-assurance services	<u>2</u>	<u>2</u>

Total remuneration of non NSW Auditor-General audit firms	<u>55</u>	<u>65</u>
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Total Auditor remuneration	<u>187</u>	<u>189</u>
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		4,042	3,774
Office equipment		480	462
Furniture and fittings		190	167
Land improvements (depreciable)		106	440
Infrastructure:			
– Buildings – non-specialised		1,194	1,109
– Buildings – specialised		1,205	1,176
– Roads		14,257	13,911
– Bridges		661	658
– Footpaths		878	780
– Stormwater drainage		1,832	1,746
– Water supply network		5,337	5,153
– Sewerage network		10,822	10,482
– Swimming pools		79	89
– Other open space/recreational assets		2,251	871
– Other infrastructure		99	–
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10(a),13	1,251	457
Intangible assets	11	1,136	1,154
Total gross depreciation and amortisation costs		45,820	42,429
Total depreciation and amortisation costs		45,820	42,429
Impairment / revaluation decrement of IPP&E			
Land Under Roads		–	1,356
Infrastructure:			
– Buildings – specialised		–	17
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		–	1,373
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	1,373
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>45,820</u>	<u>43,802</u>

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**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 11 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above 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.

\$ '000	2019	2018
(e) Other expenses		
Bad and doubtful debts	–	21
Bank charges	340	248
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	1,111	1,147
– Contributions to regional parks	254	330
– Contributions to state parks	–	1,103
– Other contributions/levies	537	122
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	158	170
Councillors' expenses (incl. mayor) – other (excluding fees above)	78	70
Donations, contributions and assistance to other organisations (Section 356)	1,195	668
Electricity and heating	3,970	3,346
Insurance	1,556	1,702
Office expenses (including computer expenses)	67	94
Postage	229	235
Printing and stationery	256	304
Street lighting	1,522	1,105
Subscriptions and publications	663	650
Telephone and communications	546	473
Valuation fees	243	241
Other	214	151
Total other expenses	12,982	12,222
TOTAL OTHER EXPENSES	12,982	12,222

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		112	–
Less: carrying amount of property assets sold/written off		(970)	(1,014)
Net gain/(loss) on disposal		(858)	(1,014)
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		1,623	1,435
Less: carrying amount of plant and equipment assets sold/written off		(652)	(1,283)
Net gain/(loss) on disposal		971	152
Infrastructure			
	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(3,920)	(3,776)
Net gain/(loss) on disposal		(3,920)	(3,776)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		83,069	50,045
Less: carrying amount of investments sold/redeemed/matured		(83,069)	(50,045)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
	9		
Proceeds from disposal – non-current assets ‘held for sale’		–	58
Net gain/(loss) on disposal		–	58
Other (Artwork)			
Less: carrying amount of Other assets sold/written off		–	(9)
Net gain/(loss) on disposal		–	(9)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,807)	(4,589)

Accounting policy for disposal of assets

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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 de-recognised.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	4,278	5,814
Cash-equivalent assets		
– Deposits at call	17,156	16,681
Total cash and cash equivalents	21,434	22,495

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	74,647	37,445	79,750	34,066
c. 'Loans and receivables'	35	306	31	193
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	25,889	63,558	9,100	67,151
Total Investments	100,571	101,309	88,881	101,410
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	122,005	101,309	111,376	101,410
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	72,648	25,901	79,750	20,500
Unlisted equity securities	–	544	–	566
Floating rate term deposits	2,000	11,000	–	13,000
Total	74,648	37,445	79,750	34,066
Loans and receivables				
Non Profit Organisations	35	306	31	193
Total	35	306	31	193
Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)				
NCD's, FRN's (with maturities > 3 months)	25,889	61,548	9,100	65,138
Fixed coupon bonds	–	2,010	–	2,013
Total	25,889	63,558	9,100	67,151

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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) Financial assets at fair value through profit or loss

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

(b) 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.

(c) Loans to non profit organisations and receivables

Loans to non profit organisations and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. 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.

(d) 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 financial assets

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	122,005	101,309	111,376	101,410
attributable to:				
External restrictions	45,876	84,196	41,768	90,057
Internal restrictions	68,342	17,113	65,080	11,353
Unrestricted	7,787	–	4,528	–
	<u>122,005</u>	<u>101,309</u>	<u>111,376</u>	<u>101,410</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – water	19,720	19,720
Specific purpose unexpended loans – sewer	20,277	26,457
External restrictions – included in liabilities	<u>39,997</u>	<u>46,177</u>

External restrictions – other

Developer contributions – general	20,116	18,974
Developer contributions – water fund	1,728	628
Developer contributions – sewer fund	1,838	1,785
Specific purpose unexpended grants	5,036	4,646
Water supplies	8,991	13,996
Transition To Sustainability ("T2S") savings - Water	232	–
Sewerage services	26,799	25,958
Transition To Sustainability ("T2S") savings - Sewer	1,291	–
Domestic waste management	24,044	19,661
External restrictions – other	<u>90,075</u>	<u>85,648</u>
Total external restrictions	<u>130,072</u>	<u>131,825</u>

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Internal restrictions		
Plant and vehicle replacement	13,266	13,953
Employees leave entitlement	10,419	8,708
Deposits, retentions and bonds	1,237	980
Unexpended grants – general	336	239
RMS contributions – Sapphire to Woolgoolga	3,707	3,791
Environmental levy	296	282
Community facilities	3,704	2,426
Environmental laboratory business unit	2,011	1,709
Car parking upgrade	20	1,205
Strategic initiatives	2,538	2,696
Coastal works business unit	1,313	1,264
RMS contributions – pine creek hand over	1,852	2,243
Flood mitigation works	5,472	4,609
Citysmart solutions business unit	68	37
Unexpended loans – general	1,477	6,502
Coffs Harbour regional airport business unit	5,764	856
Waste management – non-domestic	11,409	7,910
Infrastructure assets renewal – general	8,905	9,041
CBD masterplan	–	1,207
Jetty4shores recreation hub	–	267
Transition To Sustainability ("T2S") savings	5,784	6,142
Renewable energy	214	260
Holiday Parks and Reserves	3,595	–
Special Rate Variation Revotes	1,633	–
General Fund Revotes	325	–
Other	110	106
Total internal restrictions	85,455	76,433
TOTAL RESTRICTIONS	215,527	208,258

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	3,979	1,885	3,503	2,049
Interest and extra charges	362	741	552	495
User charges and fees	2,258	69	2,453	45
Private works	1,527	–	1,341	–
Accrued revenues				
– Interest on investments	1,218	–	1,126	–
– User charges and fees	2,194	–	2,306	–
– Other income accruals	253	–	–	–
Government grants and subsidies	2,245	81	1,271	149
Net GST receivable	454	–	47	–
Airport landing charges	1,317	43	1,735	43
Switchboard sales	521	–	755	–
Caravan parks	–	–	2,901	–
Tip charges	332	–	315	–
Lease rentals	355	–	122	–
Environmental lab	61	–	90	–
Other debtors	1,741	22	725	21
Total	18,817	2,841	19,242	2,802
Less: provision of impairment				
Other debtors	(93)	–	(64)	–
Total provision for impairment – receivables	(93)	–	(64)	–
TOTAL NET RECEIVABLES	18,724	2,841	19,178	2,802
Externally restricted receivables				
Water supply				
– Rates and availability charges	152	92	146	98
– Other	8,208	54	3,944	37
Sewerage services				
– Rates and availability charges	853	499	810	555
– Other	874	5,511	790	7
Domestic waste management	729	–	695	–
Total external restrictions	10,816	6,156	6,385	697
Internally restricted receivables				
Non Domestic Waste management	596	–	569	–
Internally restricted receivables	596	–	569	–
Unrestricted receivables	7,312	(3,315)	12,224	2,105
TOTAL NET RECEIVABLES	18,724	2,841	19,178	2,802

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	64	50
+ new provisions recognised during the year	49	21
– amounts already provided for and written off this year	(15)	(7)
– amounts provided for but recovered during the year	(6)	–
Balance at the end of the period	92	64

Accounting policy for receivables**Recognition and measurement**

Receivables 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**Accounting policy under AASB 9 applicable from 1 July 2018**

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the 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.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	1,309	–	1,235	–
Trading stock	730	–	1,049	–
Total inventories at cost	2,039	–	2,284	–
<u>TOTAL INVENTORIES</u>	<u>2,039</u>	<u>–</u>	<u>2,284</u>	<u>–</u>

(b) Other assets

Prepayments	1,343	–	490	–
Work in progress	–	–	260	–
Accrued Revenue	–	–	2,291	–
<u>TOTAL OTHER ASSETS</u>	<u>1,343</u>	<u>–</u>	<u>3,041</u>	<u>–</u>

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Water				
Stores and materials	254	–	230	–
Total water	254	–	230	–
Domestic waste management				
Stores and materials	76	–	40	–
Total domestic waste management	76	–	40	–
Other				
Accrued Revenue	–	–	2,291	–
Total other	–	–	2,291	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	330	–	2,561	–
Total internally restricted assets	62	–	2,323	–
Total unrestricted assets	2,990	–	441	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>3,382</u>	<u>–</u>	<u>5,325</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

Accounting policy for inventories and other assets

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 the 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(i) Non-current assets and disposal group assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Non-current assets 'held for sale'				
Land	505	–	505	–
Total non-current assets 'held for sale'	505	–	505	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>505</u>	<u>–</u>	<u>505</u>	<u>–</u>

(ii) Details of assets and disposal groups

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 sales will occur in the subsequent financial year.

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 continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	28,089	–	28,089	32,683	8,157	(297)	–	(18,526)	–	–	987	51,093	–	51,093
Plant and equipment	41,100	(24,888)	16,212	5,287	778	(600)	(4,042)	80	(56)	–	465	44,512	(26,388)	18,124
Office equipment	2,552	(1,752)	800	244	369	–	(480)	–	(3)	–	40	3,259	(2,289)	970
Furniture and fittings	3,871	(2,249)	1,622	–	54	–	(190)	–	3	–	207	4,231	(2,535)	1,696
Land:														
– Operational land	134,528	–	134,528	–	–	–	–	–	–	–	4,045	138,573	–	138,573
– Community land	39,903	–	39,903	–	–	–	–	–	–	–	35,832	75,735	–	75,735
– Land under roads (post 30/6/08)	3,046	–	3,046	–	–	–	–	–	–	–	443	3,489	–	3,489
Land improvements – depreciable	21,733	(16,922)	4,811	108	136	(2)	(106)	4	(4,165)	–	762	3,343	(1,795)	1,548
Infrastructure:														
– Buildings – non-specialised	67,352	(20,728)	46,624	26	629	(5)	(1,194)	1,046	–	–	1,153	72,161	(23,882)	48,279
– Buildings – specialised	90,466	(21,533)	68,933	1,136	134	(965)	(1,205)	1,405	(6)	–	10,274	112,204	(32,498)	79,706
– Roads	576,964	(164,847)	412,117	1,003	1,475	(486)	(14,257)	5,400	183	–	2,409	588,068	(180,224)	407,844
– Bridges	73,329	(8,520)	64,809	270	–	(204)	(661)	570	(70)	–	–	73,820	(9,106)	64,714
– Footpaths	54,940	(10,177)	44,763	471	791	(101)	(878)	790	36	–	270	57,253	(11,111)	46,142
– Bulk earthworks (non-depreciable)	137,440	–	137,440	309	255	(142)	–	447	22	–	334	138,665	–	138,665
– Stormwater drainage	204,977	(46,521)	158,456	287	3,616	(150)	(1,832)	3,700	18	–	619	213,148	(48,434)	164,714
– Water supply network	454,401	(114,994)	339,407	384	2,632	(1,166)	(5,337)	2,593	49	–	5,714	466,432	(122,156)	344,276
– Sewerage network	657,331	(187,703)	469,628	2,009	4,608	(652)	(10,822)	1,207	(11)	–	8,666	676,376	(201,743)	474,633
– Swimming pools	4,356	(1,989)	2,367	–	–	–	(79)	–	–	(114)	–	4,713	(2,539)	2,174
– Other open space/recreational assets	23,772	(12,588)	11,184	504	1,516	(252)	(2,251)	1,284	4,001	–	12,499	65,530	(37,045)	28,485
– Other infrastructure	–	–	–	–	–	–	(99)	–	(13)	–	828	1,191	(475)	716
Other assets:														
– Other	1,885	–	1,885	–	9	–	–	–	–	(645)	–	1,249	–	1,249
Reinstatement, rehabilitation and restoration assets (refer Note 13):														
– Tip assets	4,615	(2,696)	1,919	3,085	–	–	(1,251)	–	204	–	–	7,904	(3,947)	3,957
Total Infrastructure, property, plant and equipment	2,626,650	(638,107)	1,988,543	47,806	25,159	(5,022)	(44,684)	–	192	(759)	85,547	2,802,949	(706,167)	2,096,782

