

Coffs Harbour City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

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



Coffs Harbour City Council

General Purpose Financial Statements for the financial year ended 30 June 2010

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Coffs Harbour City Council.
- (ii) Coffs Harbour City Council is a body corporate of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 28/10/10. Council has the power to amend and reissue the financial statements.
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Coffs Harbour City Council

General Purpose Financial Statements for the financial year ended 30 June 2010

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

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

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

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

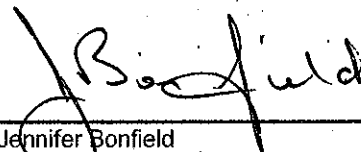
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

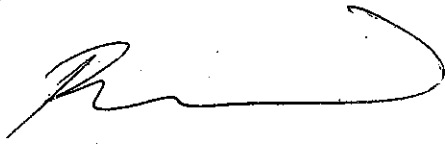
Signed in accordance with a resolution of Council made on 28 October 2010.



Keith Rhoades
MAYOR



Jennifer Bonfield
CORPORATE BUSINESS COMMITTEE
CHAIRPERSON



Ben Lawson
ACTING GENERAL MANAGER



Dale Allen
RESPONSIBLE ACCOUNTING OFFICER

Coffs Harbour City Council

Income Statement

for the financial year ended 30 June 2010

Budget ⁽¹⁾			Actual	Actual
2010	\$ '000	Notes	2010	2009
Income from Continuing Operations				
Revenue:				
59,196	Rates & Annual Charges	3a	58,701	54,747
22,709	User Charges & Fees	3b	23,396	22,521
3,303	Interest & Investment Revenue	3c	12,397	2,232
3,492	Other Revenues	3d	4,907	4,363
16,575	Grants & Contributions provided for Operating Purposes	3e,f	16,126	15,878
6,033	Grants & Contributions provided for Capital Purposes	3e,f	36,497	17,487
Other Income:				
-	Net gains from the disposal of assets	5	-	1,105
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
111,308	Total Income from Continuing Operations		152,024	118,333
Expenses from Continuing Operations				
26,427	Employee Benefits & On-Costs	4a	34,268	31,968
18,172	Borrowing Costs	4b	18,415	19,373
43,195	Materials & Contracts	4c	30,501	28,789
24,205	Depreciation & Amortisation	4d	30,980	28,077
-	Impairment	4d	(63)	(128)
4,063	Other Expenses	4e	8,831	9,720
-	Net Losses from the Disposal of Assets	5	286	-
116,062	Total Expenses from Continuing Operations		123,218	117,799
(4,754)	Operating Result from Continuing Operations		28,806	534
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(4,754)	Net Operating Result for the Year		28,806	534
(4,754)	Net Operating Result attributable to Council		28,806	534
-	Net Operating Result attributable to Minority Interests		-	-
(10,787)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(7,691)	(16,953)

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

Coffs Harbour City Council

Statement of Comprehensive Income
for the financial year ended 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
Net Operating Result for the year (as per Income statement)		28,806	534
Other Comprehensive Income			
Gain (loss) on revaluation & impairment of I,PP&E	20b (ii)	344,575	18,234
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	1,712	(1,117)
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised loss on available-for-sale investments recognised in P&L	20b (ii)	812	458
Realised loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment of Available for Sale Investments transferred to P&L	20b (ii)	-	1,003
Total Other Comprehensive Income for the year		347,099	18,578
Total Comprehensive Income for the Year		375,905	19,112
Total Comprehensive Income attributable to Council		375,905	19,112
Total Comprehensive Income attributable to Minority Interests		-	-

Coffs Harbour City Council

Balance Sheet

as at 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	24,088	16,190
Investments	6b	72,496	74,076
Receivables	7	19,226	15,016
Inventories	8	1,415	1,199
Other	8	1,719	1,722
Non-current assets classified as "held for sale"	21	431	203
Total Current Assets		119,375	108,406
Non-Current Assets			
Investments	6b	55,304	71,053
Receivables	7	880	1,130
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,565,160	1,095,132
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,432	1,427
Intangible Assets	24	69,136	69,700
Other	8	-	-
Total Non-Current Assets		1,691,912	1,238,442
TOTAL ASSETS		1,811,287	1,346,848
LIABILITIES			
Current Liabilities			
Payables	10	12,370	13,038
Borrowings	10	15,180	15,564
Provisions	10	12,096	10,474
Total Current Liabilities		39,646	39,076
Non-Current Liabilities			
Payables	10	10	-
Borrowings	10	238,788	252,255
Provisions	10	5,962	5,678
Total Non-Current Liabilities		244,760	257,933
TOTAL LIABILITIES		284,406	297,009
Net Assets		1,526,881	1,049,839
EQUITY			
Retained Earnings	20	1,032,541	902,598
Revaluation Reserves	20	494,340	147,241
Council Equity Interest		1,526,881	1,049,839
Minority Equity Interest		-	-
Total Equity		1,526,881	1,049,839

Coffs Harbour City Council

Statement of Changes in Equity
for the financial year ended 30 June 2010

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (as per Last Year's Audited Accounts)		902,064	118,111	1,020,175	-	1,020,175
a. Correction of Prior Period Errors	20 (c)	-	10,552	10,552	-	10,552
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/08)		902,064	128,663	1,030,727	-	1,030,727
c. Net Operating Result for the Year		534	-	534	-	534
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	18,234	18,234	-	18,234
- Revaluations: Other Reserves	20b (ii)	-	458	458	-	458
- Transfers to Income Statement	20b (ii)	-	(1,117)	(1,117)	-	(1,117)
- Other Movements	20b (ii)	-	1,003	1,003	-	1,003
Other Comprehensive Income		-	18,578	18,578	-	18,578
Total Comprehensive Income (c&d)		534	18,578	19,112	-	19,112
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		902,598	147,241	1,049,839	-	1,049,839

Coffs Harbour City Council

Statement of Cash Flows

for the financial year ended 30 June 2010

Budget 2010	\$ '000	Notes	Actual 2010	Actual 2009
Cash Flows from Operating Activities				
Receipts:				
59,196	Rates & Annual Charges		58,670	54,676
22,709	User Charges & Fees		24,384	22,609
3,303	Investment & Interest Revenue Received		7,758	8,836
22,608	Grants & Contributions		48,968	29,642
3,492	Other		6,196	6,472
Payments:				
(26,427)	Employee Benefits & On-Costs		(33,180)	(30,835)
(43,195)	Materials & Contracts		(37,431)	(29,837)
(18,244)	Borrowing Costs		(18,230)	(18,339)
(4,063)	Other		(9,733)	(10,772)
19,379	Net Cash provided (used in) Operating Activities	11b	47,402	32,452
Cash Flows from Investing Activities				
Receipts:				
32,122	Sale of Investment Securities		99,490	205,652
1,939	Sale of Infrastructure, Property, Plant & Equipment		1,957	4,500
68	Deferred Debtors Receipts		62	80
Payments:				
-	Purchase of Investment Securities		(76,083)	(210,044)
(52,830)	Purchase of Infrastructure, Property, Plant & Equipment		(52,166)	(96,731)
-	Purchase of Real Estate Assets		-	(90)
-	Deferred Debtors & Advances Made		-	(45)
(18,701)	Net Cash provided (used in) Investing Activities		(26,740)	(96,678)
Cash Flows from Financing Activities				
Receipts:				
1,750	Proceeds from Borrowings & Advances		2,800	82,300
Payments:				
(15,564)	Repayment of Borrowings & Advances		(15,564)	(14,185)
(13,814)	Net Cash Flow provided (used in) Financing Activities		(12,764)	68,115
(13,136)	Net Increase/(Decrease) in Cash & Cash Equivalents		7,898	3,889
16,190	plus: Cash & Cash Equivalents - beginning of year	11a	16,190	12,301
3,054	Cash & Cash Equivalents - end of the year	11a	24,088	16,190
Additional Information:				
	plus: Investments on hand - end of year	6b	127,800	145,129
Total Cash, Cash Equivalents & Investments			151,888	161,319

Please refer to Note 11 for additional cash flow information.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

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

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &
- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

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

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

(iii) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

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

(v) Critical Accounting Estimates

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

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

(vi) Financial Statements Presentation

The Council has applied the revised **AASB 101, Presentation of Financial Statements** which became effective on 1 January 2009.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

All non-owner changes in equity must now be presented in the statement of comprehensive income.

As a consequence, the Council had to change the presentation of its financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/10) and **(ii)** all the related operating results (for the financial year ended the 30th June 2010).

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

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water supply
- Sewerage service
- Airport Operations

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

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

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

Total income from continuing operations	\$68,025
Total expenditure from continuing operations	\$294,447
Total net assets held (ie Equity)	\$200,471

Note:

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

(ii) The Trust Fund

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(iii) Joint Venture Entities

Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

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

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

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Government Act and S212 of the LG (General) Regulation 2005.

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

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

Council amended its policy following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed (e.g. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order.

These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same

instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

(h) Receivables

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

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

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

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

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)

The only remaining asset class that is to be revalued in a future reporting period is;

- **2010/11:** Community land, land improvements, other structures and other assets

Until the designated future reporting periods, the above remaining asset class is stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses.

Initial Recognition

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

For all other assets, Council assesses at each reporting date whether there is any indication that a

revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

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

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

Capitalisation Thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised

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

Buildings & Land Improvements	
Park Furniture & Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$2,000
Other Structures	> \$2,000

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method for all assets other Transport and Drainage Assets (these assets are depreciated on a condition based method) in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

- Playground equipment	5 to 10 years
- Benches, seats etc	10 to 20 years

Buildings

- Buildings	25 to 50 years
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Stormwater Drainage

- Drains	80 to 100 years
- Culverts	50 to 80 years

Transportation Assets

- Sealed Roads : Surface	18-22 years
- Sealed Roads : Structure	40 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	60 years
- Road Pavements	40 years
- Kerb, Gutter & Paths	60 years

Water & Sewer Assets

- Dams and reservoirs	80 to 100 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	50 to 100 years
- Telemetry	15 to 25 years
- Pumping Stations	22 to 48 years

Other Infrastructure Assets

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

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

Disposal and De-recognition

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

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

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

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

(l) Land under roads

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

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

Council will review the recognition of all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(m) Intangible Assets

IT Development and Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

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

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

Regional Water Supply

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

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

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

These costs are charged to the income statement.

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

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

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

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

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

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

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)**

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

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

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

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

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

The results of discontinued operations are presented separately on the face of the income statement.

(s) Impairment of assets

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

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

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

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

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term

employee benefit obligations disclosed under payables..

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Defined Benefit Plans

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

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

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

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

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$286 million at 30 June 2010.

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

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

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

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

Define Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/10.

(y) Self insurance

Council does not self insure.

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2010.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets.

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

Council is yet to assess its full impact.

However, initial indications are that it may affect Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Applicable to Local Government but no implications for Council;

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash.

They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

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

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

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

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

Council does not make any such prepayments. The amendment is therefore not expected to have any impact on Council.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap).

It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

None

Not applicable to Local Government per se;

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

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

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

(ac) Rounding of amounts

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(ad) Comparative Figures

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

(ae) Disclaimer

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Governance	-	-	-	1,211	1,277	1,199	(1,211)	(1,277)	(1,199)	-	-	-	-
Civic Management	4	45	285	573	676	1,103	(569)	(631)	(818)	42	265	370	318
Community Facilities	1,603	1,603	2,913	494	1,138	2,416	1,109	465	497	-	1,276	4,265	19,869
Coffs Coast Marketing	665	746	342	1,214	1,415	913	(549)	(669)	(571)	-	35	21	10
Land Use Planning	17	59	259	1,090	1,064	1,452	(1,073)	(1,005)	(1,193)	18	20	229	235
Land Use Assessment and Management	1,496	1,772	1,607	1,835	1,921	1,778	(339)	(149)	(171)	-	-	20	24
Environmental Management	2,093	1,634	546	2,264	1,321	1,116	(171)	313	(570)	1,404	277	150	162
Public Health and Safety	149	159	162	946	1,000	847	(797)	(841)	(685)	-	-	95	89
Animal Control and Enforcement	416	387	371	719	698	639	(303)	(311)	(268)	-	-	32	36
Domestic Waste Management	9,047	9,332	12,482	8,849	9,898	11,380	198	(566)	1,102	141	11	19,009	18,990
Non Domestic Waste Management	4,924	3,490	-	4,467	3,185	248	457	305	(248)	-	-	1,514	980
Property and Commercial Services	94	3,691	2,471	406	435	479	(312)	3,256	1,992	-	-	22,117	21,321
Leasing and Asset Management	857	1,253	1,181	2,390	2,935	2,362	(1,533)	(1,682)	(1,181)	173	100	99,621	103,188
Swimming Pools	750	1,505	1	353	334	323	397	1,171	(322)	504	-	1,848	308
Airport	3,947	3,518	3,459	2,980	2,840	2,711	967	678	748	-	300	58,369	27,594
Sports Development	324	437	469	1,876	1,837	1,833	(1,552)	(1,400)	(1,364)	47	6	9,817	9,787
Administration	46	51	39	957	1,023	1,589	(911)	(972)	(1,550)	2,357	(2)	1,246	2,064
Legal and Audit Services	85	335	324	1,593	1,555	1,727	(1,508)	(1,220)	(1,403)	-	-	906	-
Rural Fire Services	1,851	2,360	2,144	800	1,523	1,296	1,051	837	848	-	2,139	5,877	6,002
Information Services	48	60	413	3,753	3,173	2,764	(3,705)	(3,113)	(2,351)	-	-	1,887	1,984
Telecommunications & New Technology	364	1,060	635	450	738	373	(86)	322	262	-	-	338	329
Finance	288	360	346	3,254	3,288	3,045	(2,966)	(2,928)	(2,699)	1	-	40,391	39,681
Plant	380	507	1,168	4,423	5,358	5,027	(4,043)	(4,851)	(3,859)	-	-	13,497	11,053
Program Support	68	8	11	171	138	209	(103)	(130)	(198)	-	-	-	-
Human Resources & Organisational Development	54	69	55	1,058	1,114	978	(1,004)	(1,045)	(923)	-	-	27	62
City Services Support	-	-	-	702	799	246	(702)	(799)	(246)	-	-	380	391

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Asset Systems	-	-	-	468	470	379	(468)	(470)	(379)	-	-	28	13
Library	208	267	228	1,483	1,526	1,422	(1,275)	(1,259)	(1,194)	233	176	818	811
Community Development	346	1,139	845	1,889	2,099	1,881	(1,543)	(960)	(1,036)	522	278	12,163	11,171
Economic Development	122	229	193	1,059	1,251	1,168	(937)	(1,022)	(975)	-	(4)	121	143
Environmental Laboratory	230	299	355	556	474	465	(326)	(175)	(110)	-	-	122	164
City Services Operational Administration	4	241	204	714	752	1,231	(710)	(511)	(1,027)	-	-	632	360
Recreational Services	1,142	2,719	2,299	5,104	4,921	4,640	(3,962)	(2,202)	(2,341)	288	357	7,161	8,330
Regional Roads	971	1,608	1,583	1,839	1,943	1,896	(868)	(335)	(313)	1,608	1,583	67,895	30,155
Local Roads	238	3,276	2,347	12,160	12,874	12,155	(11,922)	(9,598)	(9,808)	1,685	1,178	440,676	223,559
Bridges	531	737	238	464	522	564	67	215	(326)	737	187	41,082	17,122
Footpaths and Cycleways	130	657	133	400	340	390	(270)	317	(257)	653	72	40,812	7,753
Parking	-	38	60	316	329	257	(316)	(291)	(197)	-	-	4,633	1,522
Quarries	89	-	-	89	154	126	-	(154)	(126)	-	-	133	91
Street and Toilet Cleaning	-	-	-	763	601	588	(763)	(601)	(588)	-	-	1	1
Drainage	649	1,243	1,021	766	1,205	871	(117)	38	150	343	238	148,672	45,428
Harbour and Jetty	-	-	78	194	124	261	(194)	(124)	(183)	-	10	404	425
City Works Private Works	-	269	74	8	333	131	(8)	(64)	(57)	-	-	-	-
Watermain Relocation	-	13,939	-	-	(638)	-	-	14,577	-	-	-	-	-
Survey and Design	138	1,449	570	1,868	1,896	1,912	(1,730)	(447)	(1,342)	1,141	296	7,991	3,357
Street Lighting	143	139	135	790	615	743	(647)	(476)	(608)	138	135	33	47
Projects and Developments	81	113	61	422	369	357	(341)	(256)	(296)	-	-	-	1
General Fund Untied Funding	34,973	35,562	34,182	30	77	46	34,943	35,485	34,136	7,049	8,448	9	-
Water Management Expenses	3	9	4	985	971	895	(982)	(962)	(891)	-	-	16	23
Water Maintenance and Operating Exp's	81	165	272	5,987	3,476	3,385	(5,906)	(3,311)	(3,113)	(1)	154	52,488	56,112
Water Miscellaneous	-	-	-	7,922	7,913	8,276	(7,922)	(7,913)	(8,276)	-	-	-	-
Water Capital Expenditure	1,781	4,705	2,392	-	3,831	3,236	1,781	874	(844)	-	574	247,545	226,350

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Actual 2010	Actual 2009	Actual 2010	Actual 2009
	Regional Water Supply	-	-	-	-	906	865	-	(906)	(865)	-	-	68,590
Water Fund Untied Funding	14,734	17,681	14,178	-	24	34	14,734	17,657	14,144	240	216	-	-
Sewer Management Expenses	1	2	5	1,166	1,204	1,143	(1,165)	(1,202)	(1,138)	-	-	448	499
Sewer Maintenance and Operating Exp's	426	619	547	10,439	6,119	5,474	(10,013)	(5,500)	(4,927)	(5)	104	76,154	76,906
Sewer Miscellaneous	-	1,087	-	9,353	9,394	9,765	(9,353)	(8,307)	(9,765)	-	-	56	56
Sewer Capital Expenditure	4,152	4,663	5,722	-	5,576	4,051	4,152	(913)	1,671	622	4,134	310,578	300,006
Sewer Fund Untied Funding	20,565	24,532	18,713	-	36	46	20,565	24,496	18,667	236	235	-	-
Oncost Recoveries	-	196	211	-	848	1,093	-	(652)	(882)	67	82	-	1
Operating Result from Continuing Operations	111,308	152,024	118,333	116,062	123,218	117,799	(4,754)	28,806	534	20,243	22,880	1,811,287	1,346,848

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

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

GOVERNANCE

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

CIVIC MANAGEMENT

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

COMMUNITY FACILITIES

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

COFFS COAST MARKETING

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

LAND USE PLANNING

Local Environment Plan reviews, heritage programs, planning studies.

