

Coffs Harbour City Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

*Connected
Sustainable
Thriving*



Coffs Harbour City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*Connected
Sustainable
Thriving*



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

Corner Coff and Castle Streets
Coffs Harbour NSW 2450

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

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Coffs Harbour City Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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


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

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


Signed in accordance with a resolution of Council made on 22 October 2020.



Denise Knight
Mayor
22 October 2020



Michael Adendorff
Councillor
22 October 2020



Steve McGrath
General Manager
22 October 2020



Mark Griffioen
Responsible Accounting Officer
22 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
98,664	Rates and annual charges	3a	102,294	98,458
44,303	User charges and fees	3b	43,812	45,088
16,000	Other revenues	3c	9,089	16,627
14,184	Grants and contributions provided for operating purposes	3d,3e	15,248	13,651
22,541	Grants and contributions provided for capital purposes	3d,3e	38,857	34,484
5,153	Interest and investment income	4	5,321	6,915
2,263	Rental income	14c	2,525	–
203,108	Total income from continuing operations		217,146	215,223
Expenses from continuing operations				
50,306	Employee benefits and on-costs	5a	48,853	45,888
8,814	Borrowing costs	5b	8,800	9,934
59,020	Materials and contracts	5c	56,049	55,502
45,350	Depreciation and amortisation	5d	50,324	45,820
15,614	Other expenses	5e	14,235	13,808
–	Net losses from the disposal of assets	6	15,334	3,807
–	Revaluation decrement / impairment of IPP&E	5d	907	–
179,104	Total expenses from continuing operations		194,502	174,759
24,004	Operating result from continuing operations		22,644	40,464
24,004	Net operating result for the year		22,644	40,464
24,004	Net operating result attributable to council		22,644	40,464
1,463	Net operating result for the year before grants and contributions provided for capital purposes		(16,213)	5,980

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		22,644	40,464
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11(a)	265,683	84,843
Other movements		(29)	–
Total items which will not be reclassified subsequently to the operating result		265,654	84,843
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain/(loss) on revaluation of financial assets at fair value through other comprehensive income (other than equity instruments)		241	–
Other movements		–	(22)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		241	(22)
Total other comprehensive income for the year		265,895	84,821
Total comprehensive income for the year		288,539	125,285
Total comprehensive income attributable to Council		288,539	125,285

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	32,928	21,434
Investments	7(b)	73,100	100,571
Receivables	8	12,797	18,724
Inventories	9a	1,922	2,039
Contract assets	13a	3,239	–
Other	9b	670	321
Current assets classified as 'held for sale'	10	2,940	505
Total current assets		<u>127,596</u>	<u>143,594</u>
Non-current assets			
Investments	7(b)	119,200	101,309
Receivables	8	3,709	2,841
Infrastructure, property, plant and equipment	11(a)	2,370,094	2,096,782
Intangible Assets	12	52,600	54,251
Right of use assets		–	–
Other	9b	894	1,022
Total non-current assets		<u>2,546,497</u>	<u>2,256,205</u>
Total assets		<u>2,674,093</u>	<u>2,399,799</u>
LIABILITIES			
Current liabilities			
Payables	15	10,750	9,311
Income received in advance	15	–	3,717
Contract liabilities	13b	5,265	–
Borrowings	15	15,845	16,416
Provisions	16	14,679	14,211
Total current liabilities		<u>46,539</u>	<u>43,655</u>
Non-current liabilities			
Borrowings	15	107,708	123,554
Provisions	16	10,494	9,964
Total non-current liabilities		<u>118,202</u>	<u>133,518</u>
Total liabilities		<u>164,741</u>	<u>177,173</u>
Net assets		<u>2,509,352</u>	<u>2,222,626</u>
EQUITY			
Accumulated surplus		1,431,593	1,410,006
Revaluation reserves	17	1,077,759	812,076
Financial asset revaluation reserve	17	–	544
Council equity interest		<u>2,509,352</u>	<u>2,222,626</u>
Total equity		<u>2,509,352</u>	<u>2,222,626</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20				as at 30/06/19			
		Accumulated surplus	IPP&E revaluation reserve	Financial Asset Revaluation Reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial Asset Revaluation Reserve	Total equity
Opening balance		1,410,006	812,076	544	2,222,626	1,369,570	727,233	566	2,097,369
Adoption of new accounting standards – not retrospective		–	–	–	–	(28)	–	–	(28)
Changes due to AASB 1058 and AASB 15 adoption	17	(1,813)	–	–	(1,813)	–	–	–	–
Restated opening balance		1,408,193	812,076	544	2,220,813	1,369,542	727,233	566	2,097,341
Net operating result for the year		22,644	–	–	22,644	40,464	–	–	40,464
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	11(a)	–	265,683	–	265,683	–	84,843	–	84,843
– Gain (loss) on revaluation of available for sale investments		544	–	(544)	–	–	–	(22)	(22)
– Gain (loss) on revaluation of other reserves		(29)	–	–	(29)	–	–	–	–
– Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		241	–	–	241	–	–	–	–
Other comprehensive income		756	265,683	(544)	265,895	–	84,843	(22)	84,821
Total comprehensive income		23,400	265,683	(544)	288,539	40,464	84,843	(22)	125,285
Equity – balance at end of the reporting period		1,431,593	1,077,759	–	2,509,352	1,410,006	812,076	544	2,222,626

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
–			548	271
36,725			31,647	34,455
5,153			5,409	6,661
98,664			104,024	98,146
44,303			42,040	50,591
18,263			25,635	25,001
Payments:				
(50,306)			(48,195)	(46,953)
(59,020)			(63,202)	(65,210)
(8,814)			(8,907)	(9,920)
(15,614)			(17,751)	(9,341)
69,354		18b	71,248	83,701
Cash flows from investing activities				
Receipts:				
88,881			113,905	83,069
–			872	1,735
Payments:				
(92,000)			(103,901)	(94,590)
(66,745)			(54,206)	(60,601)
–			–	(101)
(69,864)			(43,330)	(70,488)
Cash flows from financing activities				
Receipts:				
7,600			–	–
Payments:				
(21,340)			(16,424)	(14,274)
(13,740)			(16,424)	(14,274)
(14,250)			11,494	(1,061)
212,786		18a	21,434	22,495
198,536		18a	32,928	21,434
–		7(b)	192,300	201,880
198,536			225,228	223,314

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not-for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 23 – Material budget variations

and are clearly marked.

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (ii) estimated tip remediation provisions – refer Note 16
- (iii) employee benefit provisions – refer Note 16.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

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

- General purpose operations
- Water Supply
- Sewerage Service
- Coffs Harbour Airport
- CitySmart Solutions
- Coastal Works
- Coffs Harbour Laboratory
- Coffs Coast Holiday Parks & Crown Reserves

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council have a number of volunteers working across a variety of areas of Council providing services that would not be able to be delivered if not for the volunteers. Volunteers provide services to Council operations, Section 355 venues and strategic committees.

Council have developed a volunteer policy. In this policy Councils estimated volunteer work hours per year and costs based upon minimum wages excluding on-costs. Council maintains records of volunteers but does not have the systems to record and cost the hours volunteers spend on services to enable Council to reliably measure volunteer service costs.

Council regards the financial impact of volunteer services to be immaterial to the financial report for this financial year and future financial years and accordingly Council has elected not to recognise volunteer services under AASB 1058 in this financial report.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 17.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Governance Services	122	141	4,224	4,066	(4,102)	(3,925)	–	–	69	118
Office of the General Manager	–	–	953	635	(953)	(635)	–	–	12	4
Domestic Waste Management	23,544	22,187	17,357	15,351	6,187	6,836	–	–	10,504	10,147
Non Domestic Waste Management	7,708	7,582	6,324	5,516	1,384	2,066	74	107	8,187	9,116
Coffs Harbour Airport	7,383	8,219	6,377	5,145	1,006	3,074	996	–	84,935	88,720
Business Systems	408	376	4,570	4,642	(4,162)	(4,266)	–	–	1,489	1,689
CitySmart Solutions	1,469	2,768	2,936	3,885	(1,467)	(1,117)	–	–	850	3,332
Organisational Development	244	233	3,791	3,627	(3,547)	(3,394)	–	–	–	1
Customer Services	70	64	2,582	2,327	(2,512)	(2,263)	–	–	22	33
Coffs Harbour Laboratory	707	750	681	635	26	115	–	–	1,585	1,582
Coastal Works	2,875	5,306	2,516	4,817	359	489	–	–	35	–
Water Supplies	26,196	28,005	17,170	16,810	9,026	11,195	–	–	442,127	438,962
Sewer Services	35,614	38,779	24,878	25,803	10,736	12,976	–	–	537,974	543,413
Business Services	–	–	365	356	(365)	(356)	–	–	–	–
Financial Services and Logistics	57,771	50,046	24,450	16,896	33,321	33,150	7,889	7,582	268,466	257,423
Sustainable Communities	–	–	321	378	(321)	(378)	–	–	401	–
Cultural Services	5,576	1,170	4,383	3,949	1,193	(2,779)	275	592	8,532	4,155
Community Services	601	112	2,547	2,770	(1,946)	(2,658)	236	71	2,024	339
Sustainable Places	3,148	3,116	6,231	6,119	(3,083)	(3,003)	92	225	409	7
City Prosperity	5,141	4,939	6,430	5,685	(1,289)	(746)	2,702	3,873	1,874	21,704
Sustainable Infrastructure	1,243	829	1,544	1,278	(301)	(449)	1,237	826	3,240	2,991
Infrastructure Construction and Maintenance	27,064	26,542	42,801	31,902	(15,737)	(5,360)	5,815	5,307	1,183,596	946,434
Strategic Asset Management	674	507	2,216	3,371	(1,542)	(2,864)	162	180	44,859	1,310
Business Improvement	–	5	366	314	(366)	(309)	–	–	112	–
Holiday Parks and Reserves	9,588	13,547	8,489	8,482	1,099	5,065	1	338	72,791	68,319
Other	–	–	–	–	–	–	1,181	–	–	–
Total functions and activities	217,146	215,223	194,502	174,759	22,644	40,464	20,660	19,101	2,674,093	2,399,799

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Governance Services

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

Office of the General Manager

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

Domestic Waste Management

Recycling, waste collection and processing, tip facilities.

Non Domestic Waste Management

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

Coffs Harbour Airport

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

Business Systems

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

CitySmart Solutions

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

Organisational Development

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

Customer Services

Provision of administration and customer services, record management.

Coffs Harbour Laboratory

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

Coastal Works

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

Water Supplies

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Sewer Services

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

Business Services

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

Financial Services and Logistics

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

Sustainable Communities

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

Cultural Services

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

Community Services

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

Sustainable Places

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

City Prosperity

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

Sustainable Infrastructure

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

Infrastructure Construction and Maintenance

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

Strategic Asset Management

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

Business Improvement

Support for the Council in Continuous Improvement Program.

Coffs Coast Holiday Parks and Reserves

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	38,181	36,787
Farmland	1058 (1)	925	930
Business	1058 (1)	8,641	8,389
Less: pensioner rebates (mandatory)	1058 (1)	(1,587)	(1,504)
Rates levied to ratepayers		46,160	44,602
Pensioner rate subsidies received	1058 (1)	873	868
Total ordinary rates		47,033	45,470
Special rates			
Environmental	1058 (1)	1,496	1,439
less pensioner rebates (Council policy)	1058 (1)	(137)	(127)
Rates levied to ratepayers		1,359	1,312
Total special rates		1,359	1,312
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	20,977	20,079
Stormwater management services	1058 (1)	724	717
Water supply services	1058 (1)	4,784	4,646
Sewerage services	1058 (1)	26,125	24,939
Waste management services (non-domestic)	1058 (1)	2,011	1,942
Other	1058 (1)	172	168
Less: pensioner rebates (mandatory)	1058 (1)	(875)	(824)
Less: pensioner rebates (Council policy)	1058 (1)	(536)	(507)
Annual charges levied		53,382	51,160
Pensioner subsidies received:			
– Water	1058 (1)	263	261
– Sewerage	1058 (1)	257	255
Total annual charges		53,902	51,676
TOTAL RATES AND ANNUAL CHARGES		102,294	98,458

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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.