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	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 Recognized for the first time	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
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	109	2,455	(3,750)	67,352	(20,728)	46,624
– Buildings – specialised	55,378	(6,536)	48,842	1,423	–	(329)	(1,176)	(17)	2,720	24,893	870	(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 13):															
– Tip assets	4,523	(2,239)	2,284	–	–	–	(457)	–	–	92	–	–	4,615	(2,696)	1,919
Total Infrastructure, property, plant and equipment	2,528,320	(573,559)	1,954,761	22,989	33,779	(6,073)	(41,275)	(1,373)	(28)	78	3,558	22,127	2,626,650	(638,107)	1,988,543

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

Notes to the Financial Statements

for the year ended 30 June 2019

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 comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council 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 Department of Industry (DoI) – Water.

Increases in the carrying amounts arising on revaluation are credited to the 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.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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	Land Improvements	Years
Office equipment	3 to 7	Activity Area	80
Office furniture	5 to 25		
Computer equipment	3		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings	25 to 50
Other plant and equipment	5 to 15		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	11 to 159	Drains	80 to 100
Pump stations	68 to 98	Pipes, pits and culverts	60 to 120
Mains	59 to 168	Gross pollutant traps	30
Treatment plants	23 to 163		
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 to 60
Unsealed roads	40	Other open space/recreational assets	5 to 60
Bridge: concrete	120	Playground equipment	20
Bridge: other	60	Benches, seats etc.	20
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.

Notes to the Financial Statements

for the year ended 30 June 2019

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.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting 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 firefighting 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	3,450	–	3,450	2,995	–	2,995
Plant and equipment	1,822	1,683	139	1,794	1,562	232
Office equipment	237	237	–	233	233	–
Land						
– Operational land	5,259	–	5,259	5,259	–	5,259
Buildings	–	–	–	287	28	259
Infrastructure	466,030	122,048	343,982	454,401	114,994	339,407
Total water supply	476,798	123,968	352,830	464,969	116,817	348,152
Sewerage services						
WIP	3,501	–	3,501	1,546	–	1,546
Plant and equipment	83	75	8	82	73	9
Office equipment	72	72	–	70	68	2
Furniture and fittings	80	80	–	78	78	–
Land						
– Operational land	13,369	–	13,369	13,369	–	13,369
Buildings	806	93	713	518	56	462
Infrastructure	674,917	201,486	473,431	657,331	187,703	469,628
Total sewerage services	692,828	201,806	491,022	672,994	187,978	485,016
Domestic waste management						
WIP	337	–	337	261	–	261
Plant and equipment	161	157	4	173	165	8
Office equipment	4	4	–	4	3	1
Land						
– Operational land	6,455	–	6,455	6,455	–	6,455
Buildings	1,286	420	866	1,283	403	880
Other structures	325	93	232	331	101	230
Infrastructure	3,960	2,076	1,884	2,494	1,483	1,011
Total DWM	12,528	2,750	9,778	11,001	2,155	8,846
TOTAL RESTRICTED I,PP&E	1,182,154	328,524	853,630	1,148,964	306,950	842,014

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

\$ '000	Notes	2019	2018
(i) Reversal of impairment losses previously recognised in the Income Statement:			
Land Under Roads and Buildings Specialised		–	(1,373)
Total impairment reversals		–	(1,373)
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4d	–	(1,373)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	64,665	64,456
Accumulated amortisation	(9,379)	(8,225)
Net book value – opening balance	55,286	56,231
Movements for the year		
– Purchases	101	209
– Amortisation charges	(1,136)	(1,154)
Closing values at 30 June		
Gross book value	64,837	64,665
Accumulated amortisation	(10,586)	(9,379)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	54,251	55,286

The net book value of intangible assets represents:

– Regional water supply scheme (right to receive water from Clarence Valley Council)	51,314	51,817
– Goodwill on purchase of commercial operation	1,920	1,920
– Software	1,017	1,549
	54,251	55,286

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 services, 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 Operations

Councils 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 2019 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 the cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Intangible assets (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	845	–	1,765	–
Goods and services – capital expenditure	2,023	–	1,776	–
Accrued expenses:				
– Borrowings	1,157	–	1,288	–
– Salaries and wages	658	–	782	–
– Other expenditure accruals	2,954	–	2,455	–
Security bonds, deposits and retentions	1,536	–	1,265	–
Other	138	–	673	–
Total payables	9,311	–	10,004	–
Income received in advance				
Payments received in advance	3,717	–	1,944	–
Total income received in advance	3,717	–	1,944	–
Borrowings				
Loans – secured ¹	16,416	123,554	15,194	139,021
Total borrowings	16,416	123,554	15,194	139,021
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>29,444</u>	<u>123,554</u>	<u>27,142</u>	<u>139,021</u>

(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 19.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	7,048	50,665	8,824	56,683
Sewer	8,160	57,585	8,108	64,881
Domestic waste management	454	–	307	–
Payables and borrowings relating to externally restricted assets	15,662	108,250	17,239	121,564
Internally restricted assets				
Non Domestic Waste management	372	–	251	–
Payables and borrowings relating to internally restricted assets	372	–	251	–
Total payables and borrowings relating to restricted assets	16,034	108,250	17,490	121,564
Total payables and borrowings relating to unrestricted assets	13,410	15,304	9,652	17,457
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>29,444</u>	<u>123,554</u>	<u>27,142</u>	<u>139,021</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

\$ '000	2019	2018
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	1,536	1,265
Total payables and borrowings	1,536	1,265

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019	
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance	
Loans – secured	154,215	(15,194)	–	–	949	139,970	
TOTAL	154,215	(15,194)	–	–	949	139,970	

\$ '000	as at 30/6/2017					as at 30/6/2018	
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance	
Loans – secured	164,018	(14,523)	4,720	–	–	154,215	
TOTAL	164,018	(14,523)	4,720	–	–	154,215	

\$ '000	2019	2018
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	1,200	1,200
Loan facilities	139,970	154,215
Total financing arrangements	141,170	155,415

Drawn facilities as at balance date:

– Credit cards/purchase cards	310	298
– Loan facilities	139,970	154,215
Total drawn financing arrangements	140,280	154,513

Undrawn facilities as at balance date:

– Credit cards/purchase cards	890	902
Total undrawn financing arrangements	890	902

Additional financing arrangements information**Breaches and defaults**

During the current and prior year, there were no defaults or breaches on any of the loans.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

Security over loans

Loans facilities are secured by Council assets and future cash flows.

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

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 drawdown occurs. To the extent that 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.

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	3,427	–	3,365	–
Sick leave	201	–	181	–
Long service leave	8,811	866	8,800	839
Accrued leave	188	–	212	–
ELE on-costs	1,584	109	1,775	129
Sub-total – aggregate employee benefits	14,211	975	14,333	968
Asset remediation/restoration:				
Tip asset remediation & restoration	–	8,989	–	5,592
Sub-total – asset remediation/restoration	–	8,989	–	5,592
<u>TOTAL PROVISIONS</u>	<u>14,211</u>	<u>9,964</u>	<u>14,333</u>	<u>6,560</u>

(a) Provisions relating to restricted assets

Externally restricted assets				
Water	1,365	123	1,860	80
Sewer	701	61	975	25
Domestic waste management	134	4,501	109	3,045
Provisions relating to externally restricted assets	2,200	4,685	2,944	3,150
Internally restricted assets				
Non Domestic Waste Management	110	3,683	90	2,491
Provisions relating to internally restricted assets	110	3,683	90	2,491
Total provisions relating to restricted assets	2,310	8,368	3,034	5,641
Total provisions relating to unrestricted assets	11,901	1,596	11,299	919
<u>TOTAL PROVISIONS</u>	<u>14,211</u>	<u>9,964</u>	<u>14,333</u>	<u>6,560</u>

\$ '000	2019	2018
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	9,918	11,143
	<u>9,918</u>	<u>11,143</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
2019							
At beginning of year	3,365	181	9,639	1,904	212	15,301	
Additional provisions	3,248	20	1,542	(211)	–	4,599	
Amounts used (payments)	(3,186)	–	(1,505)	–	(24)	(4,715)	
Other	–	–	1	–	–	1	
Total ELE provisions at end of period	3,427	201	9,677	1,693	188	15,186	
2018							
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 period	3,365	181	9,639	1,904	212	15,301	

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	5,592	5,592
Remeasurement effects	2,583	2,583
Unwinding of discount	100	100
Other	714	714
Total other provisions at end of period	8,989	8,989
2018		
At beginning of year	5,418	5,418
Remeasurement effects	93	93
Unwinding of discount	81	81
Total other provisions at end of period	5,592	5,592

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. 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 and quarry.

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.

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.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) 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 financial asset revaluation reserve is used to account for the fair value movement of Council's Southern Phones sharedholding.

(b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. There was no impacts to reserves and retained earnings on adoption of new accounting standards at 1 July 2018.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Provision for impairment (receivables) – adoption of AASB 9 ECL provision	(64)	(28)	(92)
Total assets	2,284,425	(28)	2,284,397
Provision for impairment (receivables) – adoption of AASB 9 ECL provision	(64)	(28)	(92)
Total equity	2,097,369	(28)	2,097,341

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	21,434	22,495
Balance as per the Statement of Cash Flows		21,434	22,495
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		40,464	38,688
Adjust for non-cash items:			
Depreciation and amortisation		45,820	42,429
Net losses/(gains) on disposal of assets		3,807	4,589
Non-cash capital grants and contributions		(12,774)	(17,144)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(90)	(81)
– Favourable financial liabilities (i.e. initial recognition at fair value)		(16)	(22)
– Revaluation decrements / impairments of IPP&E direct to P&L		–	1,373
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		45	69
Unwinding of discount rates on reinstatement provisions		100	81
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		386	(1,598)
Increase/(decrease) in provision for impairment of receivables		1	14
Decrease/(increase) in inventories		245	(439)
Decrease/(increase) in other current assets		1,698	131
Increase/(decrease) in payables		(920)	(274)
Increase/(decrease) in accrued interest payable		(131)	(135)
Increase/(decrease) in other accrued expenses payable		375	1,475
Increase/(decrease) in other liabilities		1,509	901
Increase/(decrease) in provision for employee benefits		(115)	404
Increase/(decrease) in other provisions		3,297	93
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		83,701	70,554
(c) Non-cash investing and financing activities			
Assets Recognised for the first time		5,129	3,557
Other dedications (developer)		7,645	13,587
Total non-cash investing and financing activities		12,774	17,144

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities

Unconsolidated structured entities

Council did not consolidate the following structured entities:

1. Coffs Coast State Park Trust

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.