LAND USE ASSESSMENT AND MANAGEMENT

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

ENVIRONMENTAL MANAGEMENT

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

PUBLIC HEALTH AND SAFETY

Beach patrols, sullage collection, public pools inspection.

ANIMAL CONTROL AND ENFORCEMENT

Rangers, stray animal management, parking inspectors.

DOMESTIC WASTE MANAGEMENT

Recycling, waste collection and processing, tip facilities.

NON DOMESTIC WASTE MANAGEMENT

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

PROPERTY AND COMMERCIAL SERVICES

Valuation Services, land acquisition and development.

LEASING AND ASSET MANAGEMENT

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

SWIMMING POOLS

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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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:

AIRPORT

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

SPORTS DEVELOPMENT

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

ADMINISTRATION

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

LEGAL AND AUDIT SERVICES

Internal audit, legal advice, insurance services.

RURAL FIRE SERVICES

Hazard reduction, brigade station operations, fire attendances.

INFORMATION SERVICES

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

TELECOMMUNICATIONS AND NEW TECHNOLOGY

Telemetry Switchboard construction and sales, optical fibre provision, consultancy income.

FINANCE

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

PLANT

Fleet management, plant hire, mechanical workshop operations.

PROGRAM SUPPORT

Developer Contributions administration, environmental levy administration, budgeting.

HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT

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

CITY SERVICES SUPPORT

Two way radio operations, SES contributions.

ASSET SYSTEMS

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

LIBRARY

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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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:

COMMUNITY DEVELOPMENT

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

ECONOMIC DEVELOPMENT

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

ENVIRONMENTAL LABORATORY

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

CITY SERVICES OPERATIONAL ADMINISTRATION

Works depots operations, development, maintenance and repairs.

RECREATIONAL SERVICES

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

REGIONAL ROADS

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

LOCAL ROADS

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

BRIDGES

Maintenance and repair of concrete and timber bridges.

FOOTPATHS, CYCLEWAYS AND BUS SHELTERS

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

PARKING

Multi level and ground level carpark construction, maintenance and repairs.

QUARRIES

Extraction, production and distribution of quarry materials.

STREET AND TOILET CLEANING

Street and toilet cleaning (including Marina public toilets).

DRAINAGE

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

HARBOUR AND JETTY

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

CITY WORKS PRIVATE WORKS

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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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:

SURVEY AND DESIGN

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

WATERMAINS RELOCATION

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

STREET LIGHTING

Operations of street lighting.

PROJECTS AND DEVELOPMENT

Contracts management, supervision of subdivision works.

GENERAL FUND UNTIED FUNDING

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

WATER MANAGEMENT EXPENSES

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

WATER MAINTENANCE AND OPERATING EXPENSES

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

WATER MISCELLANEOUS EXPENSES

Payroll tax, loan repayments and professional development costs,

WATER CAPITAL EXPENDITURE

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

REGIONAL WATER SUPPLY

Construction, maintenance and operation of Shannon Creek Dam.

WATER FUND UNTIED FUNDING

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

SEWER MANAGEMENT EXPENSES

Public awareness campaigns, developer contributions plan reviews.

SEWER MAINTENANCE AND OPERATING EXPENSES

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

SEWER MISCELLANEOUS EXPENSES

Payroll tax, loan repayments and professional development costs,

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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:

SEWER CAPITAL EXPENDITURE

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

SEWER FUND UNTIED FUNDING

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

ONCOST RECOVERIES

Employee Leave Entitlements, Workers Compensation Insurance, Superannuation Contributions.

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		20,352	19,496
Farmland		955	985
Business		5,648	5,288
Total Ordinary Rates		26,955	25,769
Special Rates			
Environmental		929	890
Total Special Rates		929	890
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		8,425	7,918
Stormwater Management Services		644	632
Water Supply Services		3,255	2,872
Sewerage Services		17,518	15,806
Waste Management Services (non-domestic)		858	753
Other		117	107
Total Annual Charges		30,817	28,088
TOTAL RATES & ANNUAL CHARGES		58,701	54,747

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		10,949	10,509
Sewerage Services		1,984	1,950
Waste Management Services (non-domestic)		2,514	2,880
Other		53	8
Total User Charges		15,500	15,347
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Building Services		859	756
Construction Certificates		113	61
Domestic Sewerage System Approval		165	162
Private Works - Section 67		700	600
Section 149 Certificates (EPA Act)		142	130
Section 603 Certificates		128	110
Town Planning		656	620
Other		170	148
Total Fees & Charges - Statutory/Regulatory		2,933	2,587
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Aerodrome		3,127	2,766
Cemeteries		240	218
Community Village Income		75	69
Laboratory Income		299	355
RTA Charges (State Roads not controlled by Council)		207	268
Sports Stadium		250	279
Trade Waste Application Fee		7	21
Waste Supply Recovery Charges		97	82
Watermain Connections		344	186
Other		317	343
Total Fees & Charges - Other		4,963	4,587
TOTAL USER CHARGES & FEES		23,396	22,521

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		258	287
- Interest earned on Investments (interest & coupon payment income)		8,298	8,474
- Interest & Dividend Income - Other		13	18
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		3,553	(5,086)
Impairment Losses/Reversals			
- Impairment (Losses)/Reversals - Available for Sale Investments	20b(ii)	-	(1,003)
Available for Sale Revaluation Reserves realised on sale		(812)	(458)
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		1,087	-
TOTAL INTEREST & INVESTMENT REVENUE		<u>12,397</u>	<u>2,232</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		258	287
General Council Cash & Investments		968	254
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		774	89
- Section 64		11	6
Water Fund Operations		3,261	596
Sewerage Fund Operations		6,114	850
Domestic Waste Management operations		128	8
Other Externally Restricted Assets		22	18
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		861	124
Total Interest & Investment Revenue Recognised		<u>12,397</u>	<u>2,232</u>

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	5	(8)
Rental Income - Investment Properties	14	61	61
Rental Income - Other Council Properties		1,430	1,532
Parking Fines		73	95
Other Fines		194	177
Banana Sales from Reuse Trial		111	112
Commissions & Agency Fees		227	218
Conferences		449	454
Jetty Theatre Income		164	142
Nursery Sales		326	285
Reimbursements		217	218
Sale of Switchboards		952	460
Sports Stadium Food & Drink		218	231
Other		480	386
<u>TOTAL OTHER REVENUE</u>		<u>4,907</u>	<u>4,363</u>

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance	6,248	7,658	-	-
Pensioners' Rates Subsidies - General Component	801	789	-	-
Total General Purpose	7,049	8,447	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	240	216	-	-
- Sewerage	236	235	-	-
- Domestic Waste Management	8	11	-	-
Water Supplies	-	-	-	574
Sewerage Services	-	-	622	4,134
Active Australia	-	35	-	-
Airport Checked In Luggage Screening	-	-	-	300
Brelsford Park Master Plan Stage 1	-	-	-	1,068
Bus Shelters	-	-	(2)	92
Bushfire & Emergency Services	388	346	1,970	1,793
Community Care Services	42	58	-	100
Cycleways	-	-	-	(26)
Employment & Training Programs	67	82	-	-
Environmental Protection	1,038	277	456	-
Flood Studies & Mitigation Works	35	115	937	-
Heritage & Cultural	27	46	-	-
Library	184	135	49	41
Natural Disaster	2,215	1,809	-	-
Noxious Weeds	138	121	-	-
Orara River Health	72	-	-	70
Regional Economic Transition Scheme	12	26	-	-
Riparian Restoration	-	39	-	-
Sportz Central Upgrade	-	-	457	167
Street Lighting	138	135	-	-
Transport (Roads to Recovery)	-	-	1,131	1,315
Transport (Other Roads & Bridges Funding)	879	867	1,267	137
Other	85	107	503	8
Total Specific Purpose	5,804	4,660	7,390	9,773
Total Grants	12,853	13,107	7,390	9,773
Grant Revenue is attributable to:				
- Commonwealth Funding	-	21	1,294	1,196
- State Funding	12,729	13,036	6,096	8,207
- Other Funding	124	50	-	370
	12,853	13,107	7,390	9,773

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	2,173	2,039
S 64 - Water Supply Contributions	-	-	3,876	1,512
S 64 - Sewerage Service Contributions	-	-	2,659	965
Total Developer Contributions	17 -	-	8,708	4,516
Other Contributions:				
Caravan Parks	118	119	-	-
Contributions to Works	2,708	2,105	-	-
Diesel Fuel Rebate	54	68	-	-
Kerb & Gutter	-	-	2	52
Section 355 Committee - Payroll Processing	16	15	-	-
Sewerage (excl. Section 64 contributions)	-	-	-	202
Subdivider Dedications (other than by S94)	-	-	5,326	2,638
Vehicle Lease Payments	330	311	-	-
RTA Contributions - Watermain Relocation	-	-	13,927	-
Coffs Harbour Swimming Pool Upgrade	-	-	1,000	-
Other	47	153	144	306
Total Other Contributions	3,273	2,771	20,399	3,198
Total Contributions	3,273	2,771	29,107	7,714
TOTAL GRANTS & CONTRIBUTIONS	16,126	15,878	36,497	17,487

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2010	Actual 2009
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	15,867	14,470
add: Grants and contributions recognised in the current period which have not been spent:	14,380	5,379
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(11,362)	(3,982)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	3,018	1,397
Unexpended at the Close of this Reporting Period and held as Restricted Assets	18,885	15,867
Comprising:		
- Specific Purpose Unexpended Grants	6,361	4,547
- Developer Contributions	12,367	11,068
- Other Contributions	157	252
	18,885	15,867

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a) Employee Benefits & On-Costs			
Salaries and Wages		25,657	23,801
Travelling		78	73
Employee Leave Entitlements (ELE)		5,074	5,001
Superannuation - Defined Contribution Plans		1,847	1,770
Superannuation - Defined Benefit Plans		2,029	1,019
Workers' Compensation Insurance		1,988	1,394
Fringe Benefit Tax (FBT)		59	69
Payroll Tax		372	331
Training Costs (other than Salaries & Wages)		804	1,016
Protective Clothing		-	3
Other		-	5
Total Employee Costs		37,908	34,482
less: Capitalised Costs		(3,640)	(2,514)
TOTAL EMPLOYEE COSTS EXPENSED		34,268	31,968
Number of "Equivalent Full Time" Employees at year end		524	512
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		18,138	19,119
Total Interest Bearing Liability Costs		18,138	19,119
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		18,138	19,119
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE			
- Remediation Liabilities	25	257	254
Interest applicable on Interest Free (& favourable) Loans to Council		20	-
Total Other Borrowing Costs		277	254
TOTAL BORROWING COSTS EXPENSED		18,415	19,373

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Materials & Contracts			
Raw Materials & Consumables		9,528	9,179
Contractor & Consultancy Costs		20,648	19,144
Auditors Remuneration			
i. Audit Services - Council's Auditor		72	60
ii. Other Services - Council's Auditor		11	40
iv. Audit Services - Auditors of other Consolidated Entities		10	-
Legal Expenses:			
- Legal Expenses - Planning & Development		3	58
- Legal Expenses - Other		96	183
Operating Leases:			
Operating Lease Rentals - Minimum Lease Payments ⁽¹⁾		133	125
Total Materials & Contracts		30,501	28,789
less: Capitalised Costs		-	-
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>30,501</u>	<u>28,789</u>
1. Operating Lease Payments are attributable to:			
- Buildings		133	125
		133	125

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2010	Actual 2009	Actual 2010	Actual 2009
Plant and Equipment		-	-	3,501	2,947
Office Equipment		-	-	813	688
Furniture & Fittings		-	-	223	223
Land Improvements (depreciable)		-	-	29	28
Buildings - Non Specialised		-	-	731	702
Buildings - Specialised		-	(125)	383	381
Other Structures		-	-	1,457	1,539
Infrastructure:					
- Roads, Bridges & Footpaths		(63)	(3)	12,699	12,483
- Stormwater Drainage		-	-	571	544
- Water Supply Network		-	-	3,879	3,367
- Sewerage Network		-	-	5,109	3,996
Other Assets					
- Library Books		-	-	40	32
- Other		-	-	272	235
Asset Reinstatement Costs	9 & 25	-	-	637	218
Intangible Assets	24	-	-	1,035	1,108
Total Depreciation & Impairment Costs		(63)	(128)	31,379	28,491
less: Capitalised Costs		-	-	(399)	(414)
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		(63)	(128)	30,980	28,077

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(e) Other Expenses			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		19	23
Bank Charges		267	275
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		396	343
- NSW Rural Fire Service Levy		482	545
- Contribution to State Parks		1,035	2,352
- Contribution to Regional Parks		192	259
- Other Contributions/Levies		248	67
Councillor Expenses - Mayoral Fee		34	33
Councillor Expenses - Councillors' Fees		141	132
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		59	65
Donations, Contributions & Assistance to other organisations (Section 3)		565	564
Electricity & Heating		2,335	1,965
Insurance		2,049	1,893
Street Lighting		612	753
Telephone & Communications		347	422
Other		50	29
Total Other Expenses		8,831	9,720
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>8,831</u>	<u>9,720</u>

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2010	Actual 2009
Property (excl. Investment Property)			
Proceeds from Disposal		39	1,900
less: Carrying Amount of Property Assets Sold		(43)	(1,676)
Net Gain/(Loss) on Disposal		(4)	224
Plant & Equipment			
Proceeds from Disposal		1,871	1,774
less: Carrying Amount of P&E Assets Sold		(1,570)	(1,064)
Net Gain/(Loss) on Disposal		301	710
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold		(594)	-
Net Gain/(Loss) on Disposal		(594)	-
Non Current Assets Classified as "Held for Sale"			
Proceeds from Disposal		47	826
less: Carrying Amount of "Held for Sale" Assets Sold		(36)	(655)
Net Gain/(Loss) on Disposal		11	171
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(286)	1,105

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Notes	2010	2010	2009	2009
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		4,684	-	4,326	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,831	-	9,714	-
- Managed Funds		501	-	149	-
- Short Term Deposits		17,072	-	2,001	-
Total Cash & Cash Equivalents		24,088	-	16,190	-
Investment Securities (Note 6b)					
- Managed Funds		21,495	-	39,490	-
- Long Term Deposits		19,702	11,457	7,433	14,764
- Floating Rate Term Deposits		6,063	-	-	6,047
- NCD's, FRN's (with Maturities > 3 months)		18,814	18,271	19,400	24,590
- CDO's		3,326	-	4,067	151
- Constant Protection Portfolio Notes		80	22,693	80	23,770
- Other Long Term Maturity Financial Instruments		3,016	2,883	3,606	1,731
Total Investment Securities		72,496	55,304	74,076	71,053
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		96,584	55,304	90,266	71,053

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		24,088	-	16,190	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	38,685	-	61,142	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	33,811	39,538	12,934	54,315
b. "Held to Maturity"	6(b-ii)	-	-	-	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	15,766	-	16,738
Investments		72,496	55,304	74,076	71,053