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	1,188	945
Water supply services	15 (1)	16,577	15,546
Sewerage services	15 (1)	2,727	2,654
Waste management services (non-domestic)	15 (1)	3,827	3,852
Other	15 (1)	48	39
Total specific user charges		24,367	23,036
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	1,255	1,147
Private works – section 67	15 (1)	229	339
Regulatory/ statutory fees	15 (1)	74	98
Regulatory fees	15 (1)	793	817
Section 10.7 certificates (EP&A Act)	15 (1)	129	128
Section 603 certificates	15 (1)	177	122
Other	15 (1)	43	31
Total fees and charges – statutory/regulatory		2,700	2,682
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	4,743	6,024
Caravan park	15 (1)	8,891	10,496
Cemeteries	15 (1)	321	318
Community centres	15 (1)	163	174
Lease rentals	15 (1)	78	62
Waste disposal tipping fees	15 (1)	985	697
Water supply recovery charges	15 (1)	95	133
Laboratory income	15 (1)	679	695
Sports stadium	15 (1)	141	164
Other	15 (1)	649	607
Total fees and charges – other		16,745	19,370
TOTAL USER CHARGES AND FEES		43,812	45,088

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

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1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)		–	2,647
Fines	15 (1)	450	421
Legal fees recovery – other		–	18
Commissions and agency fees	1058 (1)	27	37
Insurance claims recoveries	1058 (1)	126	68
Airport parking	15 (1)	955	1,296
Conferences	15 (1)	393	370
ICT projects and consultancy	15 (1)	710	1,994
Jetty theatre revenue	15 (1)	197	183
Other	1058 (1)	580	204
Nursery sales		–	(15)
Optical fibre lease	15 (1)	107	93
Banana sales from reuse trial	15 (1)	16	95
Recoverable rates legals	1058 (1)	92	212
Sports stadium food and drink	15 (1)	955	582
Sale of switchboards	15 (1)	652	715
Reimbursements	1058 (1)	269	331
Holiday parks revenue		–	2,172
Risk mitigation incentives	1058 (1)	245	101
Waste revenue	15 (1)	192	173
Sewer revenue	15 (1)	3	13
Coastal Works income	15 (1)	3,120	4,917
TOTAL OTHER REVENUE		9,089	16,627

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

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1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods/services provided.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, whichever is earlier.

2019 accounting policy:

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

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

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

Airport parking revenue is recorded when the payment is received.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	2,651	2,585	–	–
Financial assistance – local roads component	1058 (1)	1,106	1,109	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	2,808	2,680	–	–
Financial assistance – local roads component	1058 (1)	1,174	1,150	–	–
Total general purpose		7,739	7,524	–	–
Specific purpose					
Bushfire and emergency services	1058 (1)	1,063	284	953	542
Community care	1058 (1)	28	26	520	–
Community centres		–	–	–	579
Environmental programs	1058 (1)	243	207	150	52
Heritage and cultural	1058 (1)	25	26	–	–
Library	1058 (1)	465	356	70	41
Noxious weeds	1058 (1)	137	138	–	–
Recreation and culture	1058 (1)	–	–	578	824
Street lighting	1058 (1)	148	148	–	–
Transport (roads to recovery)	1058 (1)	1,382	924	–	–
Transport (other roads and bridges funding)	1058 (1)	1,080	1,104	2,260	1,136
Other	1058 (1)	53	262	217	798
Boat ramps and facilities	1058 (1)	–	–	45	26
Coffs Coast Sport and Leisure Park including CEX Stadium	1058 (1)	100	–	2,532	3,152
Flood studies and mitigation works	1058 (1)	–	–	–	802
Orara river health	1058 (1)	60	150	–	–
Enterprise Park Land Redevelopment	1058 (1)	–	–	812	–
Total specific purpose		4,784	3,625	8,137	7,952
Total grants		12,523	11,149	8,137	7,952
Grant revenue is attributable to:					
– Commonwealth funding		1,779	930	3,499	4,243
– State funding		10,738	10,215	4,638	3,705
– Other funding		6	4	–	4
		12,523	11,149	8,137	7,952

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

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1058 (2) indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	1,991	2,795
S 64 – water supply contributions		1058 (1)	–	–	2,440	4,502
S 64 – sewerage service contributions		1058 (1)	–	–	2,306	4,973
S 64 – stormwater contributions		1058 (1)	–	–	88	104
Other developer contributions		1058 (1)	–	–	223	690
Total developer contributions – cash			<u>–</u>	<u>–</u>	<u>7,048</u>	<u>13,064</u>
Total developer contributions	27		<u>–</u>	<u>–</u>	<u>7,048</u>	<u>13,064</u>
Other contributions:						
Cash contributions						
Bushfire services		1058 (1)	27	3	–	–
Community services		1058 (1)	57	–	–	110
Kerb and gutter		1058 (1)	–	–	–	225
Recreation and culture		1058 (1)	54	62	854	110
Roads and bridges		1058 (1)	–	–	–	15
RMS contributions (regional roads, block grant)		1058 (1)	170	120	–	–
Other		1058 (1)	173	57	257	234
Contributions to works		1058 (1)	1,644	1,716	–	–
Diesel fuel rebate		1058 (1)	183	177	–	–
Vehicle lease payments		1058 (1)	417	367	–	–
Total other contributions – cash			<u>2,725</u>	<u>2,502</u>	<u>1,111</u>	<u>694</u>
Non-cash contributions						
Dedications – subdivisions (other than by s7.11)		1058 (1)	–	–	7,373	7,645
Assets recognised for the first time		1058 (1)	–	–	15,188	5,129
Total other contributions – non-cash			<u>–</u>	<u>–</u>	<u>22,561</u>	<u>12,774</u>
Total other contributions			<u>2,725</u>	<u>2,502</u>	<u>23,672</u>	<u>13,468</u>
Total contributions			<u>2,725</u>	<u>2,502</u>	<u>30,720</u>	<u>26,532</u>
TOTAL GRANTS AND CONTRIBUTIONS			<u>15,248</u>	<u>13,651</u>	<u>38,857</u>	<u>34,484</u>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but include the transfer of sufficiently specific goods or provision of distinct services. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	4,112	4,130
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	4,070
Add: operating grants received for the provision of goods and services in a future period	7,762	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(4,088)
Less: operating grants received in a previous reporting period now spent and recognised as income	(6,403)	–
Unexpended and held as externally restricted assets (operating grants)	5,471	4,112

Unexpended operating grant funds held as externally restricted assets include an advance payment of the 2020/2021 Financial Assistance Grant and funding from the Disaster Recovery Funding Arrangement for the recent bushfires. All amounts are expected to be spent within the next 12 months.

Capital grants

Unexpended at the close of the previous reporting period	924	516
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	1,049
Add: capital grants received for the provision of goods and services in a future period	7,608	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(641)
Less: capital grants received in a previous reporting period now spent and recognised as income	(7,396)	–
Unexpended and held as externally restricted assets (capital grants)	1,136	924

Unexpended capital grant funds held as restricted assets include an upfront payment of the Public Library Infrastructure Grant for the Cultural and Civic Space project and remaining funding from an upfront payment of the Regional Airport Security Screening Fund for a project that is due for completion in 2020/2021. All amounts are expected to be spent within the next 12 months.

Contributions

Unexpended at the close of the previous reporting period	23,680	21,387
Add: contributions recognised as income in the current period but not yet spent	–	13,727
Add: contributions received for the provision of goods and services in a future period	7,367	–
Less: contributions recognised in a previous reporting period now spent	(7,618)	(11,434)
Unexpended and held as externally restricted assets (contributions)	23,429	23,680

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	415	403
– Cash and investments	4,653	6,361
– Deferred debtors	6	9
– Other	1	1
Dividend income (other)	53	35
Fair value adjustments		
– Movements in investments at fair value through profit and loss	183	90
Fair valuation of financial liabilities on recognition		
– Interest free (or favourable) loans and advances received	10	16
<u>Total Interest and investment income</u>	<u>5,321</u>	<u>6,915</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	415	403
General Council cash and investments	863	515
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	329	508
– Section 64	18	88
Water fund operations	537	972
Sewerage fund operations	791	1,524
Domestic waste management operations	558	683
Restricted investments/funds – internal:		
Internally restricted assets	1,810	2,222
<u>Total interest and investment revenue</u>	<u>5,321</u>	<u>6,915</u>

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	40,365	37,239
Employee termination costs	308	216
Employee leave entitlements (ELE)	7,433	7,206
Superannuation – defined contribution plans	3,880	3,669
Superannuation – defined benefit plans	1,083	1,133
Workers' compensation insurance	957	678
Fringe benefit tax (FBT)	46	29
Payroll tax	569	531
Protective clothing	208	181
Other	91	61
Total employee costs	54,940	50,943
Less: capitalised costs	(6,087)	(5,055)
TOTAL EMPLOYEE COSTS EXPENSED	48,853	45,888
Number of 'full-time equivalent' employees (FTE) at year end	551	535

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 21 for more information.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		8,761	9,781
Total interest bearing liability costs		8,761	9,781
Total interest bearing liability costs expensed		8,761	9,781
(ii) Other borrowing costs			
Amortisation of discounts and premiums			
– Remediation liabilities	16	22	108
Interest applicable on interest free (and favourable) loans to Council		17	45
Total other borrowing costs		39	153
TOTAL BORROWING COSTS EXPENSED		8,800	9,934

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	30,429	27,671
Contractor and consultancy costs	66,834	72,908
Auditors remuneration ²	215	187
Legal expenses:		
Expenses from short-term leases (2020 only)	175	–
– Legal expenses: planning and development	735	765
– Legal expenses: other	1,543	696
Other	–	10
Total materials and contracts	99,931	102,237
Less: capitalised costs	(43,882)	(46,735)
TOTAL MATERIALS AND CONTRACTS	56,049	55,502

Accounting policy for materials and contracts

Expenses are recorded on an accruals basis as the council receives the goods or services.

Operating leases (2019 only)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	131	132
Remuneration for audit and other assurance services	131	132

Total Auditor-General remuneration

131	132
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Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Other audit and assurance services	43	53
Remuneration for audit and other assurance services	43	53

(ii) Non-assurance services

Other services	41	2
Remuneration for non-assurance services	41	2

Total remuneration of non NSW Auditor-General audit firms

84	55
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Total Auditor remuneration

215	187
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		4,201	4,042
Office equipment		469	480
Furniture and fittings		210	190
Land improvements (depreciable)		108	106
Infrastructure:	11(a)		
– Buildings – non-specialised		1,266	1,194
– Buildings – specialised		1,500	1,205
– Roads		15,002	14,257
– Bridges		1,336	661
– Footpaths		1,378	878
– Stormwater drainage		2,408	1,832
– Water supply network		6,213	5,337
– Sewerage network		11,170	10,822
– Swimming pools		79	79
– Other open space/recreational assets		2,473	2,251
– Other infrastructure		97	99
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	16,11(a)	1,319	1,251
Intangible assets	12	1,095	1,136
Total gross depreciation and amortisation costs		<u>50,324</u>	<u>45,820</u>
Total depreciation and amortisation costs		<u>50,324</u>	<u>45,820</u>
Impairment / revaluation decrement of IPP&E			
Land Under Roads		351	–
Intangible assets	12	556	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		<u>907</u>	<u>–</u>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		<u>907</u>	<u>–</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>51,231</u>	<u>45,820</u>

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 for IPPE assets and Note 12 for intangible assets.