Council was appointed as the Crown Land Manager on 1 July 2018 and the Coffs Coast State Park Trust ceased.

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.

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 Councils potential share of the net tangible assets of the company are insignificant to Councils 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments

\$ '000	2019	2018
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	346	36
Sewer network	262	2,118
Transport assets	234	509
Water network	799	2,028
Recreational surfaces	1,852	282
Other	118	–
Total commitments	3,611	4,973
These expenditures are payable as follows:		
Within the next year	3,611	4,973
Total payable	3,611	4,973
Sources for funding of capital commitments:		
Section 7.11 and 64 funds/reserves	1,621	4,146
Unexpended grants	657	82
Internally restricted reserves	1,233	745
Unexpended loans	100	–
Total sources of funding	3,611	4,973

Details of capital commitments

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other assets/liabilities not recognised

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**

The council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors 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 (to the extent that they are not borne by members).

Description of the funding arrangements.

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 for non-180 Point Members; Nil for 180 Point Members
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 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) 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 Council.

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$1,047,136.40. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Council's expected contribution to the plan for the next annual reporting period is \$1,039,893.68.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

Based on a Past Services Liabilities methodology, the share of this surplus that is broadly attributed to Council is 1.32%. The requirement for contributions in order to maintain the adequacy of the funding position for the accrued liabilities (currently \$40M per annum) is assessed annually by the Actuary.

As previously notified, the past service contributions of \$40M per annum are estimated to remain in place until 30 June 2021. However the Trustee determined in March 2019 that going forward should the funding on both Vested Benefit and Accrued Benefit funding levels exceed 100% the Fund will look to suspend the request for past service contributions. We note that this is subject to the outcome of each annual funding update and any changes will be communicated. It is estimated that there are \$1,059,400 past services contributions remaining as at 30 June 2019.

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

Investment return	5.75% per annum
Salary inflation *	3.50% per annum
Increase in CPI	2.50% 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. It is noted that the estimated employer reserves financial position above is a preliminary calculation, and once all relevant information has been received by the Funds Actuary the final end of year review will be completed around November/December 2019.

(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.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(iv) Other guarantees

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

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.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management

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 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 team under policies approved by 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.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	21,434	22,495	21,434	22,495
Receivables	21,565	21,980	21,565	24,271
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	112,092	113,816	112,092	124,135
– 'Loans and receivables'	341	224	341	224
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	89,447	76,251	89,447	65,932
Total financial assets	244,879	234,766	244,879	237,057
Financial liabilities				
Payables	9,311	10,004	9,311	10,004
Loans/advances	139,970	154,215	164,440	175,857
Total financial liabilities	149,281	164,219	173,751	185,861

Fair value is determined as follows:

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

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

Council has an investment policy which complies with the Local Government Act 1993 and 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

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 the changes are caused by factors specific to individual financial instruments; their issuers; or 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.

- **Liquidity risk** - the risk that Council will not be able to pay its debts as and when they fall due.

- **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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	54	54	(54)	(54)
Possible impact of a 1% movement in interest rates	2,201	2,201	(2,201)	(2,201)
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)

(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 debts and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

Credit risk profile

Receivables – rates and annual charges

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

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

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

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	3,010	632	1,837	385	5,864
2018						
Gross carrying amount	–	2,226	1,302	1,705	319	5,552

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	6,977	4,026	2,022	126	2,643	15,794
Expected loss rate (%)	0.22%	0.33%	0.67%	1.52%	1.83%	0.59%
ECL provision	15	13	14	2	48	92
2018						
Gross carrying amount	10,941	1,919	833	1,077	1,722	16,492
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

year renewal basis. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The amounts disclosed in the table are the undiscounted contracted cash outflows (ie, principal and interest) and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	1,536	7,774	–	–	9,310	9,311
Loans and advances	6.54%	–	16,416	62,545	61,009	139,970	139,970
Total financial liabilities		<u>1,536</u>	<u>24,190</u>	<u>62,545</u>	<u>61,009</u>	<u>149,280</u>	<u>149,281</u>
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		<u>1,265</u>	<u>23,933</u>	<u>139,021</u>	<u>74,316</u>	<u>238,535</u>	<u>164,219</u>

Notes to the Financial Statements for the year ended 30 June 2019

Note 20. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 28/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	97,342	98,458	1,116	1% F
User charges and fees	33,263	45,088	11,825	36% F
The original budget of \$33.263m was revised to \$44.154m during the course of the year which is in line with the final actual result. This was to recognise the Holiday Parks operations being brought into Council's ledger plus a reallocation of income between other revenues and user fees and charges.				
Interest and investment revenue	4,251	6,915	2,664	63% F
The original budget of \$4.251m was revised to \$5.591m, during the course of the year. This positive variance is due to having more cash on hand as a result of the timing and extent of capital expenditure. These surplus funds were subsequently invested resulting in higher than anticipated returns.				
Other revenues	16,676	16,627	(49)	0% U
Budgeted revenue included CitySmart Solution business unit income that has been eliminated in the consolidated fund as the works were carried out for other council departments.				
Operating grants and contributions	13,592	13,651	59	0% F
Capital grants and contributions	18,051	34,484	16,433	91% F

The original Budget of \$18.051m was revised to \$37.146m during the course of the year which is in line with the final actual result. This is the result of the approval of a number of capital grants from various funding bodies and additional developer contributions projects funded throughout the year, including:

- Sportz Central Roof replacement
- Woolgoolga Beach Reserve Community Hub
- Sawtell BMX Club track and facilities upgrade
- Geoff King Oval Lighting
- Woolgoolga Sports Ground Flood lights
- Safer Roads Program
- Newmans Rd intersection

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	46,363	46,714	(351)	(1)% U
Borrowing costs	9,723	9,934	(211)	(2)% U
Materials and contracts	57,670	55,502	2,168	4% F
Depreciation and amortisation	38,906	45,820	(6,914)	(18)% U

The original budget of \$38.906m was revised to \$44.324m during the course of the year which is in line with the final actual result. This revision was done as a result of projections from the completed 2017/18 financial statements which weren't available at the time the original budgets were estimated.

Other expenses	12,526	12,982	(456)	(4)% U
Net losses from disposal of assets	-	3,807	(3,807)	∞ U

The derecognition of assets resulting from the revaluation process could not be anticipated or quantified in budget.

Revaluation decrement / impairment of IPP&E	-	-	-	∞ F
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The decrement in asset values resulting from the revaluation process could not be anticipated or quantified in the budget.

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	56,893	83,701	26,808	47% F
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Operating cash flows from User Charges and Fees, Interest and Investment Revenue, and Capital Grants and Contributions was higher than budget expectations.

Net cash provided from (used in) investing activities	(46,013)	(70,488)	(24,475)	53% U
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The budgeted expenditure on materials and capital projects did not proceed within the anticipated timeframes therefore the unspent funds were invested.

Net cash provided from (used in) financing activities	(15,212)	(14,274)	938	(6)% F
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement

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) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Financial assets at amortised cost' / 'held to maturity' (2018)		30/06/19	111,549	–	–	111,549
– 'Designated at fair value on initial recognition'			341	–	–	341
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)			89,447	–	–	89,447
Other financial assets		30/06/19	–	544	–	544
Total financial assets			201,337	544	–	201,881
Infrastructure, property, plant and equipment						
	10(a)					
Plant and equipment		30/06/19	–	–	18,124	18,124
Office equipment		30/06/19	–	–	970	970
Furniture and fittings		30/06/19	–	–	1,696	1,696
Operational land		30/06/19	–	138,573	–	138,573
Community land		30/06/19	–	–	75,735	75,735
Land under roads (post 30/6/08)		30/06/19	–	–	3,489	3,489
Land improvements – depreciable		30/06/19	–	–	1,548	1,548
Buildings – non-specialised		30/06/19	–	48,279	–	48,279

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Buildings – specialised		30/06/19	–	–	79,706	79,706
Other structures		30/06/19	–	–	716	716
Roads		30/06/19	–	–	407,844	407,844
Bridges		30/06/19	–	–	64,714	64,714
Footpaths		30/06/19	–	–	46,142	46,142
Bulk earthworks (non-depreciable)		30/06/19	–	–	138,665	138,665
Stormwater drainage		30/06/19	–	–	164,714	164,714
Water supply network		30/06/19	–	–	344,276	344,276
Sewerage network		30/06/19	–	–	474,633	474,633
Swimming pools		30/06/19	–	–	2,174	2,174
Other open space/recreational assets		30/06/19	–	–	28,485	28,485
Other assets		30/06/19	–	–	1,249	1,249
Tip asset		30/06/19	–	–	3,957	3,957
Total infrastructure, property, plant and equipment			–	186,852	1,858,837	2,045,689

Non-current assets classified as 'held for sale'

Operating Land	9	30/06/19	–	505	–	505
Total NCA's classified as 'held for sale'			–	505	–	505

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)			65,366	–	–	65,366
Other financial assets			–	566	–	566
Total financial assets			65,366	566	–	65,932

Infrastructure, property, plant and equipment

Plant and equipment	10(a)		–	–	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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
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-current assets classified as 'held for sale'	9					
Operating Land			–	505	–	505
Total NCA's classified as 'held for sale'			–	505	–	505

Note that capital WIP is not included above since it is carried at cost.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

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

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

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 (IPP&E)

Community Land

Assets within the "Community Land" class are Council owned land and managed Crown lands. New community land, as a result of the introduction of the Crown Land Management Act 2016, required an additional \$35.8 Million to be recognised as at 1 July 2018.

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer-General. Currently all Council owned and managed 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 and managed Crown land under the Crown Land Management Act 2016, that has been classified as operational by the Department of Lands. The total area of land at the time of the last valuation was 10,704,811 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. The new managed operational lands of 45,112 m², were valued by APV Valuers Pty Ltd as at 30th June 2019 for \$4.045 Million.

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 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

Land Improvements Depreciable

The land improvements asset class consists of recreational surfaces across different playgrounds and parks. This class of assets were viewed and revalued externally by AssetVal Pty Ltd, as at 1 July 2018. Generally the nature of infrastructure assets requires that they be valued using the application of unit rates. Unit rates are developed by summing each component which goes into producing a unit of the asset. The major components of any assets are the raw materials, plant, labour and intangibles. These unit costs are then applied to known measurements of the assets to produce a replacement cost, which is then depreciated to estimate the Fair Value.

The condition of each asset was determined by completing inspections using the ratings 1 (Excellent) to 5 (Very Poor). If the asset was determined to be in an "average" condition for its age, the calculation reverts to the construction year. However, if the asset was found to be in better or worse condition for its age, the remaining life was adjusted accordingly.

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.

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, Rawlinson's 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, parks and sport shelters and outdoor furniture.

This asset class was revalued by AssetVal Pty Ltd as at 1 July 2018. Generally the nature of infrastructure assets requires that they be valued using the application of unit rates. Unit rates are developed by summing each component which goes into producing a unit of the asset. The major components of any assets are the raw materials, plant, labour and intangibles. These unit costs are then applied to known measurements of the assets to produce a replacement cost, which is then depreciated to estimate the Fair Value.

The appropriate amount of accumulated depreciation for this class was determined either by a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition rating of 1 (Excellent) to 5 (Very Poor). The assessment of remaining useful life was made taking into consideration the construction date, evidence of recent repairs or capital works and the surrounding environmental factors.

Due to the predominantly specialised nature of Local Government assets, the valuation was undertaken on a cost approach. The cost approach is deemed a Level 3 input.

Buildings - Non specialised and Specialised

Council engaged APV Valuers Pty Ltd to value all buildings and shelters during the 2017/18 financial year, Council assets with a 1 July 2017 valuation date and Crown Land assets with a 1 July 2018 valuation date. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset. A desktop audit valuation of this asset class as at closing date resulted in no material impacts to their valuation.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

Specialised Buildings

Specialised buildings were valued using the cost approach using professionally qualified registered valuers.