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 6b. Investments (continued)

\$ '000	2010	2010	2009	2009
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	74,076	54,315	95,483	32,714
Revaluations (through the Income Statement)	1,339	2,214	(4,694)	(392)
Additions	69,923	6,160	185,040	25,004
Disposals (sales & redemptions)	(93,243)	(2,750)	(203,728)	(1,036)
Transfers between Current/Non Current	20,401	(20,401)	1,975	(1,975)
Balance at End of Year	72,496	39,538	74,076	54,315
Comprising:				
- Managed Funds	21,495	-	39,490	-
- Long Term Deposits	19,702	11,457	7,433	14,764
- Floating Rate Term Deposits	6,063	-	-	6,047
- NCD's, FRN's (with Maturities > 3 months)	18,814	17,375	19,400	23,778
- CDO's	3,326	-	4,067	-
- Constant Protection Portfolio Notes	80	8,666	80	8,739
- Other Long Term Maturity Financial Assets	3,016	2,040	3,606	987
Total	72,496	39,538	74,076	54,315
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Nil				
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Balance at the Beginning of the Year	-	16,738	499	18,244
Revaluation (transferred to ARR in Equity)	-	2,525	(369)	(748)
Disposals (sales & redemptions)	-	(3,497)	(130)	(758)
Balance at End of Year	-	15,766	-	16,738
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	-	896	-	812
- CDO's	-	-	-	151
- Constant Protection Portfolio Notes	-	14,027	-	15,031
- Other Long Term Maturity Financial Assets	-	843	-	744
Total	-	15,766	-	16,738

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2010	2010	2009	2009
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	96,584	55,304	90,266	71,053
attributable to:				
External Restrictions (refer below)	77,084	55,304	70,328	71,053
Internal Restrictions (refer below)	19,450	-	19,837	-
Unrestricted	50	-	101	-
	96,584	55,304	90,266	71,053

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-Water (A)	28,524	-	(2,995)	25,529
Specific Purpose Unexpended Loans-Sewer (A)	55,843	2,800	(6,723)	51,920
External Restrictions - Included in Liabilities	84,367	2,800	(9,718)	77,449

External Restrictions - Other

Developer Contributions - General (B)	10,850	2,947	(1,535)	12,262
Developer Contributions - Water Fund (B)	116	3,881	(3,959)	38
Developer Contributions - Sewer Fund (B)	102	2,665	(2,700)	67
Specific Purpose Unexpended Grants (C)	-	5	-	5
Specific Purpose Unexpended Grants (C) - Water Fund	-	123	-	123
Specific Purpose Unexpended Grants (C) - Sewer Fund	-	56	-	56
Water Supplies (D)	23,048	6,819	(10,922)	18,945
Sewerage Services (D)	20,630	5,053	(4,688)	20,995
Domestic Waste Management (D)	2,117	9,957	(10,138)	1,936
Stormwater Management (D)	107	680	(316)	471
Other	44	35	(38)	41
External Restrictions - Other	57,014	32,221	(34,296)	54,939
Total External Restrictions	141,381	35,021	(44,014)	132,388

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	3,745	6,711	(8,463)	1,993
Employees Leave Entitlement	1,203	12,556	(12,552)	1,207
EDP Equipment	299	422	(395)	326
Non Domestic Waste Management	2,398	4,239	(4,852)	1,785
Other Contributions	252	70	(165)	157
Airport	325	3,581	(3,266)	640
RTA Contributions - Pacific Highway Garden Works	296	19	(56)	259
Unexpended Loans	2,522	-	(602)	1,920
Unexpended Grants	4,547	4,632	(3,002)	6,177
Open Space Land	47	26	(70)	3
Jetty M&R	236	96	(67)	265
Asset Replacement	620	809	(1,221)	208
Rural Fire Services	12	1	-	13
Future Road Network	564	163	-	727
Environmental Levy	308	1,090	(936)	462
Community Facilities	503	2,925	(2,557)	871
Moonee Beach Road Upgrade	134	10	-	144
Environmental Laboratory	61	615	(617)	59
Car Parking Upgrade	1,765	127	-	1,892
Future Fund	-	512	(287)	225
Business Development	-	122	(68)	54
Project Contingency	-	122	(63)	59
RTA Contributions - Pine Creek Hand Over	-	25	(21)	4
Total Internal Restrictions	19,837	38,873	(39,260)	19,450
TOTAL RESTRICTIONS	161,218	73,894	(83,274)	151,838

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 7. Receivables

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		2,675	378	2,176	846
Interest & Extra Charges		252	226	473	-
User Charges & Fees		1,502	18	1,618	32
Private Works		378	8	350	5
Accrued Revenues					
- Interest on Investments		66	-	73	-
- User Charges & Fees		1,708	-	1,599	-
- Other Income Accruals		1	-	1	-
Government Grants & Subsidies		5,313	-	4,785	-
Deferred Debtors		52	198	67	245
Net GST Receivable		445	-	1,269	-
Airport Landing Charges		524	-	261	-
Caravan Parks		1,003	-	473	-
Tip Charges		329	2	360	-
Economic Development Unit		12	-	10	-
Lease Rentals		21	-	47	2
Environmental Lab		40	-	96	-
Watermain Relocation		3,880	-	-	-
Other Debtors		1,057	50	1,390	-
Total		19,258	880	15,048	1,130
less: Provision for Impairment					
Other Debtors		(32)	-	(32)	-
Total Provision for Impairment - Receivables		(32)	-	(32)	-
<u>TOTAL NET RECEIVABLES</u>		<u>19,226</u>	<u>880</u>	<u>15,016</u>	<u>1,130</u>
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		221	-	-	-
- Rates & Availability Charges		2,817	46	2,755	62
- Other		3,881	-	229	-
Sewerage Services					
- Specific Purpose Grants		1,532	-	-	-
- Rates & Availability Charges		1,262	198	1,231	234
- Other		7	119	921	84
Domestic Waste Management		389	92	370	97
Stormwater Management		19	12	-	-
Other - Environmental Levy		48	31	47	32
Total External Restrictions		10,176	498	5,553	509
Unrestricted Receivables		9,050	382	9,463	621
<u>TOTAL NET RECEIVABLES</u>		<u>19,226</u>	<u>880</u>	<u>15,016</u>	<u>1,130</u>

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 7. Receivables (continued)

\$ '000

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest is charged on overdue rates & charges at 9.00% (2009 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 8. Inventories & Other Assets

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		1,277	-	1,182	-
Trading Stock		138	-	17	-
Total Inventories		1,415	-	1,199	-
Other Assets					
Prepayments		1,719	-	1,722	-
Total Other Assets		1,719	-	1,722	-
TOTAL INVENTORIES & OTHER ASSETS		3,134	-	2,921	-
Externally Restricted Assets					
Water					
Stores & Materials		238	-	225	-
Prepayments		1	-	5	-
Total Water		239	-	230	-
Sewerage					
Stores & Materials		38	-	35	-
Prepayments		1	-	3	-
Total Sewerage		39	-	38	-
Domestic Waste Management					
Prepayments		201	-	202	-
Total Domestic Waste Management		201	-	202	-
Total Externally Restricted Assets		479	-	470	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		2,655	-	2,451	-
TOTAL INVENTORIES & OTHER ASSETS		3,134	-	2,921	-

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2009					Asset Movements during the Reporting Period						as at 30/6/2010				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Tfrs from/(to) "Held for Sale" category	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying	
	Cost	Fair Value	Deprec.	Impairment	Value							Cost	Fair Value	Dep'n	Value	
Capital Work in Progress	3,133	-	-	-	3,133	18,819	-	-	(3,133)	-	-	18,819	-	-	-	18,819
Plant & Equipment	-	37,526	19,755	-	17,771	7,230	(1,570)	(3,501)	-	-	-	-	40,721	20,791	-	19,930
Office Equipment	-	10,421	8,152	-	2,269	386	-	(813)	-	-	-	-	10,807	8,965	-	1,842
Furniture & Fittings	-	3,067	2,277	-	790	600	-	(223)	47	-	-	-	3,714	2,500	-	1,214
Land:																
- Operational Land	-	113,917	-	-	113,917	-	-	-	-	(264)	1,661	-	115,314	-	-	115,314
- Community Land	17,397	-	-	-	17,397	-	-	-	-	-	-	17,397	-	-	-	17,397
Land Improvements - non depreciable	2,031	-	-	-	2,031	23	-	-	-	-	-	2,054	-	-	-	2,054
Land Improvements - depreciable	1,491	-	128	-	1,363	83	-	(29)	-	-	-	1,574	-	157	-	1,417
Buildings - Non Specialised	-	44,341	8,335	-	36,006	1,723	-	(731)	-	-	1,168	-	47,303	9,137	-	38,166
Buildings - Specialised	-	26,854	3,643	-	23,211	80	(43)	(383)	1,610	-	729	-	29,163	3,959	-	25,204
Other Structures	32,030	-	17,914	-	14,116	904	(165)	(1,457)	(582)	-	-	31,591	-	18,775	-	12,816
Infrastructure:																
- Roads, Bridges, Footpaths	410,307	-	171,107	63	239,137	7,950	-	(12,699)	101,173	-	136,524	-	588,678	116,593	-	472,085
- Bulk Earthworks (non-depreciable)	70,591	-	-	-	70,591	-	-	-	-	-	91,471	-	162,062	-	-	162,062
- Stormwater Drainage	55,665	-	10,428	-	45,237	1,754	-	(571)	1,734	-	99,869	-	179,604	31,581	-	148,023
- Water Supply Network	-	302,455	80,450	-	222,005	5,448	(76)	(3,879)	307	-	6,031	-	317,140	87,304	-	229,836
- Sewerage Network	-	349,611	69,926	-	279,685	10,484	(353)	(5,109)	-	-	7,122	-	369,760	77,931	-	291,829
Other Assets:																
- Library Books	1,715	-	1,536	-	179	144	-	(40)	-	-	-	1,860	-	1,577	-	283
- Other	5,002	-	1,347	-	3,655	1,184	-	(272)	45	-	-	6,231	-	1,619	-	4,612
Reinstatement, Rehabilitation & Restoration Assets (refer Note 25)																
- Tip Asset	3,522	-	883	-	2,639	-	-	(637)	255	-	-	3,778	-	1,521	-	2,257
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	602,884	888,192	395,881	63	1,095,132	56,812	(2,207)	(30,344)	101,456	(264)	344,575	83,304	1,864,266	382,410	-	1,565,160

Notes:

- Exclude investment properties and non-current assets held for sale.
- Additions to Buildings and Infrastructure are made up of Asset Renewals (\$5.607M) and New Assets (\$21.832M). Renewals are defined as replacements of existing assets as opposed to the acquisition of new assets.

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000 Class of Asset	Actual 2010				Actual 2009			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	13,209	-	-	13,209	-	-	-	-
Plant & Equipment	-	3,087	1,132	1,955	-	2,953	1,112	1,841
Office Equipment	-	226	95	131	-	122	80	42
Land								
- Operational Land	-	3,818	-	3,818	-	3,757	-	3,757
- Community Land	65	-	-	65	65	-	-	65
Infrastructure	-	317,140	87,304	229,836	-	302,455	80,450	222,005
Total Water Supply	13,274	324,271	88,531	249,014	65	309,287	81,642	227,710
Sewerage Services								
WIP	4	-	-	4	306	-	-	306
Plant & Equipment	-	10,212	8,707	1,505	-	10,057	8,540	1,517
Office Equipment	-	43	26	17	-	29	26	3
Furniture & Fittings	-	78	57	21	-	78	52	26
Land								
- Operational Land	-	15,356	-	15,356	-	15,144	-	15,144
Other Structures	4,657	-	1,969	2,688	4,657	-	1,900	2,757
Infrastructure								
- Roads, Bridges, Footpaths	-	-	-	-	29	-	16	13
- Drainage	-	-	-	-	4	-	1	3
- Other	760	369,760	78,291	292,229	760	349,612	70,249	280,123
Total Sewerage Services	5,421	395,449	89,050	311,820	5,756	374,920	80,784	299,892
Domestic Waste Management								
Plant & Equipment	-	1,450	1,245	205	-	1,470	1,259	211
Office Equipment	-	5	5	-	-	5	5	-
Land								
- Operational Land	-	13,111	-	13,111	-	13,044	-	13,044
- Community Land	60	-	-	60	60	-	-	60
Buildings	-	2,139	442	1,697	-	2,087	397	1,690
Other Structures	2,852	-	1,481	1,371	2,847	-	1,229	1,618
Other Assets	1,240	-	121	1,119	280	-	93	187
Total DWM	4,152	16,705	3,294	17,563	3,187	16,606	2,983	16,810
TOTAL RESTRICTED I,PP&E	22,847	736,425	180,875	578,397	9,008	700,813	165,409	544,412

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
(i) Impairment Losses recognised in the Income Statement include:			
- Nil			
(ii) Reversals of Impairment Losses previously recognised in the Income Statement include:			
- Buildings - Specialised (Woolgoolga Transfer Site)		-	125
- Infrastructure - Roads, Bridges and Footpaths (Hartley's Bridge)		63	3
Total Impairment Reversals		63	128
<u>IMPAIRMENT of ASSETS - GAINS/(LOSSES)</u>		<u>63</u>	<u>128</u>

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,442	-	4,450	-
Goods & Services - capital expenditure		3,390	-	4,314	-
Payments Received In Advance		586	-	467	-
Accrued Expenses:					
- Borrowings		2,114	-	2,186	-
- Salaries & Wages		32	-	100	-
- Other Expenditure Accruals		600	-	605	-
Security Bonds, Deposits & Retentions		379	10	467	-
Workers Compensation Premium Adjustment		506	-	202	-
Other		321	-	247	-
Total Payables		12,370	10	13,038	-
Borrowings					
Loans - Secured ¹		15,180	238,788	15,564	252,255
Total Borrowings		15,180	238,788	15,564	252,255
Provisions					
Employee Benefits;					
Annual Leave		3,285	-	3,113	-
Sick Leave		358	-	346	-
Long Service Leave		5,939	1,145	5,288	1,161
Accrued Leave		114	-	103	-
ELE On-Costs		1,889	229	1,370	185
Sub Total - Aggregate Employee Benefits		11,585	1,374	10,220	1,346
Asset Remediation/Restoration (Future Works) 25		511	4,588	254	4,332
Total Provisions		12,096	5,962	10,474	5,678
Total Payables, Borrowings & Provisions		39,646	244,760	39,076	257,933

(i) Liabilities relating to Restricted Assets

	2010		2009	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	511	4,588	254	4,332
Water	8,772	102,719	7,939	108,657
Sewer	8,409	124,476	7,614	129,639
Total Liabilities relating to restricted assets	17,692	231,783	15,807	242,628

¹ Loans are secured over the General Rating Income of Council

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	2010	2009
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	8,508	7,753
	8,508	7,753

Note 10b. Description of and movements in Provisions

Class of Provision	2009			2010		Closing Balance as at 30/6/10
	Opening Balance as at 1/7/09	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,113	2,208	(2,036)	-	-	3,285
Sick Leave	346	121	(109)	-	-	358
Long Service Leave	6,449	1,154	(519)	-	-	7,084
Other Leave	103	234	(223)	-	-	114
ELE On-Costs	1,555	563	-	-	-	2,118
Asset Remediation	4,586	256	-	257	-	5,099
TOTAL	16,152	4,536	(2,887)	257	-	18,058

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2010	Actual 2009
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	24,088	16,190
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		24,088	16,190
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		28,806	534
Adjust for non cash items:			
Depreciation & Amortisation		30,980	28,077
Net Losses/(Gains) on Disposal of Assets		286	(1,105)
Non Cash Capital Grants and Contributions		(5,898)	(3,199)
Impairment Losses Recognition - I,PP&E		(63)	(128)
Impairment Losses - Financial Investments		-	1,003
Investment Income relating to "Available for Sale" Investments sold		(1)	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(3,553)	5,544
- Investment Properties		(5)	8
- Favourable Financial Liabilities (i.e.. Loans with no Interest Payable)		(1,087)	-
Unwinding of Discount Rates on Reinstatement Provisions		257	(84)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(4,022)	(2,019)
Increase/(Decrease) in Provision for Doubtful Debts		-	(6)
Decrease/(Increase) in Inventories		(216)	5
Decrease/(Increase) in Other Current Assets		3	(480)
Increase/(Decrease) in Payables		(8)	1,616
Increase/(Decrease) in accrued Interest Payable		(72)	1,118
Increase/(Decrease) in other accrued Expenses Payable		(73)	-
Increase/(Decrease) in Other Current Liabilities		419	(216)
Increase/(Decrease) in Employee Leave Entitlements		1,393	1,530
Increase/(Decrease) in Other Provisions		256	254
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		47,402	32,452