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

Impairment of non-financial assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

\$ '000	2020	2019
(e) Other expenses		
Training costs (other than salaries and wages)	595	751
Travel expenses	267	75
Bad and doubtful debts	837	–
Bank charges	335	340
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	1,300	1,111
– Contributions to regional parks	418	254
– Other contributions/levies	471	537
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	162	158
Councillors' expenses (incl. mayor) – other (excluding fees above)	37	78
Donations, contributions and assistance to other organisations (Section 356)	1,136	1,195
Electricity and heating	3,880	3,970
Insurance	1,448	1,556
Office expenses (including computer expenses)	94	67
Postage	190	229
Printing and stationery	248	256
Street lighting	573	1,522
Subscriptions and publications	907	663
Telephone and communications	558	546
Valuation fees	225	243
Impairment of Loan to Non Profit Organisations	300	–
Other	210	214
Total other expenses	14,235	13,808
TOTAL OTHER EXPENSES	14,235	13,808

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	112
Less: carrying amount of property assets sold/written off		(5,732)	(970)
Net gain/(loss) on disposal		(5,732)	(858)
Plant and equipment			
	11(a)		
Proceeds from disposal – plant and equipment		872	1,623
Less: carrying amount of plant and equipment assets sold/written off		(623)	(652)
Net gain/(loss) on disposal		249	971
Infrastructure			
	11(a)		
Less: carrying amount of infrastructure assets sold/written off		(9,851)	(3,920)
Net gain/(loss) on disposal		(9,851)	(3,920)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		113,905	83,069
Less: carrying amount of investments sold/redeemed/matured		(113,905)	(83,069)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(15,334)	(3,807)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	4,265	4,278
Cash-equivalent assets		
– Deposits at call	28,663	17,156
Total cash and cash equivalents	32,928	21,434

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost'	51,045	44,042	74,647	36,901
c. 'Loans and receivables'	30	79	35	306
d. 'Financial assets at fair value through other comprehensive income'	22,025	75,079	25,889	64,102
Total Investments	73,100	119,200	100,571	101,309
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	106,028	119,200	122,005	101,309
Financial assets at amortised cost				
Long term deposits	51,045	28,000	72,647	25,901
Floating rate term deposits	–	13,003	2,000	11,000
Fixed coupon bonds	–	3,039	–	–
Total	51,045	44,042	74,647	36,901
Loans and receivables				
Non Profit Organisations	30	379	35	306
Less: Provision for impairment recognised	–	(300)	–	–
Total	30	79	35	306
Financial assets at fair value through other comprehensive income				
NCD's, FRN's (with maturities > 3 months)	22,025	75,079	25,889	61,548
Unlisted equity securities	–	–	–	544
Fixed coupon bonds	–	–	–	2,010
Total	22,025	75,079	25,889	64,102

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

	Fair value at 30/06/20	Dividend income recognised during 1/7/19 – 30/6/20
Financial assets designated as at fair value through other comprehensive income		
The investments shown below are designated as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes.		
Other (Southern Phone Company Limited)	–	53
Total	–	53

Council invested \$2 in the Southern Phone Company Limited an unlisted public company established by a network of local councils under the Federal Government Networking the Nation Scheme in 2002 to promote telecommunications competition and employment in regional Australia. Council accepted an offer from AGL Energy Limited to acquire its shareholding for \$785,714 resulting in a current year profit of \$241,551 over the fair value carrying amount of \$544,163 through the Statement of Comprehensive Income. No other strategic investments were disposed of during 2020, and there were no other transfers of any cumulative gain or loss within equity relating to these investments.

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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

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

Financial assets through profit or loss

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

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

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

Accounting policy under AASB 139 – applicable for 2019 comparatives only

Classification

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

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

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

(b) Held to maturity investments

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

(c) Loans to non profit organisations and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

Recognition and de-recognition

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Impairment of financial assets

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

Impairment of available for sale investments

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

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	106,028	119,200	122,005	101,309
attributable to:				
External restrictions	18,490	109,414	45,876	84,196
Internal restrictions	78,514	9,786	68,342	17,113
Unrestricted	9,024	–	7,787	–
	106,028	119,200	122,005	101,309

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	6,607	–
Specific purpose unexpended loans – water	15,573	19,720
Specific purpose unexpended loans – sewer	11,452	20,277
External restrictions – included in liabilities	33,632	39,997

External restrictions – other

Developer contributions – general	19,819	20,116
Developer contributions – water fund	1,746	1,728
Developer contributions – sewer fund	1,866	1,838
Specific purpose unexpended grants (recognised as revenue) – general fund	–	5,036
Water supplies	11,501	8,991
Transition To Sustainability ("T2S") savings - Water	326	232
Sewerage services	27,957	26,799
Transition To Sustainability ("T2S") savings - Sewer	1,785	1,291
Domestic waste management	29,272	24,044
External restrictions – other	94,272	90,075

Total external restrictions

	127,904	130,072
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments (continued)

\$ '000	2020	2019
Internal restrictions		
Plant and vehicle replacement	14,044	13,266
Employees leave entitlement	11,510	10,419
Deposits, retentions and bonds	2,084	1,237
Unexpended contributions – general	557	336
RMS contributions – Sapphire to Woolgoolga	3,567	3,707
Environmental levy	288	296
Community facilities	3,942	3,704
Coffs Harbour Laboratory business unit	2,221	2,011
Car parking upgrade	21	20
Strategic initiatives	1,887	2,538
Coastal Works business unit	1,225	1,313
RMS contributions – Pine Creek hand over	1,803	1,852
Flood mitigation works	4,744	5,472
CitySmart Solutions business unit	5	68
Unexpended loans – general	1,477	1,477
Coffs Harbour Airport business unit	3,566	5,764
Waste management – non-domestic	13,868	11,409
Infrastructure assets renewal – general	9,383	8,905
CBD masterplan	943	–
Transition To Sustainability ("T2S") savings	6,523	5,784
Renewable energy	407	214
Coffs Coast Holiday Parks and Reserves	3,153	3,595
Special Rate Variation Revotes	754	1,633
General Fund Revotes	208	325
Other	120	110
Total internal restrictions	88,300	85,455
TOTAL RESTRICTIONS	216,204	215,527

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	4,124	2,085	3,979	1,885
Interest and extra charges	421	648	362	741
User charges and fees	3,387	71	2,258	69
Private works	391	–	1,527	–
Accrued revenues				
– Interest on investments	971	–	1,218	–
– User charges and fees	2,115	–	2,194	–
– Other income accruals	–	–	253	–
Government grants and subsidies	435	32	2,245	81
Net GST receivable	367	–	454	–
Airport landing charges	2	625	1,317	43
Switchboard sales	61	–	521	–
Tip charges	335	–	332	–
Lease rentals	304	–	355	–
Coffs Harbour Laboratory	49	–	61	–
Other debtors	679	248	1,741	22
Total	13,641	3,709	18,817	2,841
Less: provision of impairment				
Other debtors	(844)	–	(93)	–
Total provision for impairment – receivables	(844)	–	(93)	–
TOTAL NET RECEIVABLES	12,797	3,709	18,724	2,841
Externally restricted receivables				
Water supply				
– Rates and availability charges	154	103	152	92
– Other	4,232	59	8,208	54
Sewerage services				
– Rates and availability charges	889	602	853	499
– Other	702	10	874	11
Domestic waste management	807	557	729	–
Total external restrictions	6,784	1,331	10,816	656
Internally restricted receivables				
Non Domestic Waste management	34	24	596	–
Internally restricted receivables	34	24	596	–
Unrestricted receivables	5,979	2,354	7,312	2,185
TOTAL NET RECEIVABLES	12,797	3,709	18,724	2,841

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	93	64
+ new provisions recognised during the year	837	49
– amounts already provided for and written off this year	(56)	(15)
– amounts provided for but recovered during the year	(30)	(6)
Balance at the end of the year	844	92

Accounting policy for receivables**Recognition and measurement**

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

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

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

Impairment

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

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

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

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

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

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

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

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Accounting policy under AASB 9 applicable from 1 July 2019

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	1,265	–	1,309	–
Trading stock	657	–	730	–
Total inventories at cost	1,922	–	2,039	–
TOTAL INVENTORIES	1,922	–	2,039	–

(b) Other assets

Prepayments	329	894	321	1,022
Other	341	–	–	–
TOTAL OTHER ASSETS	670	894	321	1,022

Externally restricted assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Water				
Stores and materials	244	–	254	–
Total water	244	–	254	–
Domestic waste management				
Stores and materials	37	–	76	–
Total domestic waste management	37	–	76	–
Total externally restricted assets	281	–	330	–
Total internally restricted assets	30	–	62	–
Total unrestricted assets	2,281	894	1,968	1,022
TOTAL INVENTORIES AND OTHER ASSETS	2,592	894	2,360	1,022

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Non-current assets 'held for sale'				
Land	1,338	–	505	–
Buildings	1,602	–	–	–
Total non-current assets 'held for sale'	2,940	–	505	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>				
	2,940	–	505	–

(ii) Details of assets and disposal groups

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

(iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
Opening balance	505	505
Balance still unsold after 12 months:	505	505
Less: assets no longer classified as 'held for sale'	(505)	–
Plus new transfers in:		
– Assets 'held for sale'	2,940	–
Closing balance of 'held for sale' non-current assets and operations	2,940	505

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period										as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	51,093	–	51,093	16,905	18,662	(308)	–	–	(40,208)	75	–	–	–	46,219	–	46,219
Plant and equipment	44,512	(26,388)	18,124	3,954	54	(739)	(4,201)	–	71	4,550	–	–	–	50,804	(28,991)	21,813
Office equipment	3,259	(2,289)	970	552	93	–	(469)	–	62	(3)	–	–	–	3,904	(2,699)	1,205
Furniture and fittings	4,231	(2,535)	1,696	–	60	–	(210)	–	20	–	–	–	–	4,311	(2,745)	1,566
Land:																
– Operational land	138,573	–	138,573	–	–	2	–	–	–	–	(833)	(151)	35	137,626	–	137,626
– Community land	75,735	–	75,735	–	650	(1,853)	–	–	–	–	–	–	1,302	75,834	–	75,834
– Land under roads (post 30/6/08)	3,489	–	3,489	–	963	–	–	(351)	–	–	–	(444)	–	3,657	–	3,657
Land improvements – depreciable	3,343	(1,795)	1,548	–	17	(14)	(108)	–	58	14	–	–	–	3,412	(1,897)	1,515
Infrastructure:																
– Buildings – non-specialised	72,161	(23,882)	48,279	–	209	–	(1,266)	–	391	–	(1,602)	(180)	–	70,282	(24,451)	45,831
– Buildings – specialised	112,204	(32,498)	79,706	2,401	338	(3,750)	(1,500)	–	13,923	1,903	–	–	–	125,688	(32,667)	93,021
– Roads	588,068	(180,224)	407,844	2,456	583	(2,071)	(15,002)	–	6,618	3,265	–	–	112,646	672,424	(156,085)	516,339
– Bridges	73,820	(9,106)	64,714	–	1	(152)	(1,336)	–	780	(1,831)	–	–	2,960	102,431	(37,295)	65,136
– Footpaths	57,253	(11,111)	46,142	164	561	(73)	(1,378)	–	1,863	3,544	–	–	6,536	73,249	(15,890)	57,359
– Bulk earthworks (non-depreciable)	138,665	–	138,665	494	52	(46)	–	–	495	1,482	–	–	117,609	258,751	–	258,751
– Stormwater drainage	213,148	(48,434)	164,714	218	3,335	(5,028)	(2,408)	–	3,719	434	–	–	17,654	249,863	(67,225)	182,638
– Water supply network	466,432	(122,156)	344,276	1,868	927	(383)	(6,213)	–	2,711	45	–	–	3,261	475,926	(129,434)	346,492
– Sewerage network	676,376	(201,743)	474,633	992	2,396	(1,171)	(11,170)	–	2,953	285	–	–	4,455	687,529	(214,156)	473,373
– Swimming pools	4,713	(2,539)	2,174	–	–	–	(79)	–	–	–	–	–	–	4,713	(2,618)	2,095
– Other open space/recreational assets	65,530	(37,045)	28,485	260	955	(330)	(2,473)	–	6,533	1,492	–	–	–	74,171	(39,249)	34,922
– Other infrastructure	1,191	(475)	716	–	–	–	(97)	–	–	–	–	–	–	1,191	(572)	619
Other assets:																
– Other	1,249	–	1,249	–	9	–	–	–	12	–	–	–	–	1,270	–	1,270
Reinstatement, rehabilitation and restoration assets (refer Note 13):																
– Tip assets	7,904	(3,947)	3,957	–	–	–	(1,319)	–	–	175	–	–	–	8,079	(5,266)	2,813
Total Infrastructure, property, plant and equipment	2,802,949	(706,167)	2,096,782	30,264	29,865	(15,916)	(49,229)	(351)	1	15,430	(2,435)	(775)	266,458	3,131,334	(761,240)	2,370,094