The Crown Land holiday parks' villas and cabins have been included in this class. These buildings were valued taking into account actual construction or purchase prices for recent projects within the parks, Rawlinson's Construction Guide or similar guides, and benchmarking against other valuations.

All other buildings in this class were componentised 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.

Valuation techniques remained the same for this reporting period.

Bulk Earthworks

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

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

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

Valuation techniques remained the same for this reporting period.

Roads

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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 June 2015 valuation.

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

Valuation techniques remained the same for this reporting period.

Swimming Pool

Swimming pools include all assets located within the facility. APV Valuers Pty Ltd valued the building components of the swimming pools as at 1 July 2017 and AssetVal Pty Ltd valued the swimming pools as at 1 July 2018.

The cost 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.

The pools were valued taking into account their cost to construct and using their volume to calculate the replacement cost. Each pool was inspected and given a condition rating, 1 being excellent to 5 being poor, which was used to determine the accumulated depreciation.

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

Plant & Equipment, Office Equipment and Furniture & Fittings

This asset category includes:

- Plant & Equipment – Motor vehicles, trucks, mowers, earthmoving equipment
- Office Equipment – Computer equipment, photocopiers
- 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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 Pty Ltd 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 uses 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.

The valuation of these assets was carried out by APV Valuers Pty Ltd 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 uses 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

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

\$ '000	Community Land	Land under Roads (post 30/06/08)	Land improvements depreciable	Stormwater drainage	Building specialised
2018					
Opening balance	33,790	2,196	4,472	154,683	48,842
Transfers from/(to) another asset class	–	–	–	–	24,893
Purchases (GBV)	470	2,206	98	2,984	1,423
Disposals (WDV)	(106)	–	–	(298)	(329)
Depreciation and impairment	–	–	(440)	(1,746)	(1,176)
FV gains – other comprehensive income	5,749	–	–	–	(8,293)
FV gains – Income Statement ¹	–	(1,356)	–	–	(17)
Other movement (WIP Transfers)	–	–	681	2,833	2,720
Other movement (Assets recognised first time)	–	–	–	–	870
Closing balance	39,903	3,046	4,811	158,456	68,933
2019					
Opening balance	39,903	3,046	4,811	158,456	68,933
Transfers from/(to) another asset class	–	–	(4,166)	19	(7)
Purchases (GBV)	–	–	244	3,348	1,269
Disposals (WDV)	–	–	–	(150)	(965)
Depreciation and impairment	–	–	(106)	(1,832)	(1,205)
FV gains – other comprehensive income	35,831	443	761	619	10,274
Other movement (WIP Transfers)	–	–	4	3,700	1,405
Other movement (Assets recognised first time)	–	–	–	554	–
Closing balance	75,734	3,489	1,548	164,714	79,704

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

\$ '000	Buildings non specialised	Other assets	Roads	Bridges	Footpaths
2018					
Opening balance	48,386	1,282	435,880	62,693	40,148
Transfers from/(to) another asset class	109	–	(24,339)	2,177	(1,803)
Purchases (GBV)	629	194	6,311	312	5,145
Disposals (WDV)	(578)	(9)	(1,145)	(314)	(108)
Depreciation and impairment	(1,109)	–	(13,911)	(658)	(780)
FV gains – other comprehensive income	(3,750)	199	–	–	–
Other movement (WIP Transfers)	482	25	9,321	599	2,161
Other movement (Assets recognised first time)	2,455	194	–	–	–
Closing balance	46,624	1,885	412,117	64,809	44,763

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

\$ '000	Buildings non specialised	Other assets	Roads	Bridges	Footpaths
2019					
Opening balance	46,624	1,885	412,117	64,809	44,763
Transfers from/(to) another asset class	–	–	183	(70)	35
Purchases (GBV)	654	9	2,478	270	1,263
Disposals (WDV)	(5)	–	(486)	(204)	(101)
Depreciation and impairment	(1,194)	–	(14,257)	(661)	(878)
FV gains – other comprehensive income	1,154	(644)	2,409	–	270
Other movement (WIP Transfers)	1,046	–	5,400	570	790
Closing balance	48,279	1,250	407,844	64,714	46,142

\$ '000	Bulk earthworks	Water supply network	Sewer network	Swimming pools	Recreational assets
2018					
Opening balance	135,621	325,019	464,858	2,456	9,916
Transfers from/(to) another asset class	–	(277)	(412)	–	(348)
Purchases (GBV)	1,251	4,064	3,898	–	1,485
Disposals (WDV)	(250)	(1,016)	(579)	–	(39)
Depreciation and impairment	–	(5,153)	(10,482)	(89)	(871)
FV gains – other comprehensive income	–	6,693	9,528	–	–
Other movement (WIP Transfers)	818	10,077	2,817	–	1,041
Closing balance	137,440	339,407	469,628	2,367	11,184
2019					
Opening balance	137,440	339,407	469,628	2,367	11,184
Transfers from/(to) another asset class	22	49	(11)	–	3,989
Purchases (GBV)	564	1,682	5,289	–	725
Disposals (WDV)	(143)	(1,166)	(652)	–	(252)
Depreciation and impairment	–	(5,337)	(10,822)	(79)	(2,351)
FV gains – other comprehensive income	334	5,714	8,667	–	12,500
FV gains – Income Statement ¹	–	–	–	(114)	–
Other movement (WIP Transfers)	447	2,593	1,207	–	1,284
Other movement (Assets recognised first time)	–	1,334	1,328	–	2,122
Closing balance	138,664	344,276	474,634	2,174	29,201

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

\$ '000	Office equipment	Plant and equipment	Furniture and fittings
2018			
Opening balance	992	16,916	1,642
Transfers from/(to) another asset class	(14)	–	–
Purchases (GBV)	398	3,875	67
Disposals (WDV)	(114)	(1,163)	–
Depreciation and impairment	(462)	(3,774)	(167)

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

\$ '000	Office equipment	Plant and equipment	Furniture and fittings
Other movement (WIP Transfers)	–	319	80
Other movement (Assets recognised first time)	–	39	–
Closing balance	800	16,212	1,622
2019			
Opening balance	800	16,212	1,622
Transfers from/(to) another asset class	(3)	(43)	3
Purchases (GBV)	613	6,065	54
Disposals (WDV)	–	(600)	–
Depreciation and impairment	(480)	(4,042)	(190)
FV gains – other comprehensive income	41	465	207
Other movement (WIP Transfers)	–	81	–
Other movement (Asset Adjustment)	–	(12)	–
Closing balance	971	18,126	1,696
\$ '000	Tip asset	Operational land	Total
2018			
Opening balance	2,284	122,007	1,914,083
Transfers from/(to) another asset class	–	–	(14)
Purchases (GBV)	–	–	34,810
Disposals (WDV)	–	–	(6,048)
Depreciation and impairment	(457)	–	(41,275)
FV gains – other comprehensive income	–	12,001	22,127
FV gains – Income Statement ¹	–	–	(1,373)
Other movement (WIP Transfers)	–	520	34,494
Other movement (Assets recognised first time)	–	–	3,558
Other movement (Asset Adjustment)	92	–	92
Closing balance	1,919	134,528	1,960,454
2019			
Opening balance	1,919	134,528	1,960,454
Purchases (GBV)	3,085	–	27,612
Disposals (WDV)	–	–	(4,724)
Depreciation and impairment	(1,251)	–	(44,685)
FV gains – other comprehensive income	204	4,045	83,294
FV gains – Income Statement ¹	–	–	(114)
Other movement (WIP Transfers)	–	–	18,527
Other movement (Assets recognised first time)	–	–	5,338
Other movement (Asset Adjustment)	–	–	(12)
Closing balance	3,957	138,573	2,045,690

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.			
Infrastructure, property, plant and equipment			
Community Land	75,735	Land values obtained from the NSW Valuer-General	Unimproved Capital Value per square metre provided by Valuer General
Land under Roads	3,489	Average unit rate of Community Land held	Unimproved Capital Value per square metre provided by Valuer General
Operational Land	–	Rate per square metre	Rate per square metre
Furniture and Fittings, Office Equipment and Plant and Equipment	1,696	Replacement Cost	Gross replacement cost Asset condition Remaining useful life Residual value
Buildings (Specialised & Non Specialised)	79,706	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Roads	407,844	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Bridges	64,714	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Footpaths	46,142	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Stormwater Drainage	164,714	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Water Supply Network	344,276	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Sewer Network	474,633	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Tip Asset	3,957	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Swimming Pools	2,174	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Recreational Assets	29,202	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Bulk Earthworks	138,665	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Land Improvements - Depreciable	1,548	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other Assets	1,249	Insurance Values (Artworks, Sculptures)	Insurance Values (Artworks, Sculptures)
		Non artworks/sculptures: Gross replacement cost Asset condition Remaining useful life Residual value	Non artworks/sculptures: Gross replacement cost Asset condition Remaining useful life Residual value
Non-current assets classified as 'held for sale'			
Land	–	Rate per square metre	Rate per square metre

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Related Party Transactions

(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:

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,278	1,249
Post-employment benefits	104	95
Other long-term benefits	300	250
Total	1,682	1,594

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. 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	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Supply of hire vehicles ¹	4c	14	–	30 days terms on invoices	–	–
Employee expenses relating to close family members of KMP ²	4a	75	–	Enterprise Agreement and Local Government (NSW) Award	–	–
2018						
Supply of hire vehicles ¹	4c	101	–		–	–
Employee expenses relating to close family members of KMP ²	4a	29	–		–	–

1 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. The company was sold during the 2018/19 financial year.

2 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Related Party Transactions (continued)

(c) Other related party transactions

\$ '000	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2019					
Coffs Coast Regional Parks Trust	Contribution to maintenance	254	– Memorandum of Understanding	–	–
Prosper Coffs Harbour Limited	Contribution to operational costs	3	– Memorandum of Understanding	–	–
2018					
Coffs Coast State Parks Trust	Operational cost recovery	6,153	– 30 day terms on invoices	–	–
Coffs Coast Regional Parks Trust	Contribution to maintenance	330	– Memorandum of Understanding	–	–
Coffs Coast State Parks Trust	Contribution to maintenance	1,103	– Memorandum of Understanding	–	–
Prosper Coffs Harbour Limited	Contribution to operational costs	7	– Memorandum of Understanding	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Events occurring after the reporting date

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

Per the August 2019 Land and Environment Court judgement in the matter of Noubia Pty Ltd v Coffs Harbour City Council, Council was ordered to pay an approximated amount of \$4.081m plus interest, legal and other costs. The matter has now gone to appeal. The outcome of this appeal is unlikely to be known before 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions

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

	as at 30/6/2018			as at 30/6/2019				
	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)
\$ '000		Cash	Non-cash					
Drainage	2,051	104	–	63	(21)	–	2,197	–
Roads	4,831	1,534	–	148	(1,231)	(91)	5,191	–
Traffic facilities	41	–	–	2	–	91	134	–
Parking	748	–	–	24	–	–	772	–
Open space	7,551	1,647	–	230	(1,208)	–	8,220	–
Community facilities	1,841	25	–	49	(438)	–	1,477	–
Other	1,385	278	–	44	(124)	–	1,583	–
S7.11 contributions – under a plan	18,448	3,588	–	560	(3,022)	–	19,574	–
Total S7.11 and S7.12 revenue under plans	18,448	3,588	–	560	(3,022)	–	19,574	–
S7.11 not under plans	526	–	–	16	–	–	542	–
S64 contributions	2,413	9,475	–	88	(8,410)	–	3,566	–
Total contributions	21,387	13,063	–	664	(11,432)	–	23,682	–