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		315	561
Other Dedications (Developer)		5,326	2,638
Future Reinstatement Costs Re-measurement		257	(84)
Total Non-Cash Investing & Financing Activities		5,898	3,115

(d) Financing Arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit Cards / Purchase Cards		733	667
Loan Facilities		253,968	267,819
Total Financing Arrangements		254,701	268,486
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		157	158
- Loan Facilities		253,968	267,819
Total Financing Arrangements Utilised		254,125	267,977

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

Please refer to Note 23 for details of Cash Flows that relate to Discontinued Operations

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2010	Actual 2009
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		1,101	1,024
Plant & Equipment		220	764
Other Structures		3,723	163
Sewer Network		94	2,133
Water Network		2,908	3,410
Asset Management System		58	14
Storm Water		425	49
Investment Property			
- Nil			
Total Commitments		8,529	7,557
These expenditures are payable as follows:			
Within the next year		8,529	7,557
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		8,529	7,557
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		432	118
Future Grants & Contributions		891	955
Sect 64 & 94 Funds/Reserves		-	163
Unexpended Grants		743	-
Internally Restricted Reserves		278	778
Unexpended Loans		5,435	5,543
Donations		750	-
Total Sources of Funding		8,529	7,557

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		157,106	166,145
Audit Services		135	215
Security Services		218	528
Supply of Bitumen & Aggregate		146	1,467
Other		303	411
Total Commitments		157,908	168,766
These expenditures are payable as follows:			
Within the next year		11,701	12,963
Later than one year and not later than 5 years		46,555	45,111
Later than 5 years		99,652	110,692
Total Payable		157,908	168,766
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
Nil			
(e) Investment Property Commitments			
Nil			
(f) Remuneration Commitments			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		681	664
Later than one year and not later than 5 years		1,452	571
Later than 5 years		-	-
Total Payable		2,133	1,235

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Amounts 2010	Indicator 2010	Prior Periods 2009 2008	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	31,636	2.35 : 1	2.09	1.86
Current Liabilities less Specific Purpose Liabilities ^(2,3)	13,446			
2. Debt Service Ratio				
Debt Service Cost	33,702	31.66%	35.65%	22.70%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	106,450			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	58,701	38.61%	46.27%	39.53%
Revenue from Continuing Operations	152,024			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	3,531	5.65%	5.98%	6.21%
Rates, Annual & Extra Charges Collectible	62,454			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	5,607	24.06%	23.65%	19.55%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	23,309			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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



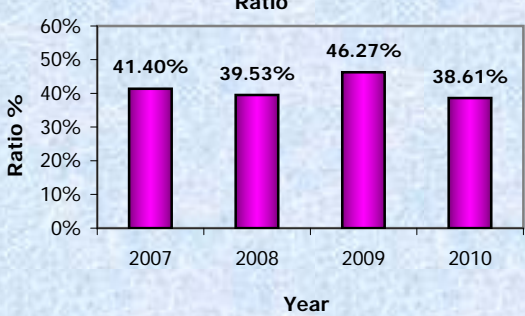
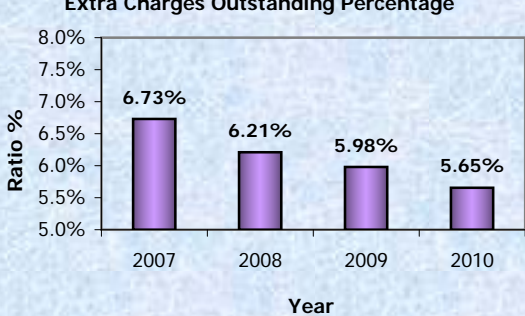
(4) Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000

<p>1. Unrestricted Current Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>2.11</td> </tr> <tr> <td>2008</td> <td>1.86</td> </tr> <tr> <td>2009</td> <td>2.09</td> </tr> <tr> <td>2010</td> <td>2.35</td> </tr> </tbody> </table>	Year	Ratio : 1	2007	2.11	2008	1.86	2009	2.09	2010	2.35	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 2.35 : 1</p> <p>Unrestricted current liabilities decreased by 13% as opposed to unrestricted assets which only decreased by 2%. Contributing factors include an increase in specific purpose liabilities, particularly with Council's provision for tip rehabilitation (due to a revision of the estimated cost of rehabilitation and the time frame in which rehabilitation will occur), and a reclassification of assets into unrestricted Assets Held for Sale.</p>
Year	Ratio : 1											
2007	2.11											
2008	1.86											
2009	2.09											
2010	2.35											
<p>2. Debt Service Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>17.37%</td> </tr> <tr> <td>2008</td> <td>22.70%</td> </tr> <tr> <td>2009</td> <td>35.65%</td> </tr> <tr> <td>2010</td> <td>31.66%</td> </tr> </tbody> </table>	Year	Ratio %	2007	17.37%	2008	22.70%	2009	35.65%	2010	31.66%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 31.66%</p> <p>General purpose operating income has increased from \$93,415,000 in 2008/2009 to \$106,724,000 in 09/10. Attributable to largely an increase in investment income of \$10,439,000 in 09/10.</p>
Year	Ratio %											
2007	17.37%											
2008	22.70%											
2009	35.65%											
2010	31.66%											
<p>3. Rates & Annual Charges Coverage Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>41.40%</td> </tr> <tr> <td>2008</td> <td>39.53%</td> </tr> <tr> <td>2009</td> <td>46.27%</td> </tr> <tr> <td>2010</td> <td>38.61%</td> </tr> </tbody> </table>	Year	Ratio %	2007	41.40%	2008	39.53%	2009	46.27%	2010	38.61%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 38.61%</p> <p>Due to an increase in investment income of \$10,439,000 in 09/10 (which is an increase in percentage of operating income from 08/09 of 2% to 8%) and capital grants & contributions have increased (as a percentage of operating income from 08/09 of 15% to 24% in 09/10) due to the RTA funded watermain relocation project which commenced in 09/10.</p>
Year	Ratio %											
2007	41.40%											
2008	39.53%											
2009	46.27%											
2010	38.61%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>6.73%</td> </tr> <tr> <td>2008</td> <td>6.21%</td> </tr> <tr> <td>2009</td> <td>5.98%</td> </tr> <tr> <td>2010</td> <td>5.65%</td> </tr> </tbody> </table>	Year	Ratio %	2007	6.73%	2008	6.21%	2009	5.98%	2010	5.65%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 5.65%</p> <p>Rates outstanding have reduced due to improved recovery practices and Council offering increased options for payment such as regular direct debits.</p>
Year	Ratio %											
2007	6.73%											
2008	6.21%											
2009	5.98%											
2010	5.65%											

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 14. Investment Properties

\$ '000	Notes	Actual 2010	Actual 2009
(a) Investment Properties at Fair value			
Investment Properties on Hand		1,432	1,427
Reconciliation of Annual Movement:			
Opening Balance		1,427	1,435
- Net Gain/(Loss) from Fair Value Adjustments		5	(8)
CLOSING BALANCE - INVESTMENT PROPERTIES		1,432	1,427
(b) Valuation Basis			
The basis of Valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2010 revaluations were based on Independent Assessments made by: APV Valuers & Asset Management.			
(c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		26	48
Later than 1 year but less than 5 years		48	98
Later than 5 years		-	-
Total Minimum Lease Payments Receivable		74	146
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		61	61
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(12)	(8)
Net Revenue Contribution from Investment Properties		49	53
plus:			
Fair Value Movement for year		5	(8)
Total Income attributable to Investment Properties		54	45

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2010	2009	2010	2009
Financial Assets				
Cash and Cash Equivalents	24,088	16,190	24,088	16,190
Investments				
- "Held for Trading"	38,685	61,142	38,685	61,142
- "Designated At Fair Value on Initial Recognition"	73,349	67,249	73,349	67,249
- "Available for Sale"	15,766	16,738	15,766	16,738
Receivables	20,106	16,146	20,106	16,146
Total Financial Assets	171,994	177,465	171,994	177,465
Financial Liabilities				
Payables	11,794	12,571	11,794	12,571
Loans / Advances	253,968	267,819	241,029	243,407
Total Financial Liabilities	265,762	280,390	252,823	255,978

Fair Value is determined as follows:

- Cash & Cash Equivalents, Receivables, Payables - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity** Investments - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & loss"** or (ii) **Available for Sale** - have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

The fair value hierarchy consists of the following levels:

Level 1

Quoted prices in active markets for identical assets or liabilities. Included within Level 1 of the hierarchy are Term Deposits, Floating Rate Notes, Deposits At Call, Managed Funds, Negotiable Certificates of Deposit, Transferable Certificates of Deposit, Floating Rate Term Deposits and Fixed Interest Bonds . The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 15. Financial Risk Management

 \$ '000

Risk Management (continued)

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments. These ordinarily include some CDO's , Constant Protection Portfolio Notes and Collateralised Commodity Obligations

Level 3

Inputs for the asset or liability that are not based on observable market data (unobservable inputs). These include Lehman Brother's CDO's and Constant Protection Portfolio Notes.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2010				
Fair Value Through the Profit & Loss:				
- Held for Trading	35,279	2,444	962	38,685
- Designated at Fair Value on Initial Recognition	64,684	8,665	-	73,349
Available for Sale unlisted investments	896	14,870	-	15,766
TOTAL	100,859	25,979	962	127,800

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is reviewed on a semi annual basis by Council, its staff and Council's independent advisor. An Investment Report is tabled before Council on a regular basis setting out the portfolio break up and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2010				
Possible impact of a 10% movement in Market Values	-	9,058	-	(9,058)
Possible impact of a 1% movement in Interest Rates	1,376	-	(1,376)	-
2009				
Possible impact of a 10% movement in Market Values	-	11,689	-	(11,689)
Possible impact of a 1% movement in Interest Rates	1,358	-	(1,358)	-

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

	30.6.2010	30.6.2009
Percentage of Rates and Annual charges:		
- Current	0%	0%
- Overdue	100%	100%
Percentage of Other Receivables:		
- Current	92%	92%
- Overdue	8%	8%

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

As well, payment terms can (in extenuating circumstances) be extended & overdraft facilities can be drawn down.

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2010									
Trade/Other Payables	586	11,794	-	-	-	-	-	12,380	11,794
Loans & Advances	-	32,123	31,809	30,700	30,613	29,037	252,708	406,990	253,968
Total Financial Liabilities	586	43,917	31,809	30,700	30,613	29,037	252,708	419,370	265,762
2009									
Trade/Other Payables	467	12,571	-	-	-	-	-	13,038	12,571
Loans & Advances	-	33,389	32,032	31,709	30,550	30,412	279,512	437,604	267,819
Total Financial Liabilities	467	45,960	32,032	31,709	30,550	30,412	279,512	450,642	280,390

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

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

	2010		2009	
	Carrying Value	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate
Trade/Other Payables	11,794	0.0%	12,571	0.0%
Loans & Advances - Fixed Interest Rate	253,968	6.4%	267,819	6.8%
	<u>265,762</u>		<u>280,390</u>	

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 09/10 was incorporated as part of its Management Plan and was adopted by the Council on 25 June 2009.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals 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 that amount to **10%** or more of the original budgeted figure.

Note that for Variations: **F** = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2010 Budget	2010 Actual	2010 Variance*		
REVENUES					
Rates & Annual Charges	59,196	58,701	(495)	(1%)	U
User Charges & Fees	22,709	23,396	687	3%	F
Interest & Investment Revenue	3,303	12,397	9,094	275%	F
Improvement in global financial markets has lead to an increase in market values for investment securities. Original budget was based on conditions experienced during the global financial crisis.					
Other Revenues	3,492	4,907	1,415	41%	F
Increased sales of telemetry switchboards.					
Operating Grants & Contributions	16,575	16,126	(449)	(3%)	U
\$750,000 donation towards Coffs Harbour Swimming Pool budgeted for but not yet received.					
Capital Grants & Contributions	6,033	36,497	30,464	505%	F
Watermain Relocations \$13,927,000 not budgeted for. Section 64 Developer Contributions increased as as developers made payments before 1/7/10 to avoid increases applicable from that date onwards. Subdivision dedications \$5,326,000 not budgeted for.					
Net Gains from Disposal of Assets	-	-	-	0%	F
Council does not budget for profits from the disposal of assets.					

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	26,427	34,268	(7,841)	(30%) U
<p>During the year Council employees are engaged in both maintenance and capital works, the proportions of which may vary from year to year. Costs in relation to the capital works are excluded from the income statement, & it is not Council's practice to make detailed calculations for this as part of its budgeting procedures. Increase in workers compensation insurance due to increased claims cost.</p> <p>Wages were accrued for first time in 2009/10 year totalling \$147,000 which was not budgeted for. Increased costs due to Employer Contributions for Superannuation to the Retirement Scheme employee being applicable for a full year.</p>				
Borrowing Costs	18,172	18,415	(243)	(1%) U
Materials & Contracts	43,195	30,501	12,694	29% F
<p>During the year Council employees are engaged in both maintenance and capital works, the proportions of which may vary from year to year. Costs in relation to the capital works are excluded from the income statement, & it is not Council's practice to make detailed calculations for this as part of its budgeting procedures.</p>				
Depreciation & Amortisation	24,205	30,980	(6,775)	(28%) U
<p>Budgeted figures were based on 2008/09 actual costs and therefore do not take into account new assets purchased in 2008/09 and depreciated for the first time in 2009/10.</p>				
Impairment Expenses	-	(63)	63	0% F
<p>Council does not budget for impairment expenses.</p>				
Other Expenses	4,063	8,831	(4,768)	(117%) U
<p>The variance to budget in other expenses has resulted from items for operational projects largely being budgeted as Materials and Contracts rather than Other Expenses. There was also an increase in Contribution to Other Levels of Government and Electricity Costs over the budgeted amount in the 2009/10 year.</p>				
Net Losses from Disposal of Assets	-	286	(286)	0% U
<p>Council does not budget for losses from the disposal of assets.</p>				

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 Variance*	
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	19,379	47,402	28,023	144.6% F
Watermain Relocations \$13,927,000 not budgeted for. Section 64 Developer Contributions increased as as developers made payments before 1/7/10 to avoid increases applicable from that date onwards. Subdivision dedications \$5,326,000 not budgeted for. Significant improvement in interest income receipts. \$750,000 donation towards Coffs Harbour Swimming Pool budgeted for but not yet received. Regarding movements in Materials & Contracts, during the year Council employees are engaged in both maintenance and capital works, the proportions of which may vary from year to year.				
Cash Flows from Investing Activities	(18,701)	(26,740)	(8,039)	43.0% U
Purchases and sales of investment securities are not budgeted for.				
Cash Flows from Financing Activities	(13,814)	(12,764)	1,050	(7.6%) F

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future Income	Exp still outstanding	Over or (under) Funding	
Drainage	1,380	130	-	98	(77)	21	1,552	3,016	(3,915)	653	101
Roads	3,324	928	-	240	(629)	(30)	3,833	33,453	(37,173)	113	(191)
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	118	29	-	9	(3)	-	153	6,675	(6,770)	58	-
Open Space	3,509	618	-	255	(275)	-	4,107	24,329	(28,329)	107	90
Community Facilities	1,149	209	-	71	(453)	-	976	3,031	(3,539)	468	-
Other	690	236	-	53	(98)	-	881	2,334	(3,196)	19	-
S94 Contributions - under a Plan	10,170	2,150	-	726	(1,535)	(9)	11,502	72,838	(82,922)	1,418	-
S94A Levies - under a Plan	-	-	-	-	-	-	-	-	-	-	-
Total S94 Revenue Under Plans	10,170	2,150	-	726	(1,535)	(9)	11,502	-	-	-	-
S94 not under Plans	649	23	-	46	-	9	727	-	(727)	-	-
S93F Planning Agreements	31	-	-	2	-	-	33	-	-	-	-
S64 Contributions	218	6,535	-	11	(6,659)	-	105	-	-	-	-
Total Contributions	11,068	8,708	-	785	(8,194)	-	12,367	72,838	(83,649)	1,418	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	1,380	130	-	98	(77)	21	1,552	3,016	(3,915)	653	101
Roads	3,324	928	-	240	(629)	(30)	3,833	33,453	(37,173)	113	(191)
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	118	29	-	9	(3)	-	153	6,675	(6,770)	58	-
Open Space	3,509	618	-	255	(275)	-	4,107	24,329	(28,329)	107	90
Community Facilities	1,149	209	-	71	(453)	-	976	3,031	(3,539)	468	-
Other	690	236	-	53	(98)	-	881	2,334	(3,196)	19	-
Total	10,170	2,150	-	726	(1,535)	(9)	11,502	72,838	(82,922)	1,418	-

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

- a. Regional, District & Neighbourhood Facilities & Services
- b. Local Roads, Trunk Drainage & Mines and Extractive Industries
- c. West Coffs Harbour
- d. North Boambee Valley
- e. Moonee Reserve Area
- f. City Centre Carparking
- g. Woolgoolga Town Centre Car Parking
- h. Coffs Harbour Road Network
- i. North Bonville

- j. Boambee Creek
- k. Korora Rural Residential
- l. Water Supply Developer Services Plan
- m. Waste Water Treatment & Carrier System Developer Services Plan
- n. Surf Rescue Equipment Plan
- o. West Woolgoolga
- p. Hearn's Lake/Sandy Bay Beach
- q. Corindi
- r. Park Beach Area
- s. South Coffs.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	102	-	-	7	-	-	109	-	(109)	-	-
Roads	5	-	-	-	-	-	5	-	(5)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	172	-	-	12	-	-	184	-	(184)	-	-
Community Facilities	137	-	-	10	-	-	147	-	(147)	-	-
Other	233	23	-	17	-	9	282	-	(282)	-	-
Total	649	23	-	46	-	9	727	-	(727)	-	-

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

The Local Government Superannuation Scheme was able to provide Council with a broadly attributed share of the deficit estimated to be in the order of \$3,797,852 as at 30 June 2010. This deficit doesn't qualify for recognition as a liability under AASB 119 as it is not a reliable estimate.