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

Notes to the Financial Statements for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARF)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	28,089	–	28,089	32,683	8,157	(297)	–	(18,526)	–	–	987	51,093	–	51,093
Plant and equipment	41,100	(24,888)	16,212	5,287	778	(600)	(4,042)	80	(56)	–	465	44,512	(26,388)	18,124
Office equipment	2,552	(1,752)	800	244	369	–	(480)	–	(3)	–	40	3,259	(2,289)	970
Furniture and fittings	3,871	(2,249)	1,622	–	54	–	(190)	–	3	–	207	4,231	(2,535)	1,696
Land:														
– Operational land	134,528	–	134,528	–	–	–	–	–	–	–	4,045	138,573	–	138,573
– Community land	39,903	–	39,903	–	–	–	–	–	–	–	35,832	75,735	–	75,735
– Land under roads (post 30/6/08)	3,046	–	3,046	–	–	–	–	–	–	–	443	3,489	–	3,489
Land improvements – depreciable	21,733	(16,922)	4,811	108	136	(2)	(106)	4	(4,165)	–	762	3,343	(1,795)	1,548
Infrastructure:														
– Buildings – non-specialised	67,352	(20,728)	46,624	26	629	(5)	(1,194)	1,046	–	–	1,153	72,161	(23,882)	48,279
– Buildings – specialised	90,466	(21,533)	68,933	1,136	134	(965)	(1,205)	1,405	(6)	–	10,274	112,204	(32,498)	79,706
– Roads	576,964	(164,847)	412,117	1,003	1,475	(486)	(14,257)	5,400	183	–	2,409	588,068	(180,224)	407,844
– Bridges	73,329	(8,520)	64,809	270	–	(204)	(661)	570	(70)	–	–	73,820	(9,106)	64,714
– Footpaths	54,940	(10,177)	44,763	471	791	(101)	(878)	790	36	–	270	57,253	(11,111)	46,142
– Bulk earthworks (non-depreciable)	137,440	–	137,440	309	255	(142)	–	447	22	–	334	138,665	–	138,665
– Stormwater drainage	204,977	(46,521)	158,456	287	3,616	(150)	(1,832)	3,700	18	–	619	213,148	(48,434)	164,714
– Water supply network	454,401	(114,994)	339,407	384	2,632	(1,166)	(5,337)	2,593	49	–	5,714	466,432	(122,156)	344,276
– Sewerage network	657,331	(187,703)	469,628	2,009	4,608	(652)	(10,822)	1,207	(11)	–	8,666	676,376	(201,743)	474,633
– Swimming pools	4,356	(1,989)	2,367	–	–	–	(79)	–	–	(114)	–	4,713	(2,539)	2,174
– Other open space/recreational assets	23,772	(12,588)	11,184	504	1,516	(252)	(2,251)	1,284	4,001	–	12,499	65,530	(37,045)	28,485
– Other infrastructure	–	–	–	–	–	–	(99)	–	(13)	–	828	1,191	(475)	716
Other assets:														
– Other	1,885	–	1,885	–	9	–	–	–	–	(645)	–	1,249	–	1,249
Reinstatement, rehabilitation and restoration assets (refer Note 13):														
– Tip assets	4,615	(2,696)	1,919	3,085	–	–	(1,251)	–	204	–	–	7,904	(3,947)	3,957
Total Infrastructure, property, plant and equipment	2,626,650	(638,107)	1,988,543	47,806	25,159	(5,022)	(44,684)	–	192	(759)	85,547	2,802,949	(706,167)	2,096,782

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

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

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

When infrastructure, property, plant and equipment are acquired by Council at significantly below fair value' the assets are initially recognised at their fair value at acquisition date.

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

Plant and equipment	Years	Land Improvements	Years
Office equipment	3 to 20	Activity Area	20 to 80
Office furniture	5 to 25		
Computer equipment	3		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings	10 to 184
Other plant and equipment	5 to 15		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	11 to 159	Drains	80 to 150
Pump stations	68 to 98	Pipes, pits and culverts	60 to 120
Mains	59 to 168	Gross pollutant traps	70 to 80
Treatment plants	23 to 163		
Telemetry	10 to 15		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	18 to 60	Bulk earthworks	Infinite
Sealed roads: structure	40 to 60	Swimming pools	50
Unsealed roads	10	Other open space/recreational assets	5 to 100
Bridge: concrete	30 to 100	Playground equipment	20
Bridge: other	60 to 80	Benches, seats etc.	20
Footpaths and cycleways	15 to 60		
Kerb, gutter and paths	75 to 200		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

These Rural Fire Service assets are recognised as land, buildings, plant and vehicle assets of the Council in these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	5,140	–	5,140	3,450	–	3,450
Plant and equipment	1,822	1,748	74	1,822	1,683	139
Office equipment	237	237	–	237	237	–
Land						
– Operational land	5,258	–	5,258	5,259	–	5,259
Buildings	915	1	914	–	–	–
Infrastructure	475,521	129,320	346,201	466,030	122,048	343,982
Total water supply	488,893	131,306	357,587	476,798	123,968	352,830
Sewerage services						
WIP	5,371	–	5,371	3,501	–	3,501
Plant and equipment	83	77	6	83	75	8
Office equipment	150	75	75	72	72	–
Furniture and fittings	80	80	–	80	80	–
Land						
– Operational land	13,368	–	13,368	13,369	–	13,369
Buildings	1,813	99	1,714	806	93	713
Infrastructure	686,056	213,882	472,174	674,917	201,486	473,431
Total sewerage services	706,921	214,213	492,708	692,828	201,806	491,022
Domestic waste management						
WIP	350	–	350	337	–	337
Plant and equipment	161	157	4	161	157	4
Office equipment	4	4	–	4	4	–
Land						
– Operational land	6,473	–	6,473	6,455	–	6,455
Buildings	1,308	431	877	1,286	420	866
Other structures	325	102	223	325	93	232
Infrastructure	4,444	2,896	1,548	3,960	2,076	1,884
Total DWM	13,065	3,590	9,475	12,528	2,750	9,778
TOTAL RESTRICTED IPP&E	1,208,879	349,109	859,770	1,182,154	328,524	853,630

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
(a) Software		
Opening values at 1 July		
Gross book value	3,037	2,865
Accumulated amortisation	(1,902)	(1,281)
Net book value – opening balance	1,135	1,584
Movements for the year		
– Purchases	–	100
– Amortisation charges	(508)	(549)
Closing values at 30 June		
Gross book value	3,038	3,037
Accumulated amortisation	(2,411)	(1,902)
Total software – net book value	627	1,135
(b) Other		
Regional Water Supply		
Opening values at 1 July		
Gross book value	59,880	59,880
Accumulated amortisation	(8,684)	(8,098)
Net book value – opening balance	51,196	51,782
Movements for the year		
– Amortisation charges	(586)	(586)
Closing values at 30 June		
Gross book value	59,880	59,880
Accumulated amortisation	(9,271)	(8,684)
Total Regional Water Supply – net book value	50,609	51,196

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets (continued)

\$ '000	2020	2019
Goodwill		
Opening values at 1 July		
Gross book value	1,920	1,920
Net book value – opening balance	1,920	1,920
Movements for the year		
– Impairment charges	(556)	–
Closing values at 30 June		
Gross book value	1,920	1,920
Accumulated impairment	(556)	–
Total Goodwill – net book value	1,364	1,920
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	52,600	54,251

Accounting policy for intangible assets

Goodwill on Acquisition of Commercial Operations

Councils goodwill has arisen from the acquisition of the Coffs Harbour Airport Security Carpark business in 2014. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is an indefinite life intangible asset and is tested for impairment annually based upon the value in use method of valuation.

The impairment test was conducted at 30 June 2020 and the value in use indicated that there was impairment of the carrying amount of \$556,034.

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

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

Regional Water Supply Scheme Intangible Asset

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

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

Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development and software 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities

Note 13. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Other	3,239	–
Total Contract assets	3,239	–

Impairment

Council has contracts with customers that required the performance of work and incurrence of costs at balance date that are recoverable in the subsequent financial year. These assets have been assessed for impairment based upon the credit risk of the customers which are state and federal government authorities and no impairment loss was recognised.

\$ '000	2020 Current	2020 Non-current
(i) Externally restricted assets		
Externally restricted assets		
Other (Grants and Contributions)	2,945	–
Total externally restricted assets	2,945	–
Internally restricted assets		
Other (City Smart Solutions)	259	–
Other (Coastal Works)	35	–
Total internally restricted assets	294	–
Total restricted assets	3,239	–
Total contract assets	3,239	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	1,121	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,647	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	557	–
Total grants received in advance		3,325	–
User fees and charges received in advance:			
Upfront fees – Coffs Coast Holiday Parks	(iii)	1,343	–
Other		597	–
Total user fees and charges received in advance		1,940	–
Total contract liabilities		5,265	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

Notes

(i) Council has received funding to construct assets including library and airport infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Upfront fees for the Coffs Coast Holiday Parks do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue when the accommodation booking is completed.

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Water	361	–
Sewer	3	–
Unspent grants held as contract liabilities (excl. Water & Sewer)	3,074	–
Other (Domestic Waste)	93	–
Contract liabilities relating to externally restricted assets	3,531	–
Internally restricted assets		
Other (Non Domestic Waste)	76	–
Other (Business Units)	1,564	–
Other (Prepaid Income)	94	–
Contract liabilities relating to internally restricted assets	1,734	–
Total contract liabilities relating to restricted assets	5,265	–
Total contract liabilities	5,265	–

\$ '000	2020
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(ii) Revenue recognised (during the financial year) from opening contract liability balances**Grants and contributions received in advance:**

Capital grants (to construct Council controlled assets)	925
Operating grants (received prior to performance obligation being satisfied)	552
Capital contributions (to construct Council controlled assets)	67
Operating contributions (received prior to performance obligation being satisfied)	269

Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period

1,813

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases

(i) Council as a lessee

Buildings

Council leases two buildings for the operations of CitySmart Solutions business unit and a short term storage facility for the Museum Collection. The leases are generally between 12 and 18 months, with provision for the occupation to continue after lease expiry by agreement of both parties on a month by month basis.