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan									
City Centre Car Parking									
Parking	626		–	–	19	–	–	645	–
Total	626		–	–	19	–	–	645	–
Coffs Harbour Road Network									
Roads	–		361	–	–	(361)	–	–	–
Total	–		361	–	–	(361)	–	–	–
Corindi									
Roads	115		–	–	3	–	–	118	–
Community facilities	288		–	–	9	–	–	297	–
Total	403		–	–	12	–	–	415	–
Hearnes Lake / Sandy Beach									
Roads	3		639	–	10	–	–	652	–
Open space	613		208	–	21	–	–	842	–
Other	–		4	–	–	(4)	–	–	–
Total	616		851	–	31	(4)	–	1,494	–
Jetty Area Car Parking									
Parking	53		–	–	2	–	–	55	–
Total	53		–	–	2	–	–	55	–
Korora Rural Residential Release Area									
Roads	521		14	–	16	–	–	551	–
Open space	50		1	–	–	–	–	51	–
Other	59		1	–	2	(1)	–	61	–
Total	630		16	–	18	(1)	–	663	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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					
Mines and Extractive Industries								
Roads	47	7	–	2	–	–	56	–
Total	47	7	–	2	–	–	56	–
Moonee Release Area								
Roads	1,902	28	–	57	(5)	–	1,982	–
Open space	711	9	–	21	–	–	741	–
Community facilities	535	4	–	16	–	–	555	–
Total	3,148	41	–	94	(5)	–	3,278	–
North Boambee Valley (East)								
Drainage	30	14	–	1	–	–	45	–
Roads	66	16	–	2	–	–	84	–
Open space	46	4	–	1	–	–	51	–
Community facilities	92	12	–	3	–	–	107	–
Other	5	26	–	1	(1)	–	31	–
Total	239	72	–	8	(1)	–	318	–
North Bonville								
Drainage	291	1	–	9	–	–	301	–
Roads	295	24	–	9	–	–	328	–
Open space	239	–	–	7	–	–	246	–
Other	–	1	–	–	(1)	–	–	–
Total	825	26	–	25	(1)	–	875	–
Park Beach								
Traffic facilities	41	–	–	1	–	–	42	–
Parking	21	–	–	–	–	–	21	–
Open space	184	–	–	4	(72)	–	116	–
Total	246	–	–	5	(72)	–	179	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019		
	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						
Regional, District and Neighbourhood Facilities and Services									
Open space	5,430	1,331	–	170	(935)	–	5,996	–	
Community facilities	2	4	–	–	(6)	–	–	–	
Other	708	200	–	22	(76)	–	854	–	
Total	6,140	1,535	–	192	(1,017)	–	6,850	–	
South Coffs									
Roads	29	73	–	2	(16)	–	88	–	
Open space	12	6	–	–	–	–	18	–	
Total	41	79	–	2	(16)	–	106	–	
Surf Rescue Facilities									
Other	131	30	–	4	(31)	–	134	–	
Total	131	30	–	4	(31)	–	134	–	
West Coffs									
Drainage	1,730	89	–	53	(21)	–	1,851	–	
Roads	840	275	–	16	(849)	–	282	–	
Open space	221	88	–	5	(201)	–	113	–	
Community facilities	924	5	–	21	(432)	–	518	–	
Other	429	11	–	13	(6)	–	447	–	
Total	4,144	468	–	108	(1,509)	–	3,211	–	
West Woolgoolga									
Roads	967	–	–	28	–	(91)	904	–	
Traffic facilities	–	–	–	1	–	91	92	–	
Open space	45	–	–	1	–	–	46	–	
Other	53	1	–	2	–	–	56	–	
Total	1,065	1	–	32	–	–	1,098	–	
Woolgoolga Car Parking									
Parking	48	–	–	1	–	–	49	–	
Total	48	–	–	1	–	–	49	–	

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Bonville Large Lot Release Area								
Roads	46	97	–	3	–	–	146	–
Parking	–	–	–	2	–	–	2	–
Other	–	4	–	–	(4)	–	–	–
Total	46	101	–	5	(4)	–	148	–

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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					
S7.11 Contributions – not under a plan								
S7.11 CONTRIBUTIONS – NOT UNDER A PLAN								
Drainage	162	–	–	5	–	–	167	–
Community facilities	158	–	–	5	–	–	163	–
Other	206	–	–	6	–	–	212	–
Total	526	–	–	16	–	–	542	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	69,644	4,317	24,497
User charges and fees	25,840	16,127	3,121
Interest and investment revenue	4,143	1,007	1,765
Other revenues	16,414	126	87
Grants and contributions provided for operating purposes	13,135	261	255
Grants and contributions provided for capital purposes	18,079	6,782	9,623
Total income from continuing operations	147,255	28,620	39,348
Expenses from continuing operations			
Employee benefits and on-costs	39,588	2,632	4,494
Borrowing costs	1,098	4,110	4,726
Materials and contracts	46,652	3,065	5,785
Depreciation and amortisation	28,943	6,052	10,825
Other expenses	5,025	3,398	4,559
Net losses from the disposal of assets	1,952	1,172	683
Total expenses from continuing operations	123,258	20,429	31,072
Operating result from continuing operations	23,997	8,191	8,276
Net operating result for the year	23,997	8,191	8,276
Net operating result attributable to each council fund	23,997	8,191	8,276
Net operating result for the year before grants and contributions provided for capital purposes	5,918	1,409	(1,347)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	21,434	–	–
Investments	56,777	16,006	27,788
Receivables	8,637	8,360	1,727
Inventories	1,785	254	–
Other	1,343	–	–
Non-current assets classified as 'held for sale'	505	–	–
Total current assets	90,481	24,620	29,515
Non-current assets			
Investments	64,227	14,665	22,417
Receivables	(3,315)	146	6,010
Infrastructure, property, plant and equipment	1,252,933	352,828	491,021
Intangible assets	3,006	51,245	–
Total non-current assets	1,316,851	418,884	519,448
TOTAL ASSETS	1,407,332	443,504	548,963
LIABILITIES			
Current liabilities			
Payables	8,539	496	276
Income received in advance	3,717	–	–
Borrowings	1,980	6,552	7,884
Provisions	12,145	1,365	701
Total current liabilities	26,381	8,413	8,861
Non-current liabilities			
Borrowings	15,304	50,665	57,585
Provisions	9,780	123	61
Total non-current liabilities	25,084	50,788	57,646
TOTAL LIABILITIES	51,465	59,201	66,507
Net assets	1,355,867	384,303	482,456
EQUITY			
Accumulated surplus	949,961	189,371	270,674
Revaluation reserves	446,241	183,981	181,854
Other reserves	(40,335)	10,951	29,928
Council equity interest	1,355,867	384,303	482,456
Total equity	1,355,867	384,303	482,456

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial result and financial position by fund (continued)

Details of individual internal loans for the year ended 30 June 2019

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	Airport EPL Development
Lender (by purpose)	Sewer Fund
Date of Minister's approval	02/08/2018
Date raised	01/07/2018
Term (years)	10
Dates of maturity	30/06/2028
Rate of interest	3.43%
Amount originally raised	\$5,500,000
Total repaid during year (principal and interest)	\$188,650.00
Principal outstanding at end of year	\$5,500,000

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	9,697				
Total continuing operating revenue excluding capital grants and contributions ¹	180,649	5.37%	3.23%	18.74%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	165,614				
Total continuing operating revenue ¹	215,133	76.98%	73.20%	66.12%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	87,594				
Current liabilities less specific purpose liabilities	14,339	6.11x	9.64x	7.21x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	65,451				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	24,208	2.70x	2.33x	3.13x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	6,967				
Rates, annual and extra charges collectible	104,076	6.69%	6.58%	6.62%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	119,983				
Monthly payments from cash flow of operating and financing activities	12,141	9.88 mths	10.20 mths	9.10 mths	>3.00 mths

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	6.05%	5.93%	11.79%	2.97%	(2.30)%	(8.18)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	77.50%	70.75%	76.30%	78.54%	75.54%	79.23%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	6.27x	9.92x	∞	∞	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8.95x	9.40x	1.35x	1.06x	1.30x	1.08x	>2.00x
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	7.34%	7.05%	5.06%	5.20%	5.18%	5.51%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.83	8.47	12.60	12.07	12.16	15.16	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note 26a above.

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

Notes to the Financial Statements
for the year ended 30 June 2019

Note 26(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 5.37%

Operating performance continues above the ratio benchmark. Council has achieved a favourable result, through aligning its operational expenditure to the available operating revenue.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

2. Own source operating revenue ratio



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 2018/19 result

2018/19 ratio 76.98%

Council continues to retain a high level of own source revenue and perform well above the benchmark. User charges and fees rose 32% in 2018/19. This additional revenue is expected to continue in future years.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

3. Unrestricted current ratio



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 2018/19 result

2018/19 ratio 6.11x

Council continues to significantly exceed the ratio benchmark. The ratio result indicates that Council continues to comfortably meet its short term financial obligations as they fall due after excluding all external restrictions.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2019

Note 26(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



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 2018/19 result

2018/19 ratio 2.70x

Council exceeds the benchmark ratio, with interest costs continuing to decrease. Another 7% reduction in 2018/19.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 6.69%

The ratio remains on trend and below the maximum OLG benchmark of 10%. Continued debt recovery efforts during the 2018/19 financial year.

Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



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 2018/19 result

2018/19 ratio 9.88 mths

A number of large capital projects are expected to finish in the 2019/20 year, with capital funds on hand at year end 2018/19 higher than expected. With greater amounts of cash held for investments at year end resulted in this ratio being well above the benchmark.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 27. 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

Telephone: 02 6648 4000

Facsimile: 02 6648 4199

Opening hours:

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

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 19, Tower 2
201 Sussex St
SYDNEY NSW 2001

Elected members

Mayor

Denise Knight

Councillors

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

Other information

ABN: 79 126 214 487



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Coffs Harbour City Council

To the Councillors of the Coffs Harbour City Council

Opinion

I have audited the accompanying financial statements of Coffs Harbour City Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements 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 special purpose financial statements and the Special Schedules (the Schedules).

My opinion on the financial statements 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 - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements

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

In preparing the financial statements, the Councillors 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 Statements

My objectives are to:

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

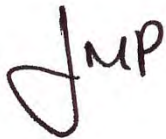
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 October 2019
SYDNEY



Cr Denise Knight
Mayor
Coffs Harbour City Council
Locked Bag 155
COFFS HARBOUR NSW 2450

Contact: Jan-Michael Perez
Phone no: 02 9275 7115
Our ref: D1913911/1715

24 October 2019

Dear Mayor Knight

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Coffs Harbour City Council**





I have audited the general purpose financial statements (GPFS) of the Coffs Harbour City Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	98.5	94.8	 3.9
Grants and contributions revenue	48.1	54.7	 12.1
Operating result for the year	40.5	38.7	 4.6
Net operating result before capital grants and contributions	6.0	(0.4)	 1600

Council's operating result (\$40.5 million including the effect of depreciation and amortisation expense of \$45.8 million) was \$1.8 million higher than the 2017–18 result. This year's result is primarily driven by an increase in rates and annual charges of \$3.7m and an increased volume of user charges and fees of \$10.3 million reflecting the uptake of revenue from Coffs Coast State Parks Trust.