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

(ii) Statewide Limited

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

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

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

(iii) State Cover Limited

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

State Cover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

Accordingly, at Year End, there is a potential asset due to Council representing issued but not yet updated Infringement Notices.

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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000

ASSETS NOT RECOGNISED (continued):

(iii) Financial Instruments

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

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

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

Council has valued these assets at 30 June 2010 based on values provided by Lehman Brothers on 29 August 2008. A contingent asset therefore exists, subject to any recovery of collateral, following the finalisation of all legal matters.

Security	Par Value	Fair Value	Fair Value
	\$'000	30/6/2009 \$'000	30/6/2010 \$'000
Coolangatta	2,500	328	328
Esperance 2	1,020	204	204
Miami	100	18	18
Beryl Global - Bank Note	600	331	331
Principal Protected Property Note	800	80	80
Total	5,020	961	961

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

\$ '000

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2010	Actual 2009
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		902,598	902,064
a. Correction of Prior Period Errors	20 (c)	101,137	-
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		28,806	534
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
Balance at End of the Reporting Period		<u>1,032,541</u>	<u>902,598</u>

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		496,318	151,743
- "Available for Sale" Financial Investments Revaluation Reserve		(1,978)	(4,502)
Total		<u>494,340</u>	<u>147,241</u>

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		151,743	122,957
- Revaluations for the year	9(a)	344,575	18,234
- Other movements (prior period errors)	20(c)	-	10,552
- Balance at End of Year		<u>496,318</u>	<u>151,743</u>

"Available for Sale" Financial Investments Revaluation Reserve

- Opening Balance		(4,502)	(4,846)
- Unrealised Gain (Loss) in value for the year		1,712	(1,117)
- Impairment (reversal) of "Available for Sale" Investments to (from) the P&L		-	1,003
- Transfer of "Available for Sale" values to the P&L for Investment disposals		812	458
- Balance at End of Year		<u>(1,978)</u>	<u>(4,502)</u>

(iii). Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

"Available for Sale" Financial Investments Revaluation Reserve

- The "Available for Sale" Financial Investments Revaluation Reserve is used to account for the Fair Value movements in all financial assets so classified that remain on hand at year end.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
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c. Correction of Error/s relating to a Previous Reporting Period

Corrections made in 2009 for 07/08 errors:

- \$2.225M in Operational Land that had been omitted in valuations for that year,
- \$125,000 in Non Specialised Buildings that had been omitted in valuations for that year,
- a \$8.24M increase in Buildings values resulting from corrections of errors in 2007/08 valuations and updated valuations from a new valuer for 2007/08 data received in 2008/2009,
- a correction of an error in plant & equipment at cost for 2007/08 of \$38,000, thereby reducing the value of Plant & Equipment by this amount.

The above mentioned corrections have increased the Asset Revaluation Reserve, & impacted note 9 as follows (reductions in accumulated depreciation shown as positive amounts):

Plant & Equipment	Valuation	Valuation
	-	(38)
	-	(38)
Buildings	Valuation	Valuation
- Specialised	-	797
- Non Specialised	-	789
Operational Land	-	2,225
	-	3,811
Buildings		
- Specialised	-	4,638
- Non Specialised	-	2,141
	-	6,779

Corrections made in 2010 for 08/09 errors:

Council has revalued its Roads, Bridges, Footpaths and Storm Water Drainage assets as at 30 June 2010.

Council has addressed the 'remaining useful life of Roads, Bridges, Footpaths and Storm Water Drainage assets prior to their revaluation when compared to the previously assessed remaining useful life.

Council does not have sufficient and reliable information that will allow comparative information to be restated related to the mentioned adjustments.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
c. Correction of Error/s relating to a Previous Reporting Period (continued)			
<p>As a result Council has adjusted the accumulated depreciation for each asset to ensure that the asset revaluation reserve is not materially mistated (\$100.178M decrease in accumulated depreciation for roads, bridges and footpaths and a \$0.959M decrease in accumulated depreciation for storm water drainage assets).</p> <p>This adjustment of \$101.137M has been made against retained earnings as at 30 June 2010.</p>			
- Adjustments to Closing Equity		101,137	10,552
Total Prior Period Adjustments - Prior Period Errors		101,137	10,552

d. Voluntary Changes in Accounting Policies

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 21. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000	2010		2009	
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	431	-	203	-
Total Non Current Assets "Held for Sale"	431	-	203	-
Disposal Group Assets "Held for Sale"				
None				
<u>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</u>	<u>431</u>	<u>-</u>	<u>203</u>	<u>-</u>

(ii) Details of Assets & Disposal Groups

All land parcels currently classified as held for sale are expected to be sold during the 2009/10 financial year.

(iii) Disposal Group Liabilities**Disposal Group Related Liabilities "Held for Sale"**

Nil

\$ '000	Assets "Held for Sale"		Disposal Groups	
	2010	2009	2010	2009
(iv) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations				
Opening Balance	203	655	-	-
less: Carrying Value of Assets/Operations Sold	(36)	(655)	-	-
Balance still unsold after 12 months:	167	-	-	-
less: Assets no longer classified as "Held for Sale"	-	-	-	-
plus New Transfer in:				
Assets "Held for Sale"	264	203	-	-
Discontinued Operations	-	-	-	-
less Impairment Losses:				
Assets "Held for Sale" - Losses on Reclassification	-	-	-	-
Discontinued Operation - Losses on Reclassification	-	-	-	-
less: Carrying Value of Assets/Operations Sold that were re-classified this reporting period	-	-	-	-
Closing Balance of "Held for Sale" Non Current Assets & Operations	431	203	-	-

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 22. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2010, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 28/10/10.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2010.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2010 and which are only indicative of conditions that arose after 30 June 2010.

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

Note 23. Discontinued Operations

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

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 24. Intangible Assets

\$ '000

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

	Actual 2010 Carrying Amount	Actual 2009 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	72,541	69,054
Accumulated Amortisation & Impairment	(2,841)	(1,733)
Net Book Value - Opening Balance	69,700	67,321
Movements for the year		
- Purchases	471	3,487
- Amortisation charges	(1,035)	(1,108)
- Gross Book Value written off	-	-
- Accumulated Amortisation charges written off	-	-
Closing Values:		
Gross Book Value (30/6)	73,012	72,541
Accumulated Amortisation & Impairment	(3,876)	(2,841)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>69,136</u>	<u>69,700</u>

¹ The Net Book Value of Intangible Assets represent:

- Software	546	206
- Regional Water Supply Scheme (right to receive water from Clarence Valley Council)	68,590	69,494
	<u>69,136</u>	<u>69,700</u>

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 25. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2010	2009
Waste Facility	2018	5,099	4,586
Balance at End of the Reporting Period	10	5,099	4,586

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

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	4,586	4,416
Amounts capitalised to new or existing assets:		
Effect of a change in other calculation estimates used	256	(84)
Amortisation of discount (expensed to borrowing costs)	257	254
Expenditure incurred attributable to Provisions	-	-
Total - Reinstatement, rehabilitation and restoration provision	5,099	4,586

Amount of Expected Reimbursements

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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 26. Additional Council Disclosures - Council Information

Principal Place of Business:

Corner Coff & 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

8.00am to 5pm
Monday to Friday

Internet: www.coffsharbour.nsw.gov.au

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

Officers
ACTING GENERAL MANAGER

Ben Lawson

RESPONSIBLE ACCOUNTING OFFICER

Dale Allen

PUBLIC OFFICER

Lisa Garden

AUDITORS

Thomas Noble Russell
31 Keen Street
Lismore NSW 2480

Elected Members
MAYOR

Keith Rhoades

COUNCILLORS

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

Other Information

ABN: 79 126 214 487



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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the general purpose financial statements of Coffs Harbour City Council for the year ended 30 June 2010 included on Council's website. The Council is responsible for the integrity of its website. We have not been engaged to report on the integrity of the Council's website. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of these statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this website.

Report on the Financial Statements

We have audited the accompanying financial statements of Coffs Harbour City Council (the Council) which comprises the balance sheet as at 30 June 2010, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Our audit responsibility does not extend to the original budget information included in the income statement, statement of cash flows, Note 2(a), Note 16 budget variation explanations and Note 17 forecast information, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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

Independence

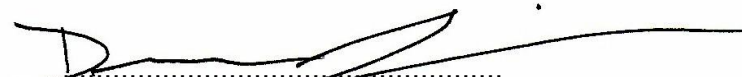
In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Audit Opinion

In our opinion:

- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) The financial statements:
 - (i) Have been presented in accordance with the requirements of this Division;
 - (ii) Are consistent with the Council's accounting records;
 - (iii) Present fairly the Council's financial position as at 30 June 2010, the results of its operations and its cash flows for the year then ended; and
 - (iv) Are in accordance with applicable Accounting Standards, Interpretations and other mandatory professional reporting requirements in Australia;
- (c) All information relevant to the conduct of the audit has been obtained; and
- (d) There are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS


D H SINGH (Partner)
Registered Company Auditor

Dated at Lismore this 28th day of October 2010.



Lismore, 28th October 2010

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

Dear Councillors

We advise that we have completed our audit of the Council's general purpose and special purpose financial statements for the year ended 30th June 2010. In accordance with section 417 of the Local Government Act 1993 we now report on the conduct of the audit.

1. COUNCIL'S FINANCIAL REPORTING REQUIREMENTS

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

General Purpose Financial Statements

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

Special Purpose Financial Statements

These financial statements provide an understanding of the financial position and performance of Council's declared business activities as required under National Competition Policy. Council's declared business activities for the 2010 financial year are:

- water fund operations
- sewer fund operations
- airport operations

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



2. AUDITORS' RESPONSIBILITIES

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

Forming Our Audit Opinion

Our function as auditors is to examine the general purpose and special purpose (National Competition Policy) financial statements presented to us by the Council. Our audit responsibility does not extend to:

- The original budget information included in the income statement, statement of cash flows, Note 2(a) and Note 16 budget variation explanations in the general purpose financial statements;
- Information presented at Note 17 to the general purpose financial statements relating to projected future contributions, cost of works and over/ (under) funding; and
- The best practice disclosures in Notes 2 & 3 to the special purpose financial statements.

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

As auditors of Council we are not required to:

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

The responsibility of the abovementioned rests with Council.



3. OPERATING RESULT

Council's surplus from all activities for the financial year ended 30 June 2010 totalled \$28,806,000. This compares to a surplus in 2009 of \$534,000. The 2010 result can be summarised as follows:

Operating Result	2007	2008	2009	2010
	\$'000	\$'000	\$'000	\$'000
Revenues from continuing operations	93,163	89,133	99,741	115,527
Expenses from continuing operations	(62,178)	(72,734)	(89,722)	(91,952)
Result from continuing operations before depreciation	30,985	16,399	10,019	23,575
Less Depreciation	(25,022)	(26,778)	(28,077)	(30,980)
Result from continuing operations before capital amounts	5,963	(10,379)	(18,058)	(7,405)
Capital grants and contributions	23,338	26,968	17,487	36,497
Significant one-off items	0	11,785	0	0
Gain / (loss) on disposal of assets	978	1,193	1,105	(286)
Surplus from all operations	30,279	29,567	534	28,806

3.1 Variations to 2009 by Income / Expenditure (Non-Capital)

The deficit from continuing operations after depreciation and before capital grants and contributions, significant one-off items and gain on disposal of assets has decreased by \$10,653,000 from an \$18,058,000 deficit in 2009 to a \$7,405,000 deficit in 2010. Some of the major movements from the 2009 year included:

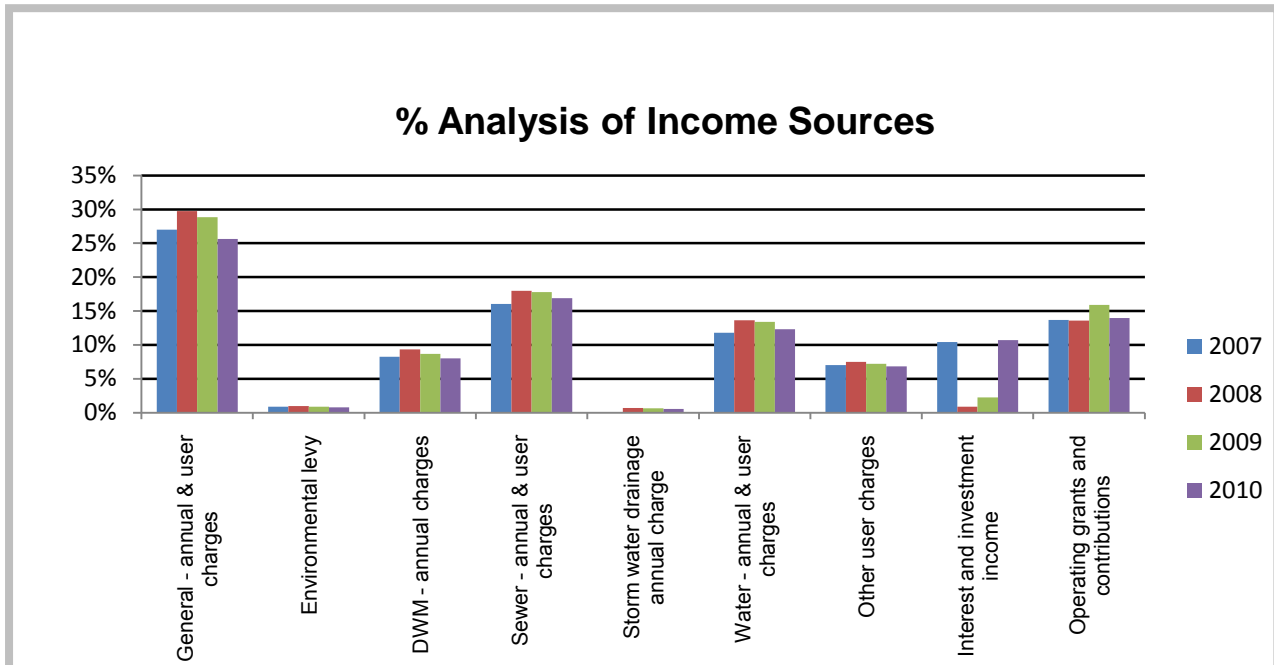
Financial Area	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Revenue		
Ordinary Rates	1,186	General rates revenue has increased with a rate-pegged increment of 3.5% plus growth in the number of assessments.
Sewer Annual Charges	1,712	Residential sewer access charges have increased by \$46 to \$676 per assessment in 2010. Non-Residential sewer access charges increased by \$47 to \$660 per assessment in 2010. The phased implementation of these charges reduced the discount applied to some properties from 40% to 20% in the 2009/10 financial year.
Interest & Investment Revenue	10,165	The increase in interest and investment revenue is largely due to the \$8,639,000 turnaround in market value of Council's Fair Value through Profit and Loss investment portfolio, the majority of which is held in restricted Water & Sewer Funds.
Other Revenue	544	Council is manufacturing telemetry switchboards and selling these to other Council's. Sales of these have increased by \$492,000 from 2009, being the main contributor to the increase in other revenues.