The building leases contains an annual pricing mechanism based on fixed increases at a date specified in the lease agreement.

Council does not believe that the leases in place, both of which are short term, are material from a statement of financial position or performance perspective.

\$ '000	2020
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(a) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

Expenses relating to short-term leases	175
	175

(b) Statement of Cash Flows

Total cash outflow for leases	(175)
	(175)

Accounting policy**Accounting policies under AASB 16 – applicable from 1 July 2019**

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)**Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Refer also to Note 5c.

(ii) Council as a lessor**(c) Operating leases**

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E in the Statement of Financial Position.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2020
(i) Operating lease income	
Council properties	
Lease income (excluding variable lease payments not dependent on an index or rate)	1,911
Other lease income	
Room/Facility Hire	244
Licence and Agistment Agreements	370
Total income relating to operating leases	2,525

Accounting policy**Council as a lessor**

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*. The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	2,075	–	–	–
Goods and services – operating expenditure	949	–	845	–
Goods and services – capital expenditure	1,106	–	2,023	–
Accrued expenses:				
– Borrowings	1,010	–	1,157	–
– Salaries and wages	516	–	658	–
– Other expenditure accruals	2,393	–	2,954	–
Security bonds, deposits and retentions	2,084	–	1,536	–
Other	617	–	138	–
Total payables	10,750	–	9,311	–
Income received in advance (2019 only)				
Payments received in advance	–	–	3,717	–
Total income received in advance	–	–	3,717	–
Borrowings				
Loans – secured ¹	15,845	107,708	16,416	123,554
Total borrowings	15,845	107,708	16,416	123,554
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>26,595</u>	<u>107,708</u>	<u>29,444</u>	<u>123,554</u>

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	7,343	44,226	7,048	50,665
Sewer	8,504	50,181	8,160	57,585
Domestic waste management	323	–	454	–
Payables and borrowings relating to externally restricted assets	16,170	94,407	15,662	108,250
Internally restricted assets				
Non Domestic Waste management	264	–	372	–
Payables and borrowings relating to internally restricted assets	264	–	372	–
Total payables and borrowings relating to restricted assets	16,434	94,407	16,034	108,250
Total payables and borrowings relating to unrestricted assets	10,161	13,301	13,410	15,304
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>26,595</u>	<u>107,708</u>	<u>29,444</u>	<u>123,554</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	2020	2019
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	2,084	1,536
Total payables and borrowings	2,084	1,536

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	139,970	(16,417)	–	–	–	–	123,553
TOTAL	139,970	(16,417)	–	–	–	–	123,553

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	154,215	(15,194)	–	–	949	139,970
TOTAL	154,215	(15,194)	–	–	949	139,970

\$ '000	2020	2019
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	1,200	1,200
Loan facilities	123,553	139,970
Total financing arrangements	124,753	141,170

Drawn facilities as at balance date:

– Credit cards/purchase cards	207	310
– Loan facilities	123,553	139,970
Total drawn financing arrangements	123,760	140,280

Undrawn facilities as at balance date:

– Credit cards/purchase cards	993	890
Total undrawn financing arrangements	993	890

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

Additional financing arrangements information

Breaches and defaults

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

Security over loans

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	3,827	–	3,427	–
Sick leave	161	–	201	–
Long service leave	8,909	1,165	8,811	866
Accrued leave	170	–	188	–
ELE on-costs	1,612	142	1,584	109
Sub-total – aggregate employee benefits	14,679	1,307	14,211	975
Asset remediation/restoration:				
Tip asset remediation & restoration	–	9,187	–	8,989
Sub-total – asset remediation/restoration	–	9,187	–	8,989
TOTAL PROVISIONS	14,679	10,494	14,211	9,964

(a) Provisions relating to restricted assets**Externally restricted assets**

Water	1,611	146	1,365	123
Sewer	1,063	96	701	61
Domestic waste management	169	5,068	134	4,501
Provisions relating to externally restricted assets	2,843	5,310	2,200	4,685

Internally restricted assets

Non Domestic Waste Management	139	4,146	110	3,683
Provisions relating to internally restricted assets	139	4,146	110	3,683

Total provisions relating to restricted assets**Total provisions relating to unrestricted assets****TOTAL PROVISIONS**

\$ '000	2020	2019
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	10,612	9,918
	10,612	9,918

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
2020						
At beginning of year	3,427	201	9,677	1,693	188	15,186
Additional provisions	3,305	1,209	1,350	61	(18)	5,907
Amounts used (payments)	(2,905)	(1,249)	(953)	–	–	(5,107)
Total ELE provisions at end of year	3,827	161	10,074	1,754	170	15,986
2019						
At beginning of year	3,365	181	9,639	1,904	212	15,301
Additional provisions	3,248	20	1,542	(211)	–	4,599
Amounts used (payments)	(3,186)	–	(1,505)	–	(24)	(4,715)
Other	–	–	1	–	–	1
Total ELE provisions at end of year	3,427	201	9,677	1,693	188	15,186

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	8,989	8,989
Remeasurement effects	175	175
Unwinding of discount	23	23
Total other provisions at end of year	9,187	9,187
2019		
At beginning of year	5,592	5,592
Remeasurement effects	2,583	2,583
Unwinding of discount	100	100
Other	714	714
Total other provisions at end of year	8,989	8,989

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors**Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

Financial Asset Revaluation Reserve

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

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.
- Recognition of prepaid income and deposits relating to Coffs Coast Holiday Parks as a contract liabilities.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	1,813
– Under AASB 1058	–
Total Contract liabilities	<u>1,813</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	32,928	–	–	32,928	
Investments	73,100	–	–	73,100	
Receivables	12,797	3,239	–	16,036	
Inventories	1,922	–	–	1,922	
Contract assets	3,239	(3,239)	–	–	
Other	670	–	–	670	
Current assets classified as 'held for sale'	2,940	–	–	2,940	
Total current assets	127,596	–	–	127,596	
Current liabilities					
Payables	10,750	5,265	–	16,015	
Contract liabilities	5,265	(5,265)	1,813	1,813	
Borrowings	15,845	–	–	15,845	
Provisions	14,679	–	–	14,679	
Total current liabilities	46,539	–	1,813	48,352	
Non-current assets					
Investments	119,200	–	–	119,200	
Receivables	3,709	–	–	3,709	
Infrastructure, property, plant and equipment	2,370,094	–	–	2,370,094	
Intangible assets	52,600	–	–	52,600	
Other	894	–	–	894	
Total non-current assets	2,546,497	–	–	2,546,497	
Non-current liabilities					
Borrowings	107,708	–	–	107,708	
Provisions	10,494	–	–	10,494	
Total Non-current liabilities	118,202	–	–	118,202	
Net assets	2,509,352	–	(1,813)	2,507,539	
Equity					
Accumulated surplus	1,431,593	–	(1,813)	1,429,780	
Revaluation reserves	1,077,759	–	–	1,077,759	
Council equity interest	2,509,352	–	(1,813)	2,507,539	
Total equity	2,509,352	–	(1,813)	2,507,539	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

The significant differences in reporting due to the previous standards and adoption of AASBs 15 and 1058 include:

- recognition of Grant receivables and commercial Work in Progress as Contract Assets from 1 July 2019
- recognition of income received in advance such as grants, contribution and prepaid water as Contract Liabilities from 1 July 2019.
- restatement of prior year unspent grant and contributions income previously recognised in accumulated surplus as Contract Liabilities for grants and contributions received in advance.

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	102,294	–	–	102,294	
User charges and fees	43,812	–	–	43,812	
Other revenues	9,089	–	–	9,089	
Grants and contributions provided for operating purposes	15,248	–	–	15,248	
Grants and contributions provided for capital purposes	38,857	–	(1,813)	37,044	
Interest and investment income	5,321	–	–	5,321	
Rental income	2,525	–	–	2,525	
Total Income from continuing operations	217,146	–	(1,813)	215,333	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	48,853	–	–	48,853	
Borrowing costs	8,800	–	–	8,800	
Materials and contracts	56,049	–	–	56,049	
Depreciation and amortisation	50,324	–	–	50,324	
Other expenses	14,235	–	–	14,235	
Net losses from the disposal of assets	15,334	–	–	15,334	
Revaluation decrement / impairment of IPP&E	907	–	–	907	
Total Expenses from continuing operations	194,502	–	–	194,502	
Total Operating result from continuing operations	22,644	–	(1,813)	20,831	
Net operating result for the year	22,644	–	(1,813)	20,831	
Total comprehensive income	288,539	–	(1,813)	286,726	

The remeasurement adjustment of \$1.813m is a restatement of prior year unspent grant and contributions income to Contract Liabilities for grants and contributions received in advance in accordance with AASB 15.

Adjustments to the current year figures for the year ended 30 June 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	–	–	–
Contract liabilities	–	1,813	1,813
Total liabilities	–	1,813	1,813
Accumulated surplus	–	(1,813)	(1,813)
Total equity	–	(1,813)	(1,813)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	32,928	21,434
Balance as per the Statement of Cash Flows		32,928	21,434
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		22,644	40,464
Adjust for non-cash items:			
Depreciation and amortisation		50,324	45,820
Net losses/(gains) on disposal of assets		15,334	3,807
Non-cash capital grants and contributions		(22,590)	(12,774)
Adoption of AASB 15/1058		(1,813)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(183)	(90)
– Favourable financial liabilities (i.e. initial recognition at fair value)		(10)	(16)
– Revaluation decrements / impairments of IPP&E direct to P&L		907	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		17	45
Unwinding of discount rates on reinstatement provisions		23	100
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		4,308	386
Increase/(decrease) in provision for impairment of receivables		751	1
Decrease/(increase) in inventories		117	245
Decrease/(increase) in other current assets		(221)	1,698
Decrease/(increase) in contract assets		(3,239)	–
Increase/(decrease) in payables		104	(920)
Increase/(decrease) in accrued interest payable		(147)	(131)
Increase/(decrease) in other accrued expenses payable		(703)	375
Increase/(decrease) in other liabilities		(615)	1,509
Increase/(decrease) in contract liabilities		5,265	–
Increase/(decrease) in provision for employee benefits		800	(115)
Increase/(decrease) in other provisions		175	3,297
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		71,248	83,701
(c) Non-cash investing and financing activities			
Assets Recognised for the first time		15,188	5,129
Other dedications (developer)		7,373	7,645
Total non-cash investing and financing activities		22,561	12,774

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities

Unconsolidated structured entities

Council did not consolidate the following structured entities:

1. Coffs Coast Regional Parks Trust

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

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

Nature of risks relating to the Unconsolidated Structured Entity

There are no material risks to Council relating to the Coffs Coast Regional Parks Trust. Council has an obligation under the Memorandum of Understanding to contribute financially to the day to day running of the Regional Park.

2. Coffs Harbour Technology Park Limited

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

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

Nature of risks relating to the Unconsolidated Structured Entity

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

3. Prosper Coffs Harbour Limited

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

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

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

Nature of risks relating to the Unconsolidated Structured Entity

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Commitments

\$ '000	2020	2019
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	3,497	346
Sewer network	1,005	262
Transport assets	–	234
Water network	255	799
Recreational surfaces	2,215	1,852
Other	356	118
Total commitments	7,328	3,611
These expenditures are payable as follows:		
Within the next year	7,328	3,611
Total payable	7,328	3,611
Sources for funding of capital commitments:		
Section 7.11 and 64 funds/reserves	1,818	1,621
Unexpended grants	3,245	657
Internally restricted reserves	2,265	1,233
Unexpended loans	–	100
Total sources of funding	7,328	3,611

Details of capital commitments

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times employee contributions

*For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$1,005,117.40. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019 and covers the period ended 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$528,668. Council's expected contribution to the plan for the next annual reporting period is \$977,363.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$544,400 as at 30 June 2020.