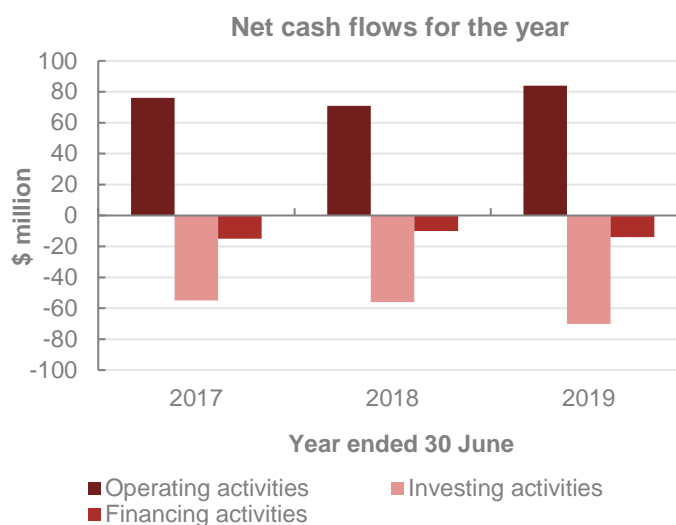
The net operating result before capital grants and contributions (\$6.0 million) was \$6.4 million higher than the 2017–18 result. Lower grants and contributions revenue have been offset by increased volume in user charges and fees associated with the Coffs Coast State Parks Trust.

Rates and annual charges revenue (\$98.5 million) increased by \$3.7 million (3.9 per cent) in 2018–2019.

Grants and contributions revenue (\$48.1 million) decreased by \$6.6 million (12.1 per cent) in 2018–2019. This decrease was mainly due to less "general assets" such as roads and footpaths provided to council as subdivision dedications in 2018–19 and the finalisation of Jetty4Shores grant works in 2017–18.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of the Council during the year. Cash and cash equivalents at 30 June 2019 was \$21.4 million compared with \$22.5 million in 2017–18.



Operating activities contributed net cash inflow of \$83.7 million (\$70.6 million in 2017–18). This increase in operating activity cash flow is primarily attributed to the higher user charges and fees payments received by Council compared to last year. Net cash used in investing activities was \$14.7 million higher than the previous year owing to greater purchases of infrastructure, property, plant and equipment.

FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	130.0	131.8	Cash and investments totalled \$223.3 million at 30 June 2019 (2018: \$212.7 million). The increase is mainly due to a net increase in purchase of financial assets.
Internal restrictions	85.5	76.4	
Unrestricted	7.8	4.5	
Cash and investments	223.3	212.7	

Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent development contributions and specific purpose grants, unexpended loans and domestic waste charges.

Internally restricted cash and investments have been restricted in their use by resolution or policy of the Council to reflect forward plans and identified programs of works. These totalled \$85.5 million and their purpose is fully disclosed in Note 6(c) of the financial statements.

The Council's unrestricted cash and investments amounted to \$7.9 million, which is available to provide liquidity for day to day operations.

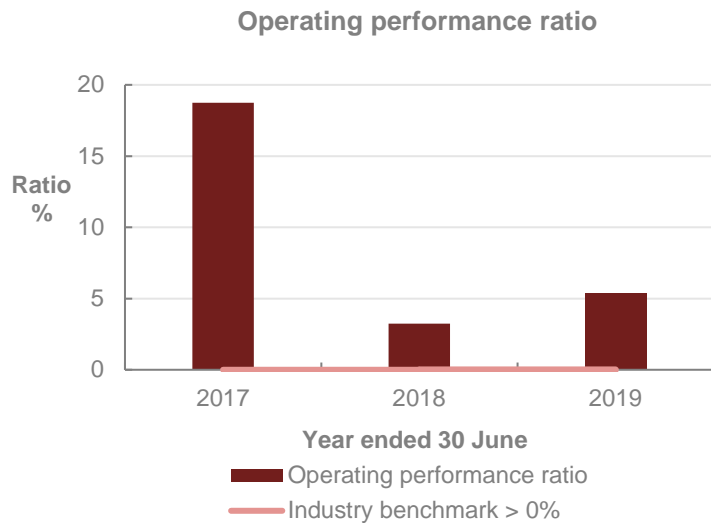
Debt

The Council overdraft facilities totalled \$146.7 million as of 30 June 2019. The total drawn down was \$145.8 million.

PERFORMANCE

Operating performance ratio

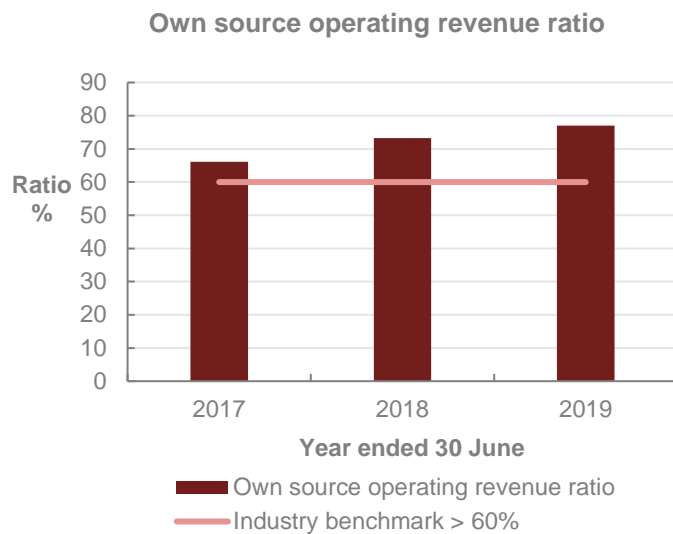
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Council's operating performance ratio for this year met the industry benchmark set by the former Office of Local Government. This year's result of 5.37 per cent (3.23 per cent in 2017–18) was primarily driven by an increase in rates and annual charges by \$3.7 million and user charges and fees by \$10.3 million.

Own source operating revenue ratio

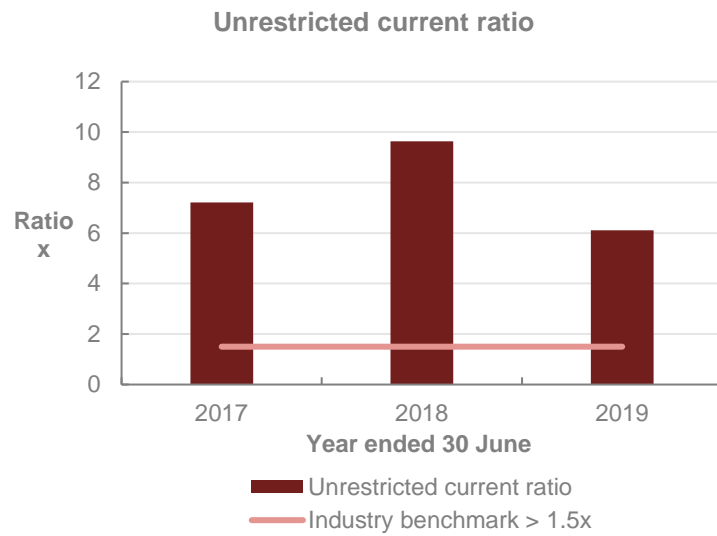
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



The Council's own source operating revenue ratio is above the industry benchmark over the past three years and has increased year on year since 2017.

Unrestricted current ratio

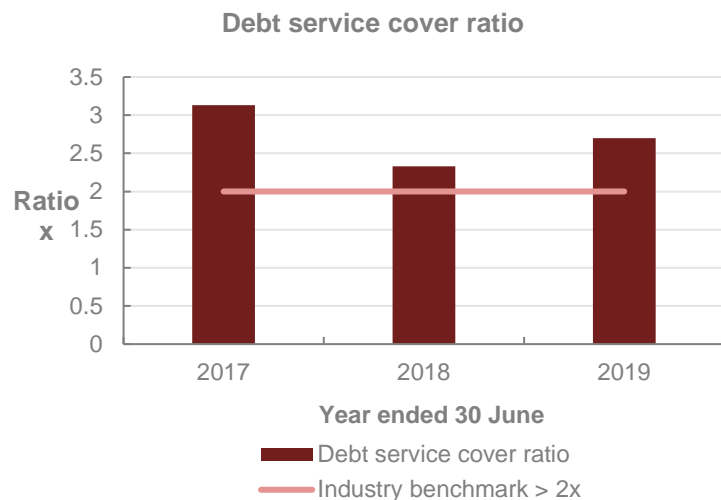
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



The Council's unrestricted current ratio has exceeded the industry benchmark for the last three years. This year's current ratio of 6.11 indicates Council has sufficient liquid assets to meet its short-term obligations as and when they fall due.

Debt service cover ratio

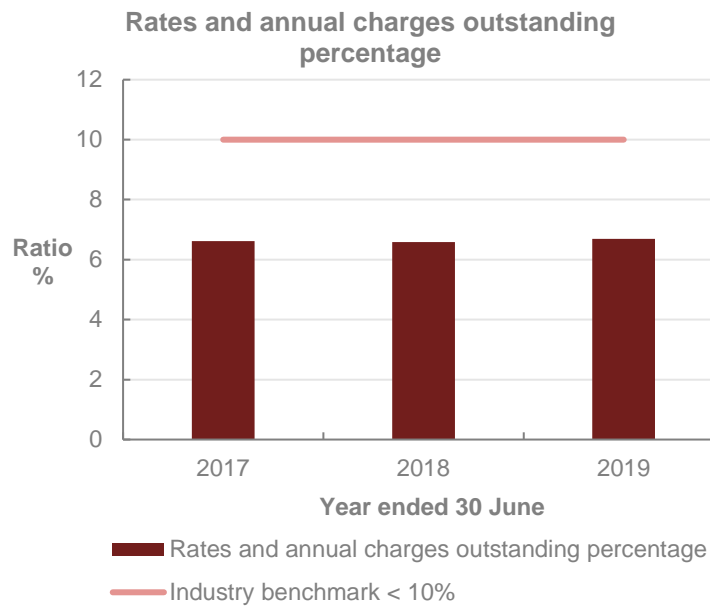
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



The Council's debt service cover ratio has exceeded the industry benchmark for the last three years. This year's current ratio of 2.7 is an increase from 2.3 last year due to a higher net result and lower borrowing costs. It indicates Council has sufficient operating cash to meet its debt including interest, principal and lease payments.

Rates and annual charges outstanding percentage

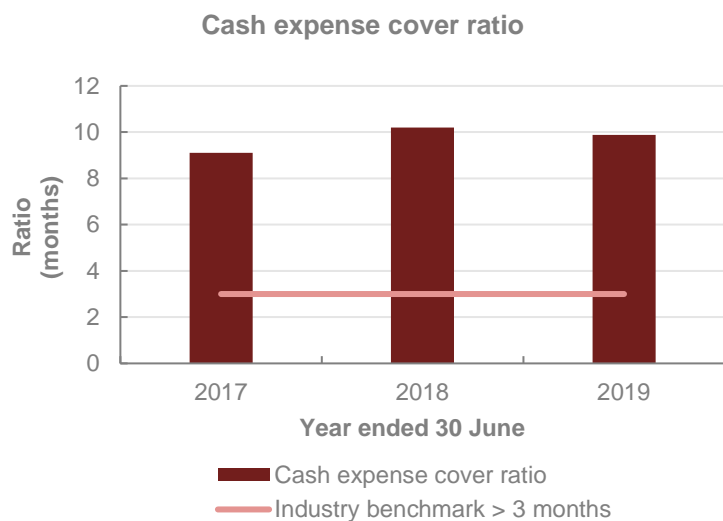
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



At 30 June 2019 the rates and annual charges ratio was 6.69 per cent (6.58 per cent in 2017–18). The ratio is fairly consistent and continues to be lower than the industry benchmark of 10 per cent reflecting Council's debt recovery efforts.

Cash expense cover ratio

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



Council's cash expense cover ratio was 9.88 months at 30 June 2019 (10.2 months in 2017–18). Council continues to exceed the benchmark as set out by the former Office of Local Government due to having a high amount of investments compared to payments from operating and financing activities.

Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2018–19 totalled \$47.8 million compared with \$23.0 million in the previous year. The increase in infrastructure, property, plant and equipment renewals was mainly driven by higher renewals in capital work in progress totalling \$32.7 million (\$11.6 million in 2017–18) and plant and equipment of \$5.3 million (\$3.7 million in 2017–18).

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14.</p>

Council Entities

The Council has eight separate Special Purpose entities:

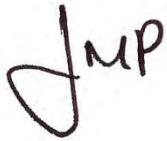
- Water Supply Business Activity
- Sewerage Business Activity
- CitySmart Solutions
- Airport
- Environmental Laboratory
- Coastal Works
- Coffs Coast Holiday Parks.

An unqualified opinion was issued on the Special Purpose Financial Statements for the year ended 30 June 2019.

Legislative compliance

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

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

A handwritten signature in black ink, appearing to read 'JMP', is located below the list of findings.

Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Steve McGrath, General Manager
Barry Ford, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Coffs Harbour City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

*Connected
Sustainable
Thriving*



Special Purpose Financial Statements

for the year ended 30 June 2019

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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 2019

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 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.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

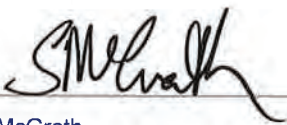
Signed in accordance with a resolution of Council made on 24 October 2019.



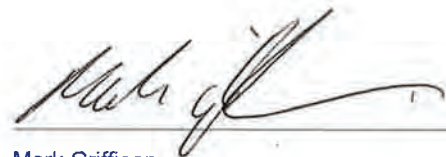
Denise Knight
Mayor
24 October 2019



Michael Adendorff
Councillor
24 October 2019



Steve McGrath
General Manager
24 October 2019



Mark Griffioen
Responsible Accounting Officer
24 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	4,317	4,196
User charges	15,709	15,415
Fees	418	384
Interest	1,007	1,016
Grants and contributions provided for non-capital purposes	261	256
Other income	126	115
Total income from continuing operations	21,838	21,382
Expenses from continuing operations		
Employee benefits and on-costs	2,632	3,435
Borrowing costs	4,110	4,481
Materials and contracts	3,065	2,860
Depreciation, amortisation and impairment	6,052	5,894
Loss on sale of assets	1,172	1,038
Calculated taxation equivalents	37	33
Debt guarantee fee (if applicable)	567	623
Other National Competition Policy imputation payments	6	6
Other expenses	3,398	4,070
Total expenses from continuing operations	21,039	22,440
Surplus (deficit) from continuing operations before capital amounts	799	(1,058)
Grants and contributions provided for capital purposes	6,782	5,841
Surplus (deficit) from continuing operations after capital amounts	7,581	4,783
Surplus (deficit) from all operations before tax	7,581	4,783
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(220)	–
SURPLUS (DEFICIT) AFTER TAX	7,361	4,783
Plus accumulated surplus	183,995	187,344
Plus/less: Transfers to Reserves & Special Schedule Additional Expenses	(2,189)	(8,762)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	37	33
– Debt guarantee fees	567	623
– Corporate taxation equivalent	220	–
– Other National Competition Policy imputation payments	6	6
Less:		
– Tax equivalent dividend paid	(626)	(32)
Closing accumulated surplus	189,371	183,995
Return on capital %	1.4%	1.0%
Subsidy from Council	–	5,733
Calculation of dividend payable:		
Surplus (deficit) after tax	7,361	4,783
Less: capital grants and contributions (excluding developer contributions)	(2,280)	(1,138)
Surplus for dividend calculation purposes	5,081	3,645
Potential dividend calculated from surplus	2,541	1,823

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	24,497	23,161
User charges	2,500	2,585
Liquid trade waste charges	589	586
Fees	32	14
Interest	1,765	1,392
Grants and contributions provided for non-capital purposes	255	263
Other income	87	119
Total income from continuing operations	29,725	28,120
Expenses from continuing operations		
Employee benefits and on-costs	4,494	4,420
Borrowing costs	4,726	5,180
Materials and contracts	5,785	5,013
Depreciation, amortisation and impairment	10,825	10,503
Loss on sale of assets	683	579
Calculated taxation equivalents	148	139
Debt guarantee fee (if applicable)	649	717
Other National Competition Policy imputation payments	11	10
Other expenses	4,559	5,293
Total expenses from continuing operations	31,880	31,854
Surplus (deficit) from continuing operations before capital amounts	(2,155)	(3,734)
Grants and contributions provided for capital purposes	9,623	7,354
Surplus (deficit) from continuing operations after capital amounts	7,468	3,620
Surplus (deficit) from all operations before tax	7,468	3,620
SURPLUS (DEFICIT) AFTER TAX	7,468	3,620
Plus accumulated surplus	266,898	288,591
Plus/less: Transfers to Reserves & Special Schedule Additional Expenses	(3,835)	(26,098)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	148	139
– Debt guarantee fees	649	717
– Other National Competition Policy imputation payments	11	10
Less:		
– Tax equivalent dividend paid	(665)	(81)
Closing accumulated surplus	270,674	266,898
Return on capital %	0.5%	0.3%
Subsidy from Council	3,910	11,310
Calculation of dividend payable:		
Surplus (deficit) after tax	7,468	3,620
Less: capital grants and contributions (excluding developer contributions)	(4,650)	(3,037)
Surplus for dividend calculation purposes	2,818	583
Potential dividend calculated from surplus	1,409	292

Income Statement – CitySmart Solutions

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Other income	4,676	3,704
Total income from continuing operations	<u>4,676</u>	<u>3,704</u>
Expenses from continuing operations		
Employee benefits and on-costs	673	681
Borrowing costs	33	34
Materials and contracts	3,354	2,448
Other expenses	492	166
Total expenses from continuing operations	<u>4,552</u>	<u>3,329</u>
Surplus (deficit) from continuing operations before capital amounts	124	375
Surplus (deficit) from continuing operations after capital amounts	<u>124</u>	<u>375</u>
Surplus (deficit) from all operations before tax	<u>124</u>	<u>375</u>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(34)	(103)
SURPLUS (DEFICIT) AFTER TAX	<u>90</u>	<u>272</u>
Plus accumulated surplus	5	1,335
Plus/less: Transfer to Reserves	(31)	(1,358)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	34	103
Less:		
– Dividend paid	(91)	(347)
Closing accumulated surplus	<u>7</u>	<u>5</u>

Income Statement – Airport

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	6,030	6,139
Interest	160	12
Other income	2,121	1,817
Total income from continuing operations	8,311	7,968
Expenses from continuing operations		
Employee benefits and on-costs	741	648
Borrowing costs	495	375
Materials and contracts	2,332	2,644
Depreciation, amortisation and impairment	2,023	1,896
Loss on sale of assets	333	515
Calculated taxation equivalents	256	248
Debt guarantee fee (if applicable)	37	55
Other National Competition Policy imputation payments	15	6
Other expenses	1,170	1,057
Total expenses from continuing operations	7,402	7,444
Surplus (deficit) from continuing operations before capital amounts	909	524
Grants and contributions provided for capital purposes	–	482
Surplus (deficit) from continuing operations after capital amounts	909	1,006
Surplus (deficit) from all operations before tax	909	1,006
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(250)	(144)
SURPLUS (DEFICIT) AFTER TAX	659	862
Plus accumulated surplus	48,975	48,923
Plus/less: Transfer to Reserves	(4,908)	(856)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	256	248
– Debt guarantee fees	37	55
– Corporate taxation equivalent	250	144
– Other National Competition Policy imputation payments	15	6
Less:		
– TER dividend paid	(256)	(248)
– Dividend paid	(54)	(159)
Closing accumulated surplus	44,974	48,975
Return on capital %	1.6%	1.0%
Subsidy from Council	–	1,414

Income Statement – Environmental Laboratory

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Interest	55	46
Other income	1,035	973
Total income from continuing operations	1,090	1,019
Expenses from continuing operations		
Employee benefits and on-costs	405	380
Materials and contracts	212	244
Depreciation, amortisation and impairment	32	31
Loss on sale of assets	–	1
Other expenses	127	115
Total expenses from continuing operations	776	771
Surplus (deficit) from continuing operations before capital amounts	314	248
Surplus (deficit) from continuing operations after capital amounts	314	248
Surplus (deficit) from all operations before tax	314	248
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(86)	(68)
SURPLUS (DEFICIT) AFTER TAX	228	180
Plus accumulated surplus	(15)	1,619
Plus/less: Transfer to Reserves	(302)	(1,882)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	86	68
Closing accumulated surplus	(3)	(15)
Return on capital %	20.3%	16.1%

Income Statement – Coastal Works

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Grants and contributions provided for non-capital purposes	244	199
Other income	5,205	3,537
Total income from continuing operations	5,449	3,736
Expenses from continuing operations		
Employee benefits and on-costs	1,070	1,010
Materials and contracts	3,883	2,217
Other expenses	505	480
Total expenses from continuing operations	5,458	3,707
Surplus (deficit) from continuing operations before capital amounts	(9)	29
Surplus (deficit) from continuing operations after capital amounts	(9)	29
Surplus (deficit) from all operations before tax	(9)	29
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(8)
SURPLUS (DEFICIT) AFTER TAX	(9)	21
Plus accumulated surplus	(50)	1,177
Plus/less: Transfer to Reserves	(49)	(1,256)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	8
Closing accumulated surplus	(108)	(50)
Subsidy from Council	9	–

Income Statement – Coffs Coast Holiday Parks

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	10,679	–
Interest	68	–
Other income	2,521	–
Total income from continuing operations	13,268	–
Expenses from continuing operations		
Employee benefits and on-costs	3,016	–
Borrowing costs	57	–
Materials and contracts	3,970	–
Depreciation, amortisation and impairment	946	–
Loss on sale of assets	520	–
Calculated taxation equivalents	603	–
Other expenses	1,448	–
Total expenses from continuing operations	10,560	–
Surplus (deficit) from continuing operations before capital amounts	2,708	–
Grants and contributions provided for capital purposes	488	–
Surplus (deficit) from continuing operations after capital amounts	3,196	–
Surplus (deficit) from all operations before tax	3,196	–
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(745)	–
SURPLUS (DEFICIT) AFTER TAX	2,451	–
Plus/less: other adjustments (Opening Reserves)	(3,595)	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	603	–
– Corporate taxation equivalent	745	–
Closing accumulated surplus	204	–
Return on capital %	4.2%	0.0%

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	16,006	22,268
Receivables	8,360	4,090
Inventories	254	230
Total current assets	24,620	26,588
Non-current assets		
Investments	14,665	12,076
Receivables	146	135
Infrastructure, property, plant and equipment	352,828	348,152
Intangible assets	51,245	51,817
Total non-current assets	418,884	412,180
TOTAL ASSETS	443,504	438,768
LIABILITIES		
Current liabilities		
Payables	496	2,612
Borrowings	6,552	6,212
Provisions	1,365	1,860
Total current liabilities	8,413	10,684
Non-current liabilities		
Borrowings	50,665	56,683
Provisions	123	80
Total non-current liabilities	50,788	56,763
TOTAL LIABILITIES	59,201	67,447
NET ASSETS	384,303	371,321
EQUITY		
Accumulated surplus	189,371	183,995
Revaluation reserves	183,981	178,564
Other reserves	10,951	8,762
TOTAL EQUITY	384,303	371,321