Financial Area	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Expenses		
Employee costs	2,300	Salary and wages have increased by \$1,856,000 as a result of skill-step increases and an additional 12 FTE employee's. Council's superannuation defined benefit plan contributions have increased by \$1,010,000 to fund the shortfall in the Local Government Superannuation Scheme (LGSS). All Council's that are part of the defined benefit LGSS have had to increase their contributions to fund the state-wide shortfall. These increases were offset by an additional \$1,126,000 in capitalised employee costs related to specific capital projects.
Borrowing costs	(958)	Borrowing costs have decreased as Council made principal repayments on existing interest bearing liabilities and did not draw down any significant borrowings in 2009/10. In addition, older loans with higher interest rates have been reduced and are approaching maturity in both Water and Sewer Funds.
Materials & Contracts	1,712	This is largely attributable to contractor & consultancy costs which increased by \$1,504,000 as a result of additional external plant or vehicle hire and employment agency staff utilised as part of Council's works programs.
Depreciation Expense	2,903	The increase in depreciation expense is reflecting the depreciation impacts of recent revaluations of Council's buildings and infrastructure assets as well as recent capital works in Water & Sewer Funds.



3.2 Analysis of income sources

	\$'000	\$'000	\$'000	\$'000
General - annual & user charges	25,143	26,527	28,764	29,639
Environmental levy	820	856	890	929
DWM & NDWM - annual charges	7,687	8,340	8,671	9,283
Sewer - annual & user charges	14,962	16,029	17,756	19,502
Storm water drainage annual charge	0	601	632	644
Water - annual & user charges	11,006	12,154	13,381	14,204
Sub - total	59,618	64,507	70,094	74,201
Other user charges	6,536	6,686	7,174	7,896
Interest and investment income	9,725	785	2,232	12,397
Other income	4,519	5,047	4,363	4,907
Operating grants and contributions	12,765	12,108	15,878	16,126
Total ordinary income before gain on disposal and capital income	93,163	89,133	99,741	115,527



Council's relative reliance across various income streams as detailed above has remained steady on a long term trending basis, noting that this year's percentages have been impacted by the turnaround in interest and investment income which is mainly restricted to water and sewer activities. Industry averages for 'General - annual and user charges' tends to be in the range of 25-30% for Northern NSW Councils.

3.3 Capital Grants and Contributions

Capital grants received during the year amounted to \$7,390,000 and largely consisted of roads to recovery grants - \$1,131,000, grants for other transport infrastructure assets - \$1,267,000 (Coffs Creek Cycleway and other roads infrastructure projects), and bushfire assets - \$1,970,000 for construction of a new Bushfire Control Centre.



-Capital contributions received during the period amounted to \$29,107,000. This can be broken down as follows:

	\$'000	\$'000	\$'000	\$'000
Non cash developer contributions	3,807	9,165	2,638	5,326
Section 94 Contributions - cash	2,477	3,183	2,039	2,173
Section 64 Contributions - cash	3,557	4,311	2,477	6,535
Other contributions	302	71	560	15,073
TOTAL	10,143	16,730	7,714	29,107

The use of S.94 and S.64 funds is restricted and accordingly they are not available to meet Council's general operations. At 30 June 2010 Council had \$12,262,000 held as a restricted asset for S.94 contributions and \$105,000 as a restricted asset for S.64 contributions.

Current year cash contributions for S.64 were received as \$3,876,000 for Water Fund and \$2,659,000 for Sewer Fund.

Other contributions for 2010 included \$13,927,000 in relation to the Watermain Relocation Project between Sapphire and Woolgoolga. \$1,000,000 was also received from State Parks for the Coffs Harbour Swimming Pool Upgrade.

Unexpended S.94 and S.64 contributions comprised:

	\$'000	\$'000	\$'000	\$'000
s94 Drainage	1,251	1,358	1,380	1,552
s94 Roads	2,584	3,678	3,475	3,833
s94 Parking	288	260	118	153
s94 Open Space	2,415	3,155	3,461	4,107
s94 Community Facilities	774	1,019	1,116	976
s94 Other	490	543	620	881
s94 Not Under Plans	535	666	649	727
Planning agreements	28	31	31	33
Restricted Assets S94	8,365	10,710	10,850	12,262
Sewer S64	710	136	102	38
Water S64	5,016	1,099	116	67
	14,091	11,945	11,068	12,367

3.4 Gain / (Loss) on Disposal of Assets

Council's gain / (loss) on disposal of assets comprise the following items.

	2009 \$'000	2010 \$'000
Infrastructure assets replaced/scrapped		
- Transport & Drainage	0	(164)
- Water	0	(75)
- Sewer	0	(355)
Gain on sale of plant and equipment	710	301
Gain on sale of assets held for sale	171	11
Gain / (Loss) on sale of property	224	(4)
Net Gain / (Loss) on Disposal	1,105	(286)

The loss on disposal of infrastructure mainly relates to assets disposed of in the ordinary course of Council operations. The 2009 gain on sale of plant and equipment contained the sale of a number of large pieces of machinery which did not occur in 2010.



4. BUSINESS ACTIVITIES

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

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

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

Activity	Revenue from Continuing Operations \$'000	Expenses from Continuing Operations \$'000	Result prior to capital amounts \$'000	Return on capital %	Subsidy \$'000	Dividends Paid \$'000
2009/10						
Water	18,473	21,244	(2,771)	2.00	N/A	31
Sewer	26,741	27,762	(1,021)	2.60	N/A	73
Airport	3,576	3,548	(28)	0.70	2,587	203
2008/09						
Water	14,991	20,744	(5,753)	1.00	N/A	30
Sewer	19,608	25,353	(5,745)	1.20	N/A	72
Airport	3,168	3,508	(340)	0.20	1,445	176

Water and Sewer Services

Council's water and sewer operations have returned deficits before capital grants and contributions in the 2010 and 2009 financial years. One of the main reasons for the deficit is the impact of borrowing costs due to the significant infrastructure works undertaken by these funds over the last few years. The losses were expected in Council's 30 year financial models prepared before these borrowings and related infrastructure projects commenced. The Funds are expected to return to surplus in approximately 2016/17.

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

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



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

Water Fund

- Increase in water access charges of \$395,000 as a result of an increase in water access base charges to \$124 per assessment (2009: \$113). Discounts provided to non-residential and multi-residential properties decreased from 40% to 20% in 2010 as part of Council's phased implementation plan.
- Increase in water user charges of \$343,000 largely as a result of an increase in the number of assessments and related consumption.
- Council's interest and investment income increased by \$2,666,000 largely due to an increase in the fair value of Water Fund investments.
- Employee benefits and on-costs increased by \$458,000 as a result of skill-step increases and additional contributions to the defined benefit Local Government Superannuation Scheme.
- Depreciation increased by \$397,000 as a result of the prior year revaluation increment of \$5,085,000 applied to water infrastructure assets.
- Borrowing costs have decreased by \$388,000 to \$7,743,000 as Council continues to reduce the principal on Water Fund borrowings and older loans with higher interest rates near maturity.

Sewer Fund

- Increase in sewer access charges of \$1,752,000 as a result of an increase in sewer access base charges to \$676 per assessment (2009: \$630). Non-Residential sewer access base charges increased to \$660 per assessment (2009: \$613). The phased implementation of these charges reduced the discount applied to some properties from 40% to 20% in the 2009/10 financial year.
- Council's interest and investment income increased by \$5,268,000 largely due to an increase in the fair value of Sewer Fund investments.
- Employee benefits and on-costs increased by \$169,000 as a result of skill-step increases and additional contributions to the defined benefit Local Government Superannuation Scheme.
- Depreciation increased by \$1,064,000 as a result of the prior year revaluation increment of \$7,050,000 applied to sewer infrastructure assets.
- Borrowing costs have decreased by \$376,000 to \$9,112,000 as Council continues to reduce the principal on Sewer Fund borrowings and older loans with higher interest rates near maturity.

Airport

The dividend from Council airport operations was expended by general fund in accordance with the 2009/10 management plan or variations thereto.

The surplus before capital was \$28,000 for the financial year ended 30 June 2010. This result has improved by \$368,000 from the \$340,000 deficit in 2009, largely as a result of an increase in revenues from additional Qantas flights.

The notional subsidy from Council's General Fund has increased by \$1,142,000 to \$2,587,000 for 2010. The subsidy is calculated as a return on capital and has increased due to the significant increase in the revaluation of airport infrastructure assets.



5. STATEMENT OF FINANCIAL POSITION

5.1 Net Current Assets

5.1.1 Cash and Investments

Council has net current assets of \$79,729,000 as at 30 June 2010. Net current assets however, contain \$77,084,000 of externally restricted cash in the form of special purpose grants, developer contributions, water, sewer, domestic waste management and deposits and retentions.

Total current cash and investments of \$96,584,000 include externally restricted - \$77,084,000, internal reserves - \$19,450,000 and unrestricted - \$50,000. Full details of these external and internal restrictions are contained in Note 6 of Council's General Purpose Financial Statements.

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

i) At Fair Value Through the Profit & Loss

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

ii) Available for Sale

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

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

	2009	2010
	\$'000	\$'000
Investments analysis (current & non-current)		
Opening balance of investments at fair value	146,940	145,129
Investments purchased	210,044	76,083
Investments sold	(205,652)	(99,490)
Fair value adjustments	<u>(6,203)</u>	<u>6,078</u>
Closing balance of investments at fair value	<u>145,129</u>	<u>127,800</u>



	2009	2010
	\$'000	\$'000
Closing balance of investment at fair value comprises:		
Managed funds	39,490	21,495
Long Term Deposits	22,197	31,159
NCDs /FRNs (Maturities > 3 months)	43,990	37,085
CDOs	4,218	3,326
Constant Protection Portfolio Notes	23,850	22,773
Floating Rate Term Deposits	6,047	6,063
Other Long Term Maturity Financial Instruments	5,337	5,899
	<u>145,129</u>	<u>127,800</u>

Security of Investments

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

5.1.2 Receivables & Payables

Council's current receivables have increased by \$4,210,000 from \$15,016,000 as at 30 June 2009 to \$19,226,000 as at 30 June 2010, which includes \$10,176,000 of externally restricted receivables relating to water, sewerage and domestic waste management charges and rates. The increase in current receivables is largely attributable to the recognition of a \$3,880,000 debtor in relation to works performed by Council for the Roads and Traffic Authority (RTA) to relocate water mains between Sapphire and Woolgoolga as part of the Pacific Highway upgrade.

Current payables decreased by \$668,000 from \$13,038,000 as at 30 June 2009 to \$12,370,000 at the 30 June 2010. This decrease is primarily due to a reduction in capital creditors of \$924,000 related to the construction activity for water and sewer infrastructure asset projects in 2009, offset by an increase in Council's workers compensation premium adjustment of \$304,000.

5.2 Non-Current Assets and Liabilities

Council has a net non-current asset position of \$1,447,152,000 which consists largely of internally and externally restricted investments, property, plant and equipment, Council controlled roads, water, sewer and drainage infrastructure, loans and provisions for employee benefits.

5.2.1 Property, Plant and Equipment

As detailed in Note 9 of Council's General Purpose Financial Statements, Council capitalised \$56,812,000 in infrastructure, property, plant and equipment during 2010. Asset management is an important part of Council's operations. Some of the more significant additions capitalised during the year included \$3,467,000 in relation to the Karangi WTP for water assets and \$4,883,000 in relation to the Coffs Harbour Sewer Treatment Plant for sewer assets. Council undertook many projects during the year and the remaining asset additions are reflective of a wide range of projects across General, Water and Sewer funds.



5.2.2 Asset Revaluations 2010

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

During the year Council performed a full revaluation of roads, bridges, footpaths, bulk earthworks and stormwater drainage infrastructure assets. The effect of the revaluation process was an increase in the written-down replacement cost of these assets by \$327,864,000. As at 30 June 2010 Council controls plant, equipment, land, buildings and infrastructure with a written down replacement cost of \$1.565 billion.

Where material, fair value adjustments are made each year to keep all infrastructure assets at fair value. As a result, a 2010 increment of \$13,153,000 for water and sewer infrastructure assets was credited to the Asset Revaluation Reserve as a result of indices provided by the NSW Office of Water. Indexation of \$3,558,000 was also applied to operational land and buildings.

Prior Period Error

Council has recognised a prior period error of \$101,137,000 as disclosed at Note 20c of the General Purpose Financial Statements. The error is a result of over depreciation of Council's roads, drainage, bridges, footpaths and bulk earthworks infrastructure and was identified as part of the revaluation of these assets in 2010. The overall adjustment impacted retained earnings and has been made against the opening balance in the statement of changes in equity and is also reflected as an adjustment in Note 9a of the General Purpose Financial Statements. As a result of the current year revaluation, Council now has more reliable data on these assets which did not previously exist, however, the recalculation of prior year comparatives was considered impractical.

Asset Management Systems

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

- Operational Land & Buildings
- Water and Sewer
- Roads, bridges, footpaths and bulk earthworks
- Stormwater drainage

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

Integrated Planning and Reporting Framework and Asset Management

The Integrated Planning and Reporting Framework (IPAR) has been developed as part of the Local Government Reform Program and proposes changes to the Local Government Act 1993 to improve council's long term community, financial and asset planning.

Under the IPAR framework each Council is to prepare an Asset Management Strategy to provide a clear direction for asset management. An Asset Management Strategy enables council to illustrate how its asset portfolio supports the service delivery needs of its community into the future.

An Asset Management Policy has been prepared which sets the framework for the preparation of Council's Asset Management Strategy and Asset Management Plan/s.



An Asset Management Plan is a long term plan that outlines the asset activities for each service and outlines actions and resources to provide a defined level of service in the most cost efficient way. Council is currently in the process of formulating these plans for each class of asset.

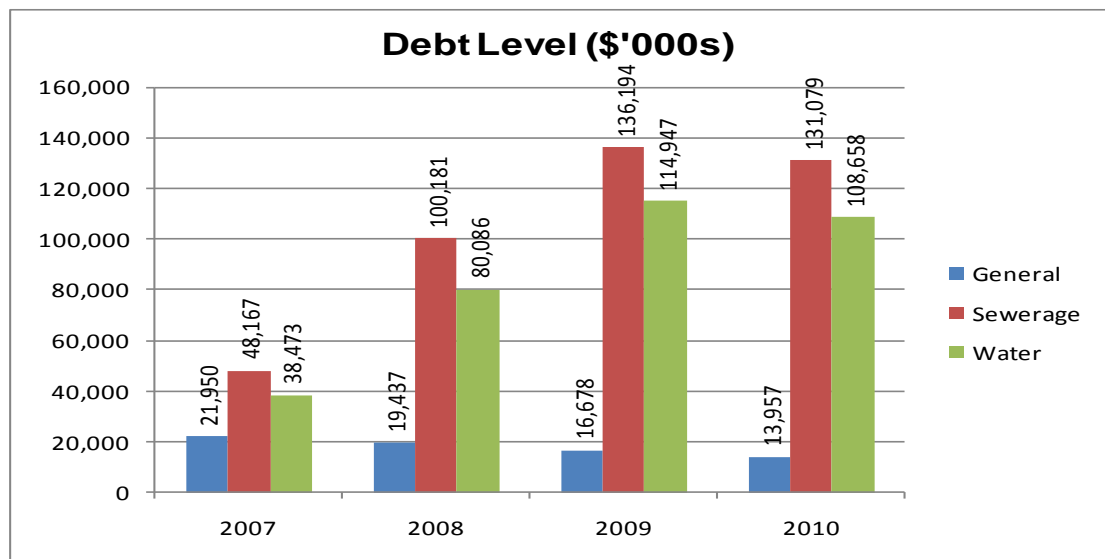
Coffs Harbour City Council has been included in Group 1 and has prepared a Long Term Financial Plan, Asset Management Strategy & Workforce Management Strategy at 30 June 2010.

5.3 Loans

During the 2010 financial year, Council received an interest free loan of \$2,800,000 from the NSW Local Government Infrastructure Fund. Under current Australian Accounting Standards, Council was required to record this loan at its fair value with the result being current year revenue recognition of \$1,087,000 and remaining principal of \$1,713,000. Interest expense of \$1,087,000 will be recognised in the income statement over the term of this loan.

Debt totalling \$15,564,000 was repaid during the financial year. Council is projecting to repay a further \$15,180,000 in principal in the 2010/11 year.