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 Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	32,928	21,434	32,927	21,434
Receivables	16,506	21,565	16,480	21,565
Investments				
– 'Financial assets at amortised cost'	95,087	112,092	95,087	112,092
– 'Loans and receivables'	109	341	409	341
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income'	97,104	89,447	97,104	89,447
Total financial assets	241,734	244,879	242,007	244,879
Financial liabilities				
Payables	10,750	9,311	10,749	9,311
Loans/advances	123,553	139,970	145,046	164,440
Total financial liabilities	134,303	149,281	155,795	173,751

Fair value is determined as follows:

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

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

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

The risks associated with the investments held are:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

- **Price risk** - the risk that the capital value of investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments; their issuers; or caused by factors affecting similar instruments traded in a market.

- **Interest rate risk** - the risk that movements in interest rates could affect returns and income.

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

- **Credit risk** - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	2,255	2,255	(2,255)	(2,255)
2019				
Possible impact of a 10% movement in market values	54	54	(54)	(54)
Possible impact of a 1% movement in interest rates	2,201	2,201	(2,201)	(2,201)

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debts and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

The 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 allows Council to sell the property to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

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

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

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	4,834	555	632	188	6,209
2019						
Gross carrying amount	–	3,010	632	1,837	385	5,864

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	4,715	2,871	319	507	2,729	11,141
Expected loss rate (%)	0.41%	0.61%	1.16%	2.33%	2.88%	1.18%
ECL provision	19	18	4	12	79	132
2019						
Gross carrying amount	6,977	4,026	2,022	126	2,643	15,794
Expected loss rate (%)	0.22%	0.33%	0.67%	1.52%	1.83%	0.59%
ECL provision	15	13	14	2	48	92

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	2,084	6,590	–	–	8,674	8,675
Loans and advances	6.40%	–	15,845	60,485	47,223	123,553	123,553
Total financial liabilities		2,084	22,435	60,485	47,223	132,227	132,228
2019							
Trade/other payables	0.00%	1,536	7,774	–	–	9,310	9,311
Loans and advances	6.54%	–	16,416	62,545	61,009	139,970	139,970
Total financial liabilities		1,536	24,190	62,545	61,009	149,280	149,281

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 27/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	98,664	102,294	3,630	4% F
User charges and fees	44,303	43,812	(491)	(1)% U
Other revenues	16,000	9,089	(6,911)	(43)% U
<p>\$7.8M of Coastal Works Business Unit income was originally budgeted on Other Revenues and has since been revised to be budgeted on User Charges in line with where actual income has been received.</p>				
Operating grants and contributions	14,184	15,248	1,064	8% F
Capital grants and contributions	22,541	38,857	16,316	72% F
<p>Includes \$15.2M of primarily Roads and Transport discovered assets recognised through revaluation for the first time. We were not aware these items would be brought to account at the time the original Budget document was compiled</p>				
Interest and investment revenue	5,153	5,321	168	3% F
Rental income	2,263	2,525	262	12% F

Lease income was revised during the year to reflect rental agreements and fluctuation in tenancies.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
EXPENSES					
Employee benefits and on-costs	50,306	48,853	1,453	3%	F
Borrowing costs	8,814	8,800	14	0%	F
Materials and contracts	59,020	56,049	2,971	5%	F
Depreciation and amortisation	45,350	50,324	(4,974)	(11)%	U

Additional depreciation to that originally budgeted due to the \$15.2M of discovered assets recognised as discussed above.

Net losses from disposal of assets	-	15,334	(15,334)	∞	U
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The derecognition of assets resulting from the revaluation process could not be anticipated or quantified in the budget.

Revaluation decrement / impairment of IPP&E	-	907	(907)	∞	U
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The decrement in asset values resulting from the revaluation process could not be anticipated or quantified in the budget. Similarly, the downturn in airport operations due to COVID-19 and the subsequent impairment of the Airport Car Park goodwill could not be anticipated.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	69,354	71,248	1,894	3%	F
Cash flows from investing activities	(69,864)	(43,330)	26,534	(38)%	F

Councils cash flow from investing activities varies from year to year depending on market factors and actual cash flow requirements. The decreases in interest rates through the year coupled with the lower demand for funds from financial institutions has seen Council retain more cash and slightly decreased investment activity.

Cash flows from financing activities	(13,740)	(16,424)	(2,684)	20%	U
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Council did not proceed with the proposed \$2.6m loan borrowings for an offsite storage facility in 2019/20. The \$5m internal loan borrowings was eliminated on consolidation for General Purpose Financial Statement reporting.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	30/06/20	95,087	–	–	95,087
– 'Designated at fair value on initial recognition'	30/06/20	409	–	–	409
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	30/06/20	97,104	–	–	97,104
Total financial assets		192,600	–	–	192,600
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/20	–	–	21,812	21,812
Office equipment	30/06/20	–	–	1,205	1,205
Furniture and fittings	30/06/20	–	–	1,566	1,566
Operational land	30/06/20	–	137,626	–	137,626
Community land	30/06/20	–	–	75,834	75,834
Land under roads (post 30/6/08)	30/06/20	–	–	3,657	3,657
Land improvements – depreciable	30/06/20	–	–	1,515	1,515
Buildings – non-specialised	30/06/20	–	45,832	–	45,832
Buildings – specialised	30/06/20	–	–	93,021	93,021
Other structures	30/06/20	–	–	619	619

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Roads	30/06/20	–	–	516,339	516,339
Bridges	30/06/20	–	–	65,135	65,135
Footpaths	30/06/20	–	–	57,360	57,360
Bulk earthworks (non-depreciable)	30/06/20	–	–	258,750	258,750
Stormwater drainage	30/06/20	–	–	182,638	182,638
Water supply network	30/06/20	–	–	346,493	346,493
Sewerage network	30/06/20	–	–	473,373	473,373
Swimming pools	30/06/20	–	–	2,095	2,095
Other open space/recreational assets	30/06/20	–	–	34,923	34,923
Other assets	30/06/20	–	–	1,271	1,271
Tip asset	30/06/20	–	–	2,813	2,813
Total infrastructure, property, plant and equipment		–	183,458	2,140,419	2,323,877
Non-current assets classified as 'held for sale'					
Operating Land	30/06/20	–	2,940	–	2,940
Total NCA's classified as 'held for sale'		–	2,940	–	2,940

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	30/06/19	111,549	–	–	111,549
– 'Designated at fair value on initial recognition'		341	–	–	341
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)		89,447	–	–	89,447
Other financial assets	30/06/19	–	544	–	544
Total financial assets		201,337	544	–	201,881

Infrastructure, property, plant and equipment

Plant and equipment	30/06/19	–	–	18,124	18,124
Office equipment	30/06/19	–	–	970	970
Furniture and fittings	30/06/19	–	–	1,696	1,696
Operational land	30/06/19	–	138,573	–	138,573
Community land	30/06/19	–	–	75,735	75,735
Land under roads (post 30/6/08)	30/06/19	–	–	3,489	3,489
Land improvements – depreciable	30/06/19	–	–	1,548	1,548
Buildings – non-specialised	30/06/19	–	48,279	–	48,279
Buildings – specialised	30/06/19	–	–	79,706	79,706
Other structures	30/06/19	–	–	716	716
Roads	30/06/19	–	–	407,844	407,844
Bridges	30/06/19	–	–	64,714	64,714
Footpaths	30/06/19	–	–	46,142	46,142
Bulk earthworks (non-depreciable)	30/06/19	–	–	138,665	138,665
Stormwater drainage	30/06/19	–	–	164,714	164,714

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2019	Date of latest valuation	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Water supply network	30/06/19	–	–	344,276	344,276
Sewerage network	30/06/19	–	–	474,633	474,633
Swimming pools	30/06/19	–	–	2,174	2,174
Other open space/recreational assets	30/06/19	–	–	28,485	28,485
Other assets	30/06/19	–	–	1,249	1,249
Tip asset	30/06/19	–	–	3,957	3,957
Total infrastructure, property, plant and equipment		–	186,852	1,858,837	2,045,689
Non-current assets classified as 'held for sale'					
Operating Land	30/06/19	–	505	–	505
Total NCA's classified as 'held for sale'		–	505	–	505

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

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

Financial assets

Financial assets are shares in an unlisted public company valued at the net asset backing derived from the unlisted public company 2018 Audited Financial Statements.

Infrastructure, property, plant and equipment (IPP&E)

Community Land

Assets within the "Community Land" class are Council owned land and managed Crown lands.

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer-General. Currently all Council owned and managed assets in this asset class are based on UCV.

Valuation techniques remained the same for this reporting period.

Operational Land

Council's operational land includes all of Council's land classified as operational land under Local Government Act 1993 and managed Crown land under the Crown Land Management Act 2016, that has been classified as operational by the Department of Lands. The total area of land at the time of the last valuation was 10,704,811 m².

Council's operational land is valued on an annual basis with a comprehensive valuation completed and revalued every five years. APV Valuers Pty Ltd completed the last valuation in May 2018 with a valuation date of 1 July 2017. The new managed operational lands of 45,112 m², were valued by APV Valuers Pty Ltd as at 30th June 2019 for \$4.045 Million.

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

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

This asset class is categorised as Level 2 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

Land Under Roads (post 30/6/08)

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

This asset class is classified as Level 3 asset as significant inputs used in the valuation methodology are unobservable.

Valuation techniques remained the same for this reporting period.

Land Improvements Depreciable

The land improvements asset class consists of recreational surfaces across different playgrounds and parks. This class of assets were viewed and revalued externally by AssetVal Pty Ltd, as at 1 July 2018. Generally the nature of infrastructure assets requires that they be valued using the application of unit rates. Unit rates are developed by summing each component

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

which goes into producing a unit of the asset. The major components of any assets are the raw materials, plant, labour and intangibles. These unit costs are then applied to known measurements of the assets to produce a replacement cost, which is then depreciated to estimate the Fair Value.

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

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

Stormwater Drainage

The stormwater drainage asset class consists of Council's pits and pipes. Independent consultants completed the valuation of these assets using the cost approach and the last valuation was completed as at 1 July 2019. Independent consultants, AssetVal were engaged to assist with the determination of replacement costs and useful lives.

Replacement costs were derived using a combination of published/available market data for recent projects, and/or published cost guides, including allowances for preliminaries and professional fees. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life and pattern of consumption. The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by assumptions based on age and CCTV investigations undertaken across a representative selection of Council's drainage network. To help determine these other significant inputs, 20% of each of the following categories were inspected; detention basins, surface drains, stormwater culverts, gross pollutant traps and 100% of flood warning systems.

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

Valuation techniques remained the same for this reporting period.

Open Space & Recreational Assets

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

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

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

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

Buildings - Non specialised and Specialised

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

Specialised Buildings

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

All other buildings in this class were componentised into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence, other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Valuation techniques remained the same for this reporting period.

Non Specialised Buildings

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

Valuation techniques remained the same for this reporting period.

Bulk Earthworks

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

Independent valuers completed the valuation of these assets using the cost approach and the last valuation was completed as at 1 July 2019. Independent consultants, Talis were engaged to assist in the determination of replacement costs of all bulk earthworks except for the airport runways and taxiways which were valued by AssetVal. The replacement costs (based on unit rates) were determined using a combination of actual construction costs for recent capital works projects, comparisons of lives adopted by comparable local government authorities and first principle calculations of plant, labour and overheads. As bulk earthworks have an infinite remaining useful life the most significant input into this valuation approach are the dimensions of the asset.

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

Valuation techniques remained the same for this reporting period.

Roads

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

The valuation of this class of assets was completed by independent consultants using the cost approach as at 1 July 2019.