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	27,788	19,500
Receivables	1,727	1,600
Total current assets	29,515	21,100
Non-current assets		
Investments	22,417	34,700
Receivables	6,010	562
Infrastructure, property, plant and equipment	491,021	485,016
Total non-current assets	519,448	520,278
TOTAL ASSETS	548,963	541,378
LIABILITIES		
Current liabilities		
Payables	276	630
Borrowings	7,884	7,478
Provisions	701	975
Total current liabilities	8,861	9,083
Non-current liabilities		
Borrowings	57,585	64,881
Provisions	61	25
Total non-current liabilities	57,646	64,906
TOTAL LIABILITIES	66,507	73,989
NET ASSETS	482,456	467,389
EQUITY		
Accumulated surplus	270,674	266,898
Revaluation reserves	181,854	174,398
Other reserves	29,928	26,093
TOTAL EQUITY	482,456	467,389

Statement of Financial Position – CitySmart Solutions

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Receivables	258	–
Inventories	685	1,005
Total current assets	<u>943</u>	<u>1,005</u>
TOTAL ASSETS	<u>943</u>	<u>1,005</u>
LIABILITIES		
Current liabilities		
Payables	627	680
Provisions	224	276
Total current liabilities	<u>851</u>	<u>956</u>
Non-current liabilities		
Provisions	17	7
Total non-current liabilities	<u>17</u>	<u>7</u>
TOTAL LIABILITIES	<u>868</u>	<u>963</u>
NET ASSETS	<u>75</u>	<u>42</u>
EQUITY		
Accumulated surplus	7	5
Other reserves	68	37
TOTAL EQUITY	<u>75</u>	<u>42</u>

Statement of Financial Position – Airport

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	6	6
Receivables	6,015	1,102
Total current assets	6,021	1,108
Non-current assets		
Receivables	81	149
Infrastructure, property, plant and equipment	88,561	87,959
Total non-current assets	88,642	88,108
TOTAL ASSETS	94,663	89,216
LIABILITIES		
Current liabilities		
Payables	140	127
Borrowings	1,098	1,040
Provisions	46	122
Total current liabilities	1,284	1,289
Non-current liabilities		
Borrowings	8,885	4,459
Provisions	3	2
Total non-current liabilities	8,888	4,461
TOTAL LIABILITIES	10,172	5,750
NET ASSETS	84,491	83,466
EQUITY		
Accumulated surplus	44,974	48,975
Revaluation reserves	33,753	33,635
Other reserves	5,764	856
TOTAL EQUITY	84,491	83,466

Statement of Financial Position – Environmental Laboratory

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Receivables	549	317
Inventories	37	37
Total current assets	<u>586</u>	<u>354</u>
Non-current assets		
Infrastructure, property, plant and equipment	1,544	1,539
Total non-current assets	<u>1,544</u>	<u>1,539</u>
TOTAL ASSETS	<u>2,130</u>	<u>1,893</u>
LIABILITIES		
Current liabilities		
Payables	2	6
Provisions	46	121
Total current liabilities	<u>48</u>	<u>127</u>
Non-current liabilities		
Provisions	4	2
Total non-current liabilities	<u>4</u>	<u>2</u>
TOTAL LIABILITIES	<u>52</u>	<u>129</u>
NET ASSETS	<u>2,078</u>	<u>1,764</u>
EQUITY		
Accumulated surplus	(3)	(15)
Revaluation reserves	70	70
Other reserves	2,011	1,709
TOTAL EQUITY	<u>2,078</u>	<u>1,764</u>

Statement of Financial Position – Coastal Works

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Receivables	1,441	1,153
Inventories	–	260
Total current assets	<u>1,441</u>	<u>1,413</u>
TOTAL ASSETS	<u>1,441</u>	<u>1,413</u>
LIABILITIES		
Current liabilities		
Payables	236	199
Total current liabilities	<u>236</u>	<u>199</u>
TOTAL LIABILITIES	<u>236</u>	<u>199</u>
NET ASSETS	<u>1,205</u>	<u>1,214</u>
EQUITY		
Accumulated surplus	(108)	(50)
Other reserves	1,313	1,264
TOTAL EQUITY	<u>1,205</u>	<u>1,214</u>

Statement of Financial Position – Coffs Coast Holiday Parks

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	114	–
Receivables	8	–
Inventories	79	–
Total current assets	201	–
Non-current assets		
Investments	1,649	–
Infrastructure, property, plant and equipment	66,426	–
Intangible assets	43	–
Total non-current assets	68,118	–
TOTAL ASSETS	68,319	–
LIABILITIES		
Current liabilities		
Payables	394	–
Borrowings	190	–
Provisions	453	–
Total current liabilities	1,037	–
Non-current liabilities		
Borrowings	759	–
Provisions	40	–
Total non-current liabilities	799	–
TOTAL LIABILITIES	1,836	–
NET ASSETS	66,483	–
EQUITY		
Retained earnings	204	–
Revaluation reserves	62,684	–
Other reserves	3,595	–
TOTAL EQUITY	66,483	–

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

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 2005*, 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

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.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

e. Coffs Harbour Coastal Works

Infrastructure construction, maintenance and consultancy

f. Coffs Coast Holiday Parks

Holiday Park operations at 4 locations and maintenance of Crown reserves

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 dollars and rounded to the nearest one thousand 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 – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

Achievement of substantial compliance to the DoI – 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 27.5%.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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 27.5% 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.

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(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.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Coffs Harbour City Council

To the Councillors of the Coffs Harbour City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Coffs Harbour City Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2019, the Statement of Financial Position of each Declared Business Activity as at 30 June 2019, Note 1 Significant accounting policies 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
- Coffs Coast Holiday Parks.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (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 Statements' section of my report.

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

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

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

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements 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 statements 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 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements

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

In preparing the financial statements, the Councillors 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

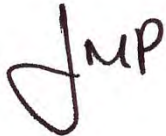
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/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
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'JMP', is located in the middle-left section of the page.

Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 October 2019
SYDNEY

Coffs Harbour City Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

*Connected
Sustainable
Thriving*



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	48,478	47,001
Plus or minus adjustments ²	b	296	403
Notional general income	c = a + b	48,774	47,404
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = e x (c + g)	1,317	1,090
Sub-total	k = (c + g + h + i + j)	50,091	48,494
Plus (or minus) last year's carry forward total	l	(26)	99
Less valuation objections claimed in the previous year	m	(43)	(113)
Sub-total	n = (l + m)	(69)	(14)
Total permissible income	o = k + n	50,022	48,480
Less notional general income yield	p	50,109	48,478
Catch-up or (excess) result	q = o - p	(87)	2
Plus income lost due to valuation objections claimed ⁴	r	17	43
Less unused catch-up ⁵	s	-	(71)
Carry forward to next year ⁶	t = q + r + s	(70)	(26)

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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - 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 – Permissible income for general rates (the Schedule) of Coffs Harbour City Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), 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 has 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

The Council's annual report for the year ended 30 June 2019 includes other information in addition to 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 comprise the general purpose financial statements and special purpose financial statements and Special Schedule – 'Report on Infrastructure Assets as at 30 June 2019'.

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.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

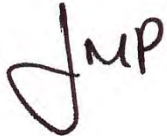
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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, appearing to read 'JMP', with a large loop on the 'J'.

Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings	–	–	1,988	1,733	127,985	184,364	28.0%	58.0%	10.0%	2.0%	2.0%
	Sub-total	–	–	1,988	1,733	127,985	184,364	28.0%	58.0%	10.0%	2.0%	2.0%
Roads	Sealed roads	–	–	5,457	5,286	331,724	485,989	34.0%	43.0%	16.0%	6.0%	1.0%
	Unsealed roads	–	–	324	530	4,501	11,772	14.0%	11.0%	33.0%	29.0%	13.0%
	Bridges	–	–	151	184	64,714	73,820	96.0%	2.0%	1.0%	1.0%	0.0%
	Footpaths	–	–	186	186	46,143	57,252	66.0%	11.0%	17.0%	5.0%	1.0%
	Other road assets	–	–	405	267	34,617	39,671	68.0%	18.0%	11.0%	3.0%	0.0%
	Bulk earthworks	–	–	28	27	138,665	138,665	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	–	–	55	54	37,001	50,636	28.0%	18.0%	42.0%	11.0%	1.0%
	Sub-total	–	–	6,606	6,534	657,365	857,805	53.1%	27.3%	13.7%	5.0%	0.9%
Water supply network	Water supply network	–	–	2,722	2,900	344,276	466,432	2.0%	18.0%	75.0%	4.0%	1.0%
	Sub-total	–	–	2,722	2,900	344,276	466,432	2.0%	18.0%	75.0%	4.0%	1.0%
Sewerage network	Sewerage network	–	–	2,876	2,761	474,633	676,376	17.0%	41.0%	39.0%	3.0%	0.0%
	Sub-total	–	–	2,876	2,761	474,633	676,376	17.0%	41.0%	39.0%	3.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	329	304	164,714	213,148	44.0%	39.0%	16.0%	1.0%	0.0%
	Sub-total	–	–	329	304	164,714	213,148	44.0%	39.0%	16.0%	1.0%	0.0%
Open space / recreational assets	Other Open Space	–	–	578	578	28,485	65,530	6.0%	21.0%	34.0%	10.0%	29.0%
	Swimming Pools	–	–	83	76	2,174	4,713	20.0%	8.0%	15.0%	57.0%	0.0%
	Sub-total	–	–	661	654	30,659	70,243	6.9%	20.1%	32.7%	13.2%	27.1%
Other infrastructure assets	Other	–	–	–	–	716	1,191	6.0%	21.0%	34.0%	10.0%	29.0%
	Sub-total	–	–	–	–	716	1,191	6.0%	21.0%	34.0%	10.0%	29.0%
	TOTAL - ALL ASSETS	–	–	15,182	14,886	1,800,348	2,469,559	29.6%	32.4%	32.7%	3.9%	1.4%

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

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	14,433	37.38%	59.27%	79.43%	>=100.00%
Depreciation, amortisation and impairment	38,615				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	-	-	-	-	<2.00%
Net carrying amount of infrastructure assets	1,800,348				
Asset maintenance ratio					
Actual asset maintenance	14,886	98.05%	100.29%	100.50%	>100.00%
Required asset maintenance	15,182				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	-	-	-	-	
Gross replacement cost	2,469,559				

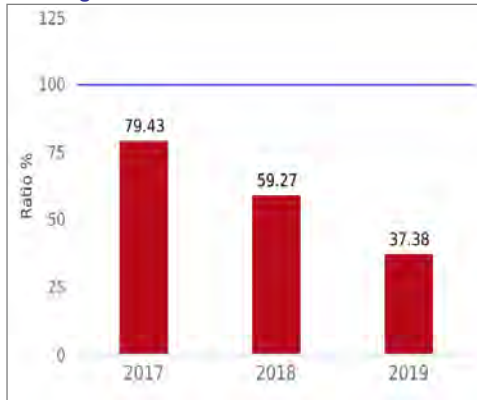
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



Infrastructure renewals ratio

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

Commentary on result

18/19 ratio 37.38%

This ratio excludes current building & infrastructure work in progress, thus relates only to Council's work started and finished within the same financial year.

Required renewal is determined based on assessed remaining service capacity of building and infrastructure assets. Council's infrastructure assets are currently assessed as good/satisfactory condition.

Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

18/19 ratio 98.05%

Council has met the benchmark of this ratio. A ratio significantly in excess of 100% would represent potential over servicing of assets. The asset maintenance ratio demonstrates that Council is investing the required funds to maintain infrastructure at the required service levels.

Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Infrastructure backlog ratio ¹



Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on result

18/19 ratio 0.00%

Council has recorded no backlog for the 2018-19 financial year, consistent with the service levels determined as part of the Special Rates Variation Consultation in 2014-15.

Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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.

Commentary on result

18/19 ratio 0.00%

(1) Excludes Work In Progress (WIP)

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	53.62%	87.42%	7.20%	51.50%	18.56%	8.40%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	—	—	—	—	—	—	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	96.25%	100.79%	106.54%	97.93%	96.00%	100.76%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	—	—	—	—	—	—	

(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.