Council debt levels by fund can be summarised as follows:



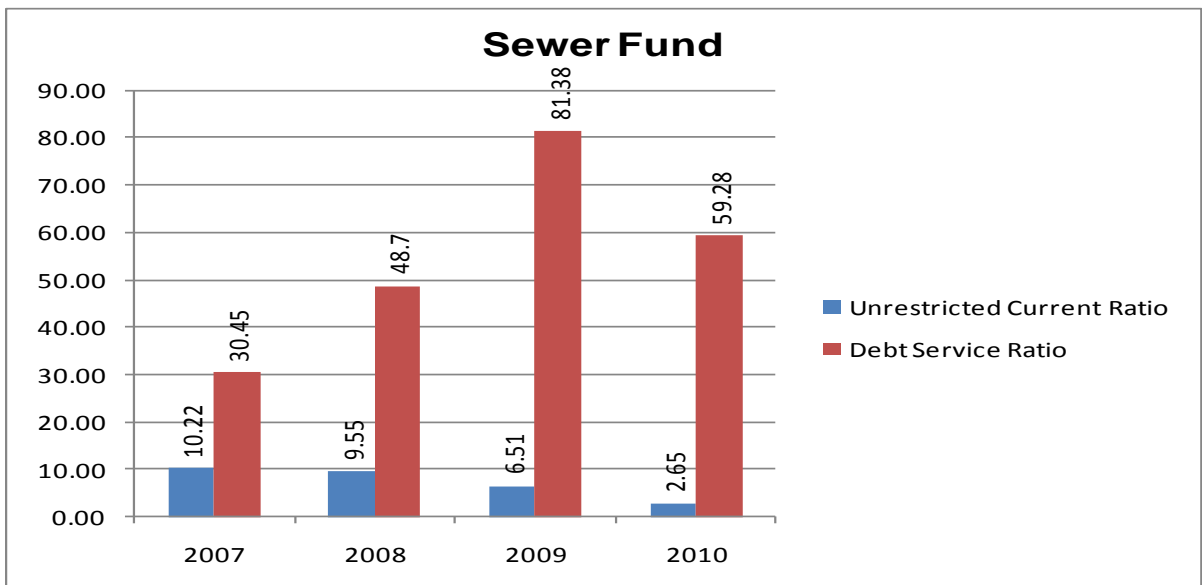
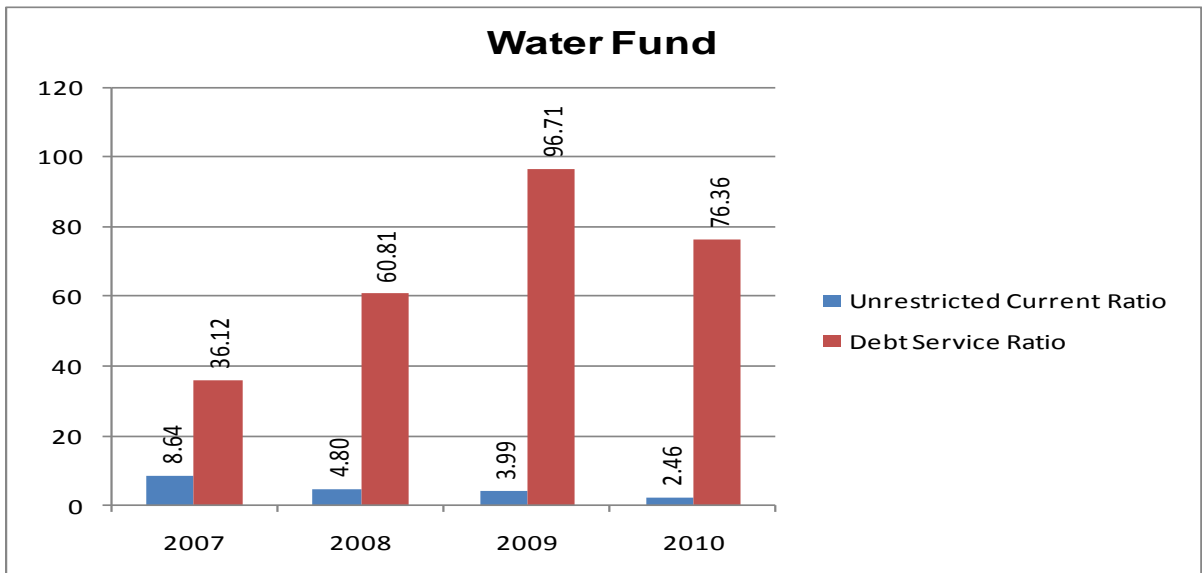
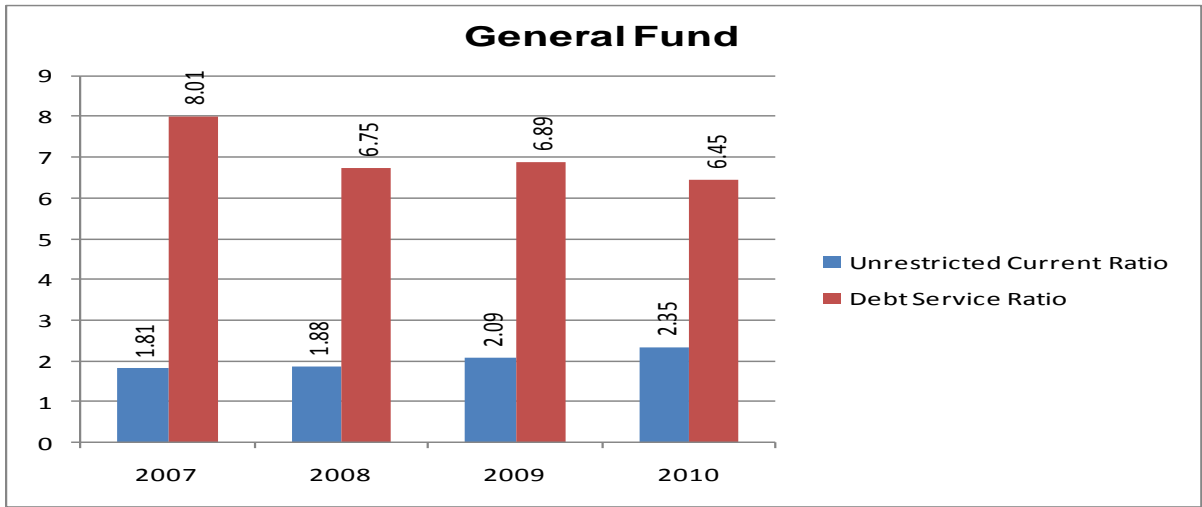
Debt levels increased dramatically between 2007-2009 as Council undertook extensive water and sewer infrastructure works to facilitate anticipated growth needs and replace ageing assets.

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

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



6. PERFORMANCE INDICATORS



The above represents the key performance indicators outlined in Note 13 to the financial statements on a deconsolidated basis as prepared by the finance staff at Council.



Unrestricted Current Ratio

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

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

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

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

Council's general fund (inclusive of airport and waste funds) unrestricted current ratio has increased from 2.09 to 2.35 and is a function of the general fund performance for the 2010 year. This ratio reflects Council's ability to fund short-term commitments only. Unrestricted net current assets are a function of this ratio and stands at \$18,106,000 for general fund at 30 June 2010 (2009: \$16,899,000).

Debt Service Ratio

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

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

Council's general fund debt service ratio has decreased from 6.89% for the 2009 year to 6.45% for the 2010 year largely due to principal repayments to Council's borrowings and increases to operational revenues.

Water and sewer fund debt service ratios have decreased as principal repayments were made to borrowings and Council received a greater number of grants and contributions for these funds in 2010.



Rates and Annual Charges Outstanding

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

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

Council's rates and annual charges outstanding have slightly decreased on a consolidated basis (all funds) as Council improves their revenue collection policies.

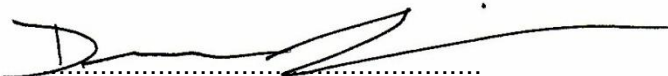
7. OTHER MATTERS

7.1 Internal Control Environment

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a qualified audit opinion.

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

Yours faithfully
THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS



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

Coffs Harbour City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

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



Coffs Harbour City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

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Background

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

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

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

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

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

Coffs Harbour City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

Statement by Councillors and Management

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

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

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

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

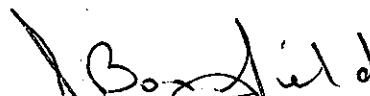
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 28 October 2010.



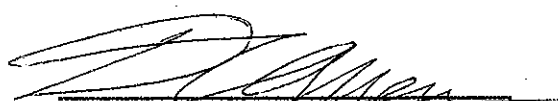
Keith Rhoades
MAYOR



Jennifer Bonfield
CORPORATE BUSINESS COMMITTEE
CHAIRPERSON



Ben Lawson
ACTING GENERAL MANAGER



Dale Allen
RESPONSIBLE ACCOUNTING OFFICER

Coffs Harbour City Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2010

\$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	3,297	2,902	2,682
User charges	11,170	10,827	9,711
Fees	379	202	230
Interest	3,267	601	187
Grants and contributions provided for non capital purposes	297	405	312
Profit from the sale of assets	-	-	-
Other income	63	54	48
Total income from continuing operations	18,473	14,991	13,170
Expenses from continuing operations			
Employee benefits and on-costs	2,573	2,115	1,927
Borrowing costs	7,743	8,131	4,204
Materials and contracts	1,997	2,130	1,375
Depreciation and impairment	5,026	4,629	3,760
Water purchase charges	(64)	185	20
Loss on sale of assets	75	-	-
Calculated taxation equivalents	31	30	25
Debt guarantee fee (if applicable)	1,087	1,149	808
Other NCP Imputation Payments	5	4	5
Other expenses	2,771	2,371	2,289
Total expenses from continuing operations	21,244	20,744	14,413
Surplus (deficit) from Continuing Operations before capital amounts	(2,771)	(5,753)	(1,243)
Grants and contributions provided for capital purposes	17,095	2,387	3,476
Surplus (deficit) from Continuing Operations after capital amounts	14,324	(3,366)	2,233
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	14,324	(3,366)	2,233
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	14,324	(3,366)	2,233
plus Opening Retained Profits	163,062	165,275	162,229
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	31	30	25
- Debt guarantee fees	1,087	1,149	808
- Other NCP Imputation Payments	5	4	5
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(31)	(30)	(25)
- Surplus dividend paid	-	-	-
Closing Retained Profits	178,478	163,062	165,275
Return on Capital %	2.0%	1.0%	1.5%
Subsidy from Council	n/a	n/a	n/a
Calculation of dividend payable:			
Surplus (deficit) after tax	14,324	(3,366)	2,233
less: Capital grants and contributions (excluding developer contributions)	(12,737)	(875)	(3,231)
Surplus for dividend calculation purposes	1,587	-	-
Potential Dividend calculated from surplus	794	-	-

Coffs Harbour City Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2010

\$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	17,636	15,884	14,599
User charges	1,923	1,832	1,495
Liquid Trade Waste Charges	321	205	22
Fees	8	23	699
Interest	6,119	851	179
Grants and contributions provided for non capital purposes	551	655	337
Profit from the disposal of assets	18	-	16
Other income	165	158	101
Total income from continuing operations	26,741	19,608	17,448
Expenses from continuing operations			
Employee benefits and on-costs	3,680	3,511	3,330
Borrowing costs	9,112	9,488	5,132
Materials and contracts	3,835	3,449	3,261
Depreciation and impairment	5,520	4,456	4,917
Loss on disposal of assets	354	-	-
Calculated taxation equivalents	168	167	128
Debt guarantee fee (if applicable)	1,311	1,362	1,010
Other NCP Imputation Payments	9	3	23
Other expenses	3,773	2,917	3,515
Total expenses from continuing operations	27,762	25,353	21,316
Surplus (deficit) from Continuing Operations before capital amounts	(1,021)	(5,745)	(3,868)
Grants and contributions provided for capital purposes	4,778	5,877	9,487
Surplus (deficit) from Continuing Operations after capital amounts	3,757	132	5,619
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	3,757	132	5,619
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	3,757	132	5,619
plus Opening Retained Profits	195,858	194,266	187,083
plus/less: Prior Period Adjustments	-	-	474
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	168	167	128
- Debt guarantee fees	1,311	1,362	1,010
- Other NCP Imputation Payments	9	3	23
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(73)	(72)	(71)
- Surplus dividend paid	-	-	-
Closing Retained Profits	201,030	195,858	194,266
Return on Capital %	2.6%	1.2%	0.5%
Subsidy from Council	n/a	n/a	n/a
Calculation of dividend payable:			
Surplus (deficit) after tax	3,757	132	5,619
less: Capital grants and contributions (excluding developer contributions)	(825)	(4,912)	(7,677)
Surplus for dividend calculation purposes	2,932	-	-
Potential Dividend calculated from surplus	1,466	-	-

Coffs Harbour City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2010

\$ '000	Airport	
	Actual 2010	Actual 2009
Income from continuing operations		
Access charges	-	-
User charges	3,127	2,766
Fees	-	-
Interest	58	9
Grants and contributions provided for non capital purposes	-	-
Profit from the disposal of assets	-	-
Other income	391	393
Total income from continuing operations	3,576	3,168
Expenses from continuing operations		
Employee benefits and on-costs	555	517
Borrowing costs	362	390
Materials and contracts	796	846
Depreciation and impairment	1,151	1,065
Loss on disposal of assets	-	-
Calculated taxation equivalents	225	224
Debt guarantee fee (if applicable)	49	53
Other NCP Imputation Payments	4	11
Other expenses	406	402
Total expenses from continuing operations	3,548	3,508
Surplus (deficit) from Continuing Operations before capital amounts	28	(340)
Grants and contributions provided for capital purposes	-	300
Surplus (deficit) from Continuing Operations after capital amounts	28	(40)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	28	(40)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(8)	-
SURPLUS (DEFICIT) AFTER TAX	20	(40)
plus Opening Retained Profits	18,801	16,100
plus/less: Prior Period Adjustments	-	2,629
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	225	224
- Debt guarantee fees	49	53
- Other NCP Imputation Payments	4	11
- Corporate taxation equivalent	8	-
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(203)	(176)
Closing Retained Profits	18,904	18,801
Return on Capital %	0.7%	0.2%
Subsidy from Council	2,587	1,445

Coffs Harbour City Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2010

\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	2,943	7,073
Investments	11,837	21,495
Receivables	6,919	2,984
Inventories	238	225
Other	1	5
Non-current assets classified as held for sale	-	-
Total Current Assets	21,938	31,782
Non-Current Assets		
Investments	29,855	23,120
Receivables	46	62
Inventories	-	-
Infrastructure, property, plant and equipment	249,014	227,710
Investments accounted for using equity method	-	-
Investment property	-	-
Other	68,590	69,494
Total non-Current Assets	347,505	320,386
TOTAL ASSETS	369,443	352,168
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	2,833	1,649
Interest bearing liabilities	5,939	6,290
Provisions	-	-
Total Current Liabilities	8,772	7,939
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	102,719	108,657
Provisions	-	-
Total Non-Current Liabilities	102,719	108,657
TOTAL LIABILITIES	111,491	116,596
NET ASSETS	257,952	235,572
EQUITY		
Retained earnings	178,478	163,062
Revaluation reserves	79,474	72,510
Council equity interest	257,952	235,572
Minority equity interest	-	-
TOTAL EQUITY	257,952	235,572

Coffs Harbour City Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2010

\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	4,526	3,011
Investments	51,380	44,475
Receivables	2,801	2,152
Inventories	38	35
Other	1	3
Non-current assets classified as held for sale	-	-
Total Current Assets	58,746	49,676
Non-Current Assets		
Investments	17,132	28,729
Receivables	317	318
Inventories	-	-
Infrastructure, property, plant and equipment	311,820	299,892
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	329,269	328,939
TOTAL ASSETS	388,015	378,615
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1,533	1,059
Interest bearing liabilities	6,876	6,555
Provisions	-	-
Total Current Liabilities	8,409	7,614
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	124,476	129,639
Provisions	-	-
Total Non-Current Liabilities	124,476	129,639
TOTAL LIABILITIES	132,885	137,253
NET ASSETS	255,130	241,362
EQUITY		
Retained earnings	201,030	195,858
Revaluation reserves	54,100	45,504
Council equity interest	255,130	241,362
Minority equity interest	-	-
TOTAL EQUITY	255,130	241,362

Coffs Harbour City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2010

\$ '000	Airport	
	Category 1	
	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	640	325
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	3	6
Non-current assets classified as held for sale	-	-
Total Current Assets	643	331
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	58,426	26,994
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	58,426	26,994
TOTAL ASSETS	59,069	27,325
LIABILITIES		
Current Liabilities		
Payables	71	78
Interest bearing liabilities	534	499
Provisions	-	-
Total Current Liabilities	605	577
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	4,389	4,924
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	4,389	4,924
TOTAL LIABILITIES	4,994	5,501
NET ASSETS	54,075	21,824
EQUITY		
Retained earnings	18,904	18,801
Revaluation reserves	35,171	3,023
Council equity interest	54,075	21,824
Minority equity interest	-	-
TOTAL EQUITY	54,075	21,824

Coffs Harbour City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

Contents of the Notes accompanying the Financial Statements

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Coffs Harbour City Council Water Supplies

Water supply activity servicing the Coffs Harbour local government area

b. Coffs Harbour City Council Sewerage Service

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

c. Coffs Harbour Regional Airport

Airport activities carried out by Council in its own name

Category 2

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

Nil

Monetary Amounts

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$376,000** of combined land values attracts **0%**. From \$376,001 to \$2,299,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,299,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.65%** on the value of taxable salaries and wages in excess of \$638,000.