Independent consultants, Talis were engaged to assist with the determination of replacement costs and useful lives of all Council's road network excluding the airport runways and taxiways which were valued by independent consultants, AssetVal.

The replacement costs (based on unit rates) were determined using a combination of actual construction costs for recent capital works projects, comparisons of lives adopted by comparable local government authorities and first principle calculations of plant, labour and overheads. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of road. As part of the valuation for all roads and carparks, to determine the condition rating of the assets, Talis undertook a full inventory and condition assessment for each asset component.

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

Valuation techniques remained the same for this reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

Bridges

Council's bridges register consists of all pedestrian and vehicle access bridges. The valuation of bridge assets was undertaken by an independent consultant and completed as at 1 July 2019 as part of the overall Transport category revaluation.

Independent consultants, AssetVal were engaged to assist with the determination of replacement costs and useful lives of all Council's bridges.

Replacement costs were derived using a combination of published/available market data for recent projects, and/or published cost guides, including allowances for preliminaries and professional fees. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life and pattern of consumption. The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by AssetVal inspecting 100% of all Councils bridges.

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

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

Valuation techniques remained the same for this reporting period.

Footpaths

Council's footpath and cycleway networks consist of on-road and off-road paths which may be concrete, sealed or unsealed and include footbridges. For the purpose of asset accounting, on-road paths are considered part of the road network. Off-road paths are the subject of this section.

The valuation of footpaths, cycleways and footbridges were undertaken by independent consultants and completed as at 1 July 2019. AssetVal were engaged to complete the valuation for major footbridges with the bridges valuation and Talis were engaged to complete the valuation for all other footpaths and cycleways.

The replacement costs (based on unit rates) were determined using a combination of actual construction costs for recent capital works projects, comparisons of lives adopted by comparable local government authorities and first principle calculations of plant, labour and overheads. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and material of the footpath/cycleway. As part of the valuation for all footpaths and cycleways, to determine the condition rating of the assets, Talis and AssetVal inspected 100% of all assets in this class.

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

Valuation techniques remained the same for this reporting period.

Swimming Pool

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

Plant & Equipment, Office Equipment and Furniture & Fittings

This asset category includes:

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

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

Valuation techniques remained the same for this reporting period.

Water Network

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

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

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

Sewer Network

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

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

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

Tip Asset

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

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

Others Assets (Artwork & Sculptures)

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

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

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

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

Valuation techniques remained the same for this reporting period.

Non-current assets classified as 'held for sale'

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

The fair value of the Operational Land held for sale was reassessed as part of an independent Operational Land revaluation during the 2019/20 financial year and an increment was recorded in accordance with Australian Accounting Standards.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

\$ '000	Community Land	Land under Roads (post 30/06/08)	Land improvements depreciable	Stormwater drainage	Building specialised
2019					
Opening balance	39,903	3,046	4,811	158,456	68,933
Transfers from/(to) another asset class	–	–	(4,166)	19	(7)
Purchases (GBV)	–	–	244	3,348	1,269
Disposals (WDV)	–	–	–	(150)	(965)
Depreciation and impairment	–	–	(106)	(1,832)	(1,205)
FV gains – other comprehensive income	35,831	443	761	619	10,274
Other movement (WIP Transfers)	–	–	4	3,700	1,405
Other movement (Assets recognised first time)	–	–	–	554	–
Closing balance	75,734	3,489	1,548	164,714	79,704
2020					
Opening balance	75,734	3,489	1,548	164,714	79,704
Transfers from/(to) another asset class	–	(352)	–	(305)	6
Purchases (GBV)	–	963	17	3,553	2,739
Disposals (WDV)	–	–	(14)	(5,028)	(3,750)
Depreciation and impairment	(1,852)	–	(108)	(2,408)	(1,500)
FV gains – Income Statement ¹	1,302	(443)	–	17,654	–
Other movement (WIP Transfers)	–	–	58	3,719	13,923
Other movement (Assets recognised first time)	650	–	14	739	1,899
Closing balance	75,834	3,657	1,515	182,638	93,021

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

\$ '000	Other assets	Roads	Bridges	Footpaths	Bulk earthworks
2019					
Opening balance	1,885	412,117	64,809	44,763	137,440
Transfers from/(to) another asset class	–	183	(70)	35	22
Purchases (GBV)	9	2,478	270	1,263	564
Disposals (WDV)	–	(486)	(204)	(101)	(143)
Depreciation and impairment	–	(14,257)	(661)	(878)	–
FV gains – other comprehensive income	(644)	2,409	–	270	334
Other movement (WIP Transfers)	–	5,400	570	790	447
Closing balance	1,250	407,844	64,714	46,142	138,664
2020					
Opening balance	1,250	407,844	64,714	46,142	138,664
Transfers from/(to) another asset class	–	(528)	(1,917)	1,988	805

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Other assets	Roads	Bridges	Footpaths	Bulk earthworks
Purchases (GBV)	9	3,039	1	725	546
Disposals (WDV)	–	(2,071)	(152)	(73)	(46)
Depreciation and impairment	–	(15,002)	(1,336)	(1,378)	–
FV gains – Income Statement ¹	–	112,646	2,960	6,536	117,609
Other movement (WIP Transfers)	11	6,618	780	1,863	495
Other movement (Assets recognised first time)	–	3,793	86	1,556	678
Closing balance	1,270	516,339	65,136	57,359	258,751

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

\$ '000	Water supply network	Sewer network	Swimming pools	Recreational assets	Office equipment
2019					
Opening balance	339,407	469,628	2,367	11,184	800
Transfers from/(to) another asset class	49	(11)	–	3,989	(3)
Purchases (GBV)	1,682	5,289	–	725	613
Disposals (WDV)	(1,166)	(652)	–	(252)	–
Depreciation and impairment	(5,337)	(10,822)	(79)	(2,351)	(480)
FV gains – other comprehensive income	5,714	8,667	–	12,500	41
FV gains – Income Statement ¹	–	–	(114)	–	–
Other movement (WIP Transfers)	2,593	1,207	–	1,284	–
Other movement (Assets recognised first time)	1,334	1,328	–	2,122	–
Closing balance	344,276	474,634	2,174	29,201	971

2020

Opening balance	344,276	474,634	2,174	29,201	971
Transfers from/(to) another asset class	9	–	–	(2)	(4)
Purchases (GBV)	2,795	3,388	–	1,216	645
Disposals (WDV)	(383)	(1,171)	–	(330)	–
Depreciation and impairment	(6,213)	(11,170)	(79)	(2,570)	(469)
FV gains – Income Statement ¹	3,261	4,455	–	–	–
Other movement (WIP Transfers)	2,711	2,952	–	6,533	62
Other movement (Assets recognised first time)	36	285	–	1,493	–
Closing balance	346,492	473,373	2,095	35,541	1,205

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

\$ '000	Plant and equipment	Furniture and fittings	Tip asset	Total
2019				
Opening balance	16,212	1,622	1,919	1,960,454
Transfers from/(to) another asset class	(43)	3	–	–
Purchases (GBV)	6,065	54	3,085	27,612
Disposals (WDV)	(600)	–	–	(4,724)
Depreciation and impairment	(4,042)	(190)	(1,251)	(44,685)

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Plant and equipment	Furniture and fittings	Tip asset	Total
FV gains – other comprehensive income	465	207	204	83,294
FV gains – Income Statement ¹	–	–	–	(114)
Other movement (WIP Transfers)	81	–	–	18,527
Other movement (Assets recognised first time)	–	–	–	5,338
Other movement (Asset Adjustment)	(12)	–	–	(12)
Closing balance	18,126	1,696	3,957	2,045,690
2020				
Opening balance	18,126	1,696	3,957	1,858,838
Transfers from/(to) another asset class	–	–	175	(125)
Purchases (GBV)	4,006	60	–	23,702
Disposals (WDV)	(739)	–	–	(13,757)
Depreciation and impairment	(4,201)	(210)	(1,319)	(49,815)
FV gains – Income Statement ¹	–	–	–	265,980
Other movement (WIP Transfers)	71	20	–	39,816
Other movement (Assets recognised first time)	4,550	–	–	15,779
Closing balance	21,813	1,566	2,813	2,140,418

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Community Land	Land values obtained from the NSW Valuer-General	Unimproved Capital Value per square metre provided by Valuer General
Land under Roads	Average unit rate of Community Land held	Unimproved Capital Value per square metre provided by Valuer General
Operational Land	Rate per square metre	Rate per square metre
Furniture and Fittings, Office Equipment and Plant and Equipment	Replacement Cost	Gross replacement cost Asset condition Remaining useful life Residual value
Buildings (Specialised)	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Roads	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Bridges	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Footpaths	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Stormwater Drainage	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Water Supply Network	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Sewer Network	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Tip Asset	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Swimming Pools	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Recreational Assets	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Bulk Earthworks	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Land Improvements - Depreciable	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other Assets	Insurance Values (Artworks, Sculptures)	Insurance Values (Artworks, Sculptures)
	Non artworks/sculptures: Gross replacement cost Asset condition Remaining useful life Residual value	Non artworks/sculptures: Gross replacement cost Asset condition Remaining useful life Residual value
Non-current assets classified as 'held for sale'		
Land	Rate per square metre	Rate per square metre
Buildings	Independent external valuation using Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,269	1,278
Post-employment benefits	105	104
Other long-term benefits	347	300
Total	1,721	1,682

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Related party disclosures (continued)

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Supply of hire vehicles ¹	4c	–	–	30 days terms on invoices	–	–
Employee expenses relating to close family members of KMP ²	4a	80	–	Enterprise Agreement and Local Government (NSW) Award	–	–
2019						
Supply of hire vehicles ¹	4c	14	–	30 days terms on invoices	–	–
Employee expenses relating to close family members of KMP ²	4a	75	–	Enterprise Agreement and Local Government (NSW) Award	–	–

¹ Council hired vehicles for use during the 2018/19 financial year from Thrifty Car and Truck Rental, a company which had a member of Council's KMP as a director. The company was sold during the 2018/19 financial year. Previous financial year amounts disclosed were billed on normal hire rates and were due and payable under normal payment terms following the Council's procurement processes.

² Close family members of Council's KMP are employed by Council under the relevant pay award on an arm's length basis. There is 1 close family member of KMP currently employed by Council.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Related party disclosures (continued)

(c) Other related party transactions

\$ '000		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2020						
	Coffs Coast Regional Parks Trust	418	–	Memorandum of Understanding	–	–
	Prosper Coffs Harbour Limited	4	300	Memorandum of Understanding	(300)	300
2019						
	Coffs Coast State Parks Trust	–	–	30 day terms on invoices	–	–
	Coffs Coast Regional Parks Trust	254	–	Memorandum of Understanding	–	–
	Coffs Coast State Parks Trust	–	–	Memorandum of Understanding	–	–
	Prosper Coffs Harbour Limited	3	–	Memorandum of Understanding	–	–

Notes to the Financial Statements
for the year ended 30 June 2020

Note 26. Events occurring after the reporting date

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

At its Ordinary Meeting held 23 July 2020, Council considered and adopted confidential recommendations relating to the ongoing service delivery of Council's swimming pools by Lane 4 Pty Ltd. As a result of the adopted recommendations, the lease held by Lane 4 Pty Ltd for the swimming pool operations at Coffs Harbour, Sawtell and Woolgoolga will cease on 15 October 2020.