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

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

The required rate of return for the Coffs Harbour Regional Airport is equal to the Commonwealth 10 year bond rate which is 5.095% at 30/6/10.

The required rate of return for the Water Supplies and Sewerage Services operations is based on budgeted results. The 2009/10 budgeted returns for these funds were deficit positions, therefore no rate of return was applicable.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2010 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

2010

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	1,118,000
(ii)	No of assessments multiplied by \$3/assessment	76,704
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	76,704
(iv)	Amounts actually paid for Tax Equivalents	30,868

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	793,500												
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	690,336												
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2008	(3,652,000)												
<table border="1"> <tr> <td>2010 Surplus</td> <td>1,587,000</td> <td>2009 Surplus</td> <td>(4,241,000)</td> <td>2008 Surplus</td> <td>(998,000)</td> </tr> <tr> <td></td> <td></td> <td>2009 Dividend</td> <td>-</td> <td>2008 Dividend</td> <td>-</td> </tr> </table>			2010 Surplus	1,587,000	2009 Surplus	(4,241,000)	2008 Surplus	(998,000)			2009 Dividend	-	2008 Dividend	-
2010 Surplus	1,587,000	2009 Surplus	(4,241,000)	2008 Surplus	(998,000)									
		2009 Dividend	-	2008 Dividend	-									
(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a												
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-												

3. Required outcomes for 6 Criteria

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	NO
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2010

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	32,293
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	74.63%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	315,649
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	7,208
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	6,280
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	6.32%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2010

1. Calculation and Payment of Tax-Equivalents

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

(i) Calculated Tax Equivalents	1,479,000
(ii) No of assessments multiplied by \$3/assessment	73,185
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	73,185
(iv) Amounts actually paid for Tax Equivalents	73,194

2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	1,466,000
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	658,665
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2008	(3,906,000)

2010 Surplus	2,932,000	2009 Surplus	(4,780,000)	2008 Surplus	(2,058,000)
		2009 Dividend	-	2008 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 4 Criteria

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2010

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	24,581
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	310,315
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	11,004
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	13,230
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	2.58%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	622

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	56,463
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.84%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	19,510
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	4.46%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2010

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	23.84%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		4
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	19,862
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	476

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



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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the special purpose financial statements of Coffs Harbour City Council for the year ended 30 June 2010 included on Council's website. The Council is responsible for the integrity of its website. We have not been engaged to report on the integrity of the Council's website. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of these statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this website.

Report on the Financial Statements

We have audited the accompanying special purpose financial statements of Coffs Harbour City Council (the Council), which comprises the balance sheet as at 30 June 2010, the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and has determined that the accounting policies described in note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of Division of Local Government. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the Council's financial reporting obligations. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such.



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

The financial statements have been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government, or for any purpose other than that for which it was prepared.

Our audit did not include an analysis of the prudence of business decisions made by Council or management.

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

Independence

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

Audit Opinion

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

- (a) Have been prepared in accordance with the requirements of those applicable Accounting Standards detailed in note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
- (b) Are consistent with the Council's accounting records; and
- (c) Present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2010 and the results of their operations for the year then ended.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

D H SINGH (Partner)
Registered Company Auditor

Dated at Lismore this 28th day of October 2010.

Coffs Harbour City Council

SPECIAL SCHEDULES
for the year ended 30 June 2010

*"Coffs Harbour - the Healthy City, the Smart City,
the Cultural City for a Sustainable Future"*



Coffs Harbour City Council

Special Schedules

for the financial year ended 30 June 2010

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- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
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¹ Special Purpose Schedules are not audited.

Background

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

Coffs Harbour City Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Administration	24,183	4,538	14,988	(4,657)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,716	355	1,970	609
Beach Control	474	22	-	(452)
Enforcement of Local Govt Regulations	937	129	-	(808)
Animal Control	337	259	-	(78)
Other	43	186	-	143
Total Public Order & Safety	3,507	951	1,970	(586)
Health	-	-	-	-
Environment				
Noxious Plants and Insect/Vermin Control	446	266	-	(180)
Other Environmental Protection	596	986	-	390
Solid Waste Management	13,771	12,698	132	(941)
Street Cleaning	332	-	-	(332)
Drainage	1,820	798	456	(566)
Stormwater Management	205	645	-	440
Total Environment	17,170	15,393	588	(1,189)
Community Services and Education				
Administration & Education	611	45	487	(79)
Social Protection (Welfare)	824	97	209	(518)
Aged Persons and Disabled	-	1	-	1
Children's Services	103	5	-	(98)
Total Community Services & Education	1,538	148	696	(694)
Housing and Community Amenities				
Public Cemeteries	230	246	-	16
Public Conveniences	511	-	-	(511)
Street Lighting	616	139	(2)	(479)
Town Planning	648	176	27	(445)
Other Community Amenities	140	-	-	(140)
Total Housing and Community Amenities	2,145	561	25	(1,559)
Water Supplies	17,046	762	4,356	(11,928)
Sewerage Services	22,538	2,279	4,574	(15,685)

Coffs Harbour City Council

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

for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,638	218	49	(1,371)
Museums	43	-	-	(43)
Art Galleries	134	57	-	(77)
Community Centres and Halls	891	262	-	(629)
Performing Arts Venues	445	179	-	(266)
Other Performing Arts	-	-	-	-
Other Cultural Services	39	43	2	6
Sporting Grounds and Venues	1,674	437	-	(1,237)
Swimming Pools	334	1	1,504	1,171
Parks & Gardens (Lakes)	3,730	1,587	620	(1,523)
Other Sport and Recreation	1,006	-	-	(1,006)
Total Recreation and Culture	9,934	2,784	2,175	(4,975)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,921	1,621	-	(300)
Other Mining, Manufacturing & Construction	300	6	-	(294)
Total Mining, Manufacturing and Const.	2,221	1,627	-	(594)
Transport and Communication				
Urban Roads (UR) - Local	11,103	67	472	(10,564)
Urban Roads - Regional	924	207	456	(261)
Sealed Rural Roads (SRR) - Local	1,241	359	1,378	496
Sealed Rural Roads - Regional	966	814	19	(133)
Unsealed Rural Roads (URR) - Local	535	13	-	(522)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	247	-	556	309
Bridges on SRR - Local	8	-	-	(8)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	125	181	-	56
Parking Areas	537	9	29	(499)
Footpaths	349	32	9	(308)
Aerodromes	2,848	3,518	-	670
Other Transport & Communication	777	1,176	653	1,052
Total Transport and Communication	19,660	6,376	3,572	(9,712)
Economic Affairs				
Camping Areas & Caravan Parks	1,434	412	-	(1,022)
Other Economic Affairs	1,842	726	3,553	2,437
Total Economic Affairs	3,276	1,138	3,553	1,415
Totals – Functions	123,218	36,557	36,497	(50,164)
General Purpose Revenues⁽¹⁾		78,970	-	78,970
Share of interests - joint ventures & associates using the equity method	-	-	-	-
NET OPERATING RESULT FOR YEAR	123,218	115,527	36,497	28,806

(1) Includes: Rates & Annual Charges (incl. Ex Gratia), Untied General Purpose Grants & Interest on Investments (excl. Restricted Assets)

Coffs Harbour City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2010

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Other State Government	-	-	-	1,713	-	-	-	-	(82)	1,795	1,713
Financial Institutions	15,564	252,255	267,819	-	15,564	-	-	18,138	15,262	236,993	252,255
Total Debt	15,564	252,255	267,819	1,713	15,564	-	-	18,138	15,180	238,788	253,968

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.
This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPFS's).

Coffs Harbour City Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2010

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	84	-	84
Totals	84	-	84

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

Details of Individual Internal Loans

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

Coffs Harbour City Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	2,238	1,664
b. Engineering and Supervision	979	1,120
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	151	243
b. Maintenance expenses	194	252
- Mains		
c. Operation expenses	197	248
d. Maintenance expenses	1,110	1,119
- Reservoirs		
e. Operation expenses	155	123
f. Maintenance expenses	166	137
- Pumping Stations		
g. Operation expenses (excluding energy costs)	80	189
h. Energy costs	174	291
i. Maintenance expenses	74	36
- Treatment		
j. Operation expenses (excluding chemical costs)	755	244
k. Chemical costs	439	215
l. Maintenance expenses	123	23
- Other		
m. Operation expenses	367	428
n. Maintenance expenses	70	81
o. Purchase of water	(64)	185
3. Depreciation expenses		
a. System assets	4,783	4,427
b. Plant and equipment	244	201
4. Miscellaneous expenses		
a. Interest expenses	7,773	8,161
b. Revaluation Decrements	-	-
c. Other expenses	30	173
d. Tax Equivalents Dividends (actually paid)	31	30
5. Total expenses	20,069	19,590

Coffs Harbour City Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
Income		
6. Residential charges		
a. Access (including rates)	2,817	2,510
b. Usage charges	8,287	7,865
7. Non-residential charges		
a. Access (including rates)	480	392
b. Usage charges	2,894	2,965
8. Extra charges	6	5
9. Interest income	3,267	596
10. Other income	657	433
11. Grants		
a. Grants for acquisition of assets	-	574
b. Grants for pensioner rebates	240	216
c. Other grants	(1)	154
12. Contributions		
a. Developer charges	3,875	1,517
b. Developer provided assets	480	115
c. Other contributions	12,558	35
13. Total income	35,560	17,377
14. Gain or loss on disposal of assets	(75)	-
15. Operating Result	15,416	(2,213)
15a. Operating Result (less grants for acquisition of assets)	15,416	(2,787)

Coffs Harbour City Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	5,552	31,238
c. Renewals	594	457
d. Plant and equipment	134	86
17. Repayment of debt		
a. Loans	6,290	5,639
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	12,570	37,420
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	2,996	32,524
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	2,996	32,524
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	22,893	22,479
b. Residential (unoccupied, ie. vacant lot)	1,046	1,247
c. Non-residential (occupied)	1,413	1,380
d. Non-residential (unoccupied, ie. vacant lot)	216	241
25. Number of ETs for which developer charges were received	568 ET	223 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 239,732	\$ 216,247

Coffs Harbour City Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2010

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2009/10 (page 47 of Guidelines)			<input type="text" value="1,723,608"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="1,723,608"/>

* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

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

Coffs Harbour City Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2010

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	38	-	38
b. Special purpose grants	123	-	123
c. Accrued leave	-	-	-
d. Unexpended loans	-	25,529	25,529
e. Sinking fund	-	-	-
f. Other	14,619	4,326	18,945
31. Receivables			
a. Specific purpose grants	221	-	221
b. Rates and charges	2,817	46	2,863
c. Other	3,881	-	3,881
32. Inventories	238	-	238
33. Property, plant and equipment			
a. System assets	-	315,649	315,649
b. Plant and equipment	-	1,955	1,955
34. Other assets	1	-	1
35. Total assets	21,938	347,505	369,443
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	2,833	-	2,833
38. Borrowings			
a. Loans	5,939	102,719	108,658
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	8,772	102,719	111,491
41. NET ASSETS COMMITTED	13,166	244,786	257,952
EQUITY			
42. Accumulated surplus			178,478
43. Asset revaluation reserve			79,474
44. TOTAL EQUITY			257,952
Note to system assets:			
45. Current replacement cost of system assets			406,746
46. Accumulated current cost depreciation of system assets			(91,097)
47. Written down current cost of system assets			315,649

Coffs Harbour City Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, i.e.. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	2,462	1,521
b. Engineering and Supervision	1,270	1,402
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	335	310
b. Maintenance expenses	451	505
- Pumping Stations		
c. Operation expenses (excluding energy costs)	1,011	1,065
d. Energy costs	368	369
e. Maintenance expenses	866	675
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,075	1,004
g. Chemical costs	291	133
h. Energy costs	823	678
i. Effluent Management	330	257
j. Biosolids Management	796	990
k. Maintenance expenses	651	529
- Other		
l. Operation expenses	261	185
m. Maintenance expenses	14	11
3. Depreciation expenses		
a. System assets	5,219	4,109
b. Plant and equipment	319	347
4. Miscellaneous expenses		
a. Interest expenses	9,111	9,488
b. Revaluation Decrements	-	-
c. Other expenses	88	243
d. Tax Equivalent Dividends (actually paid)	73	72
5. Total expenses	25,814	23,893

Coffs Harbour City Council

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

Includes ALL INTERNAL TRANSACTIONS, i.e.. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
Income		
6. Residential charges (including rates)	15,745	14,349
7. Non-residential charges		
a. Access (including rates)	1,891	1,535
b. Usage charges	1,870	1,823
8. Trade Waste Charges		
a. Annual Fees	85	78
b. Usage charges	236	127
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	1
10. Interest income	6,119	850
11. Other income	456	736
12. Grants		
a. Grants for acquisition of assets	622	4,134
b. Grants for pensioner rebates	236	235
c. Other grants	-	-
13. Contributions		
a. Developer charges	2,659	966
b. Developer provided assets	1,293	419
c. Other contributions	110	232
14. Total income	<u>31,322</u>	<u>25,485</u>
15. Gain or loss on disposal of assets	(336)	-
16. Operating Result	<u>5,172</u>	<u>1,592</u>
16a. Operating Result (less grants for acquisition of assets)	4,550	(2,542)

Coffs Harbour City Council

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

Includes ALL INTERNAL TRANSACTIONS, i.e.. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	10,499	33,370
c. Renewals	2,575	521
d. Plant and equipment	156	145
18. Repayment of debt		
a. Loans	6,555	5,890
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	19,785	39,926
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	6,722	28,713
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	6,722	28,713
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	21,901	21,560
b. Residential (unoccupied, i.e.. vacant lot)	991	1,097
c. Non-residential (occupied)	1,389	1,385
d. Non-residential (unoccupied, i.e.. vacant lot)	114	115
26. Number of ETs for which developer charges were received	571 ET	217 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 236,376	\$ 234,695

Coffs Harbour City Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2010

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (i.e. rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2009/10 (page 47 of Guidelines)			<input type="text" value="526,516"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="526,516"/>

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

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

Coffs Harbour City Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, i.e.. prepared on a Gross Basis.
as at 30 June 2010

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	67	-	67
b. Special purpose grants	56	-	56
c. Accrued leave	-	-	-
d. Unexpended loans	34,788	17,132	51,920
e. Sinking fund	-	-	-
f. Other	20,995	-	20,995
32. Receivables			
a. Specific purpose grants	1,532	-	1,532
b. Rates and charges	1,262	198	1,460
c. Other	7	119	126
33. Inventories	38	-	38
34. Property, plant and equipment			
a. System assets	-	310,315	310,315
b. Plant and equipment	-	1,505	1,505
35. Other assets	1	-	1
36. Total Assets	<u>58,746</u>	<u>329,269</u>	<u>388,015</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	1,533	-	1,533
39. Borrowings			
a. Loans	6,876	124,476	131,352
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	<u>8,409</u>	<u>124,476</u>	<u>132,885</u>
42. NET ASSETS COMMITTED	<u>50,337</u>	<u>204,793</u>	<u>255,130</u>
EQUITY			
42. Accumulated surplus			201,030
44. Asset revaluation reserve			54,100
45. TOTAL EQUITY			<u>255,130</u>
Note to system assets:			
46. Current replacement cost of system assets			390,659
47. Accumulated current cost depreciation of system assets			(80,344)
48. Written down current cost of system assets			<u>310,315</u>

Coffs Harbour City Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2010

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Coffs Harbour City Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2010

\$'000	Actual ⁽¹⁾ 09/10	Forecast 10/11	Forecast 11/12	Forecast 12/13	Forecast 13/14
(i) RECURRENT BUDGET					
Income from continuing operations	152,024	152,548	127,095	130,353	136,941
Expenses from continuing operations	123,218	124,793	124,132	127,069	128,925
Operating Result from Continuing Operations	<u>28,806</u>	<u>27,755</u>	<u>2,963</u>	<u>3,284</u>	<u>8,016</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	50,799	48,776	31,201	21,946	15,371
Replacement/Refurbishment of Existing Assets	6,484	7,497	7,575	6,980	6,886
Total Capital Budget	<u>57,283</u>	<u>56,273</u>	<u>38,776</u>	<u>28,926</u>	<u>22,257</u>
Funded by:					
– Loans	10,314	34,578	9,544	8,012	1,297
– Asset sales	1,957	1,939	1,939	1,939	1,939
– Reserves	9,527	3,832	4,428	3,866	3,414
– Grants/Contributions	35,485	11,538	18,587	10,712	11,088
– Recurrent revenue	-	4,386	4,278	4,397	4,519
– Other	-	-	-	-	-
	<u>57,283</u>	<u>56,273</u>	<u>38,776</u>	<u>28,926</u>	<u>22,257</u>

Notes:

(1) From 09/10 Income Statement.

(2) New Capital Works are major non-recurrent projects, e.g. new Storm Water Drainage, new Swimming pool etc.