Council will take over the daily operation of the three pools for a 4 year term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20					
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
\$ '000	Cash	Non-cash							
Drainage	2,197	89	–	33	–	–	2,319	–	
Roads	5,191	499	–	83	(128)	–	5,645	–	
Traffic facilities	134	79	–	3	(21)	–	195	–	
Parking	772	40	–	11	(28)	–	795	–	
Open space	8,220	1,066	–	122	(1,375)	–	8,033	–	
Community facilities	1,477	61	–	18	(531)	–	1,025	–	
Other	1,583	181	–	22	(365)	–	1,421	–	
S7.11 contributions – under a plan	19,574	2,015	–	292	(2,448)	–	19,433	–	
Total S7.11 and S7.12 revenue under plans	19,574	2,015	–	292	(2,448)	–	19,433	–	
S7.11 not under plans	542	–	–	6	(162)	–	386	–	
S64 contributions	3,566	4,746	–	47	(4,747)	–	3,612	–	
Total contributions	23,682	6,761	–	345	(7,357)	–	23,431	–	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.11 Contributions – under a plan								
City Centre Car Parking								
Parking	645	40	–	10	(24)	–	671	–
Total	645	40	–	10	(24)	–	671	–
Corindi								
Roads	118	–	–	1	(106)	–	13	–
Community facilities	297	–	–	4	(125)	–	176	–
Total	415	–	–	5	(231)	–	189	–
Hearnes Lake / Sandy Beach								
Roads	652	–	–	10	–	–	662	–
Open space	842	–	–	13	–	–	855	–
Total	1,494	–	–	23	–	–	1,517	–
Jetty Area Car Parking								
Parking	55	–	–	–	–	–	55	–
Total	55	–	–	–	–	–	55	–
Korora Rural Residential Release Area								
Roads	551	14	–	8	–	–	573	–
Open space	51	–	–	1	–	–	52	–
Other	61	–	–	–	–	–	61	–
Total	663	14	–	9	–	–	686	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Mines and Extractive Industries								
Roads	56	12	–	1	–	–	69	–
Total	56	12	–	1	–	–	69	–
Moonee Release Area								
Roads	1,982	9	–	30	(5)	–	2,016	–
Open space	741	69	–	11	–	–	821	–
Community facilities	555	33	–	9	–	–	597	–
Total	3,278	111	–	50	(5)	–	3,434	–
North Boambee Valley (East)								
Drainage	45	34	–	1	–	–	80	–
Roads	84	24	–	2	–	–	110	–
Open space	51	6	–	–	(46)	–	11	–
Community facilities	107	18	–	2	–	–	127	–
Other	31	39	–	–	–	–	70	–
Total	318	121	–	5	(46)	–	398	–
North Bonville								
Drainage	301	18	–	4	–	–	323	–
Roads	328	72	–	6	(16)	–	390	–
Open space	246	7	–	4	–	–	257	–
Total	875	97	–	14	(16)	–	970	–
Park Beach								
Traffic facilities	42	15	–	1	–	–	58	–
Parking	21	–	–	–	–	–	21	–
Open space	116	2	–	2	–	–	120	–
Total	179	17	–	3	–	–	199	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
Regional, District and Neighbourhood Facilities and Services									
Open space	5,996	924	–	87	(1,329)	–	5,678	–	
Other	854	111	–	12	(315)	–	662	–	
Total	6,850	1,035	–	99	(1,644)	–	6,340	–	
South Coffs									
Roads	88	–	–	1	–	–	89	–	
Open space	18	–	–	1	–	–	19	–	
Total	106	–	–	2	–	–	108	–	
Surf Rescue Facilities									
Other	134	20	–	2	(50)	–	106	–	
Total	134	20	–	2	(50)	–	106	–	
West Coffs									
Drainage	1,851	37	–	28	–	–	1,916	–	
Roads	282	79	–	6	(1)	–	366	–	
Open space	113	41	–	2	–	–	156	–	
Community facilities	518	10	–	3	(406)	–	125	–	
Other	447	–	–	7	–	–	454	–	
Total	3,211	167	–	46	(407)	–	3,017	–	
West Woolgoolga									
Roads	904	207	–	15	–	–	1,126	–	
Traffic facilities	92	64	–	2	(21)	–	137	–	
Open space	46	17	–	1	–	–	64	–	
Other	56	11	–	1	–	–	68	–	
Total	1,098	299	–	19	(21)	–	1,395	–	
Woolgoolga Car Parking									
Parking	49	–	–	1	(2)	–	48	–	
Total	49	–	–	1	(2)	–	48	–	

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Bonville Large Lot Release Area								
Roads	146	82	–	3	–	–	231	–
Parking	2	–	–	–	(2)	–	–	–
Total	148	82	–	3	(2)	–	231	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.11 Contributions – not under a plan								
S7.11 CONTRIBUTIONS – NOT UNDER A PLAN								
Drainage	167	–	–	3	–	–	170	–
Community facilities	163	–	–	–	(162)	–	1	–
Other	212	–	–	3	–	–	215	–
Total	542	–	–	6	(162)	–	386	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	72,201	4,430	25,663
User charges and fees	22,912	17,529	3,371
Interest and investment revenue	3,632	537	1,152
Other revenues	8,832	115	142
Grants and contributions provided for operating purposes	14,711	270	267
Grants and contributions provided for capital purposes	28,826	4,161	5,870
Rental income	2,525	–	–
Total income from continuing operations	153,639	27,042	36,465
Expenses from continuing operations			
Employee benefits and on-costs	41,111	3,359	4,383
Borrowing costs	845	3,713	4,242
Materials and contracts	48,065	3,011	4,973
Depreciation and amortisation	32,286	6,878	11,160
Other expenses	8,254	2,919	3,062
Net losses from the disposal of assets	13,779	384	1,171
Revaluation decrement /impairment of IPPE	907	–	–
Total expenses from continuing operations	145,247	20,264	28,991
Operating result from continuing operations	8,392	6,778	7,474
Net operating result for the year	8,392	6,778	7,474
Net operating result attributable to each council fund	8,392	6,778	7,474
Net operating result for the year before grants and contributions provided for capital purposes	(20,434)	2,617	1,604

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	32,928	–	–
Investments	42,048	15,027	16,025
Receivables	(1,389)	8,827	5,359
Inventories	1,678	244	–
Contract assets	3,239	–	–
Other	670	–	–
Non-current assets classified as 'held for sale'	2,940	–	–
Total current assets	82,114	24,098	21,384
Non-current assets			
Investments	78,046	14,119	27,035
Receivables	(7,565)	162	11,112
Infrastructure, property, plant and equipment	1,519,799	357,588	492,707
Intangible assets	1,952	50,648	–
Other	894	–	–
Total non-current assets	1,593,126	422,517	530,854
TOTAL ASSETS	1,675,240	446,615	552,238
LIABILITIES			
Current liabilities			
Payables	9,733	426	591
Contract liabilities	4,901	361	3
Borrowings	1,015	6,917	7,913
Provisions	12,005	1,611	1,063
Total current liabilities	27,654	9,315	9,570
Non-current liabilities			
Borrowings	13,301	44,226	50,181
Provisions	10,252	146	96
Total non-current liabilities	23,553	44,372	50,277
TOTAL LIABILITIES	51,207	53,687	59,847
Net assets	1,624,033	392,928	492,391
EQUITY			
Accumulated surplus	919,806	205,689	306,098
Revaluation reserves	704,227	187,239	186,293
Council equity interest	1,624,033	392,928	492,391
Total equity	1,624,033	392,928	492,391

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund (continued)

Details of individual internal loans for the year ended 30 June 2020

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

Details of individual internal loans	Council ID / Ref IR 5779430
Borrower (by purpose)	Airport EPL Development
Lender (by purpose)	Sewer Fund
Date of minister's approval	02/08/2018
Date raised	01/07/2018
Term (years)	10
Dates of maturity	30/06/2028
Rate of interest	3.43%
Amount originally raised	\$10,500,000
Total repaid during year (principal and interest)	\$360,150
Principal outstanding at end of year	\$10,500,000

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(155)	(0.09)%	5.37%	3.23%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	178,106				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	162,858	75.06%	77.63%	73.20%	>60.00%
Total continuing operating revenue ¹	216,963				
3. Unrestricted current ratio					
Current assets less all external restrictions	99,096	8.77x	6.04x	9.64x	>1.50x
Current liabilities less specific purpose liabilities	11,299				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	58,969	2.34x	2.70x	2.33x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	25,224				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	7,278	6.64%	6.61%	6.58%	<10.00%
Rates, annual and extra charges collectible	109,676				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	111,973	8.70	9.88	10.20	>3.00
Monthly payments from cash flow of operating and financing activities	12,873	mths	mths	mths	mths

(1) Excludes fair value increments on investments, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investments, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(4.74)%	6.05%	13.09%	11.79%	9.03%	(2.30)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	71.63%	78.79%	83.61%	75.39%	83.17%	74.90%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	8.98x	6.20x	∞	∞	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7.20x	8.95x	1.34x	1.35x	1.51x	1.30x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.17%	7.16%	8.64%	5.35%	7.58%	5.23%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.96	8.83	10.72	12.60	10.52	12.16	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

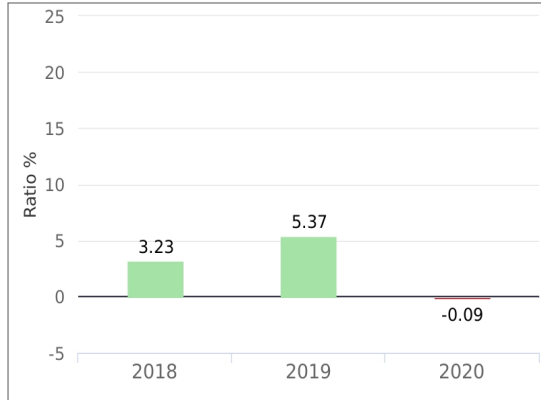
(1) - (2) Refer to Notes at Note 31a above.

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 29(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (0.09)%

Council is only slightly below the ratio benchmark considering the impacts of COVID on Coffs Harbour Airport, Coffs Coast Holiday Parks, CitySmart Solutions, user charges and fees and a reduction in investment income due to the decline in interest rates. Council continues to align its operating expenditure to its available operating revenue.

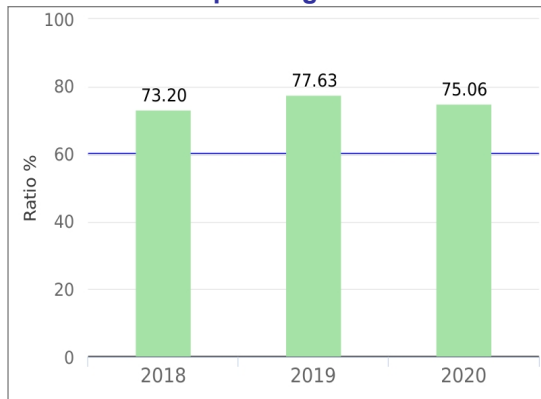
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 75.06%

Council continues to retain a high level of own source revenue and performs well against the benchmark. The impacts of the pandemic have resulted in a decline in business unit revenue, user charges and fees and a downturn in the performance of the investment market. This ratio has also decreased due to additional grant funding for bush fire and disaster relief and a significant recognition of assets for the first time.

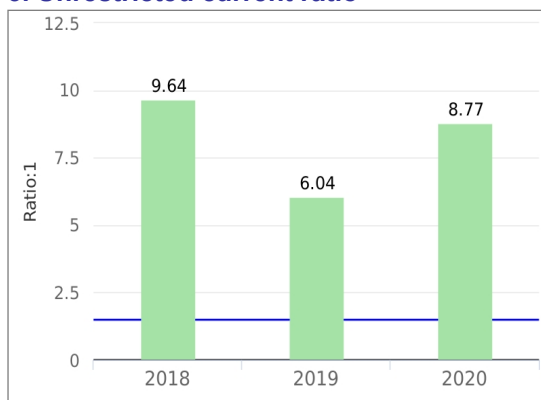
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.77x

Council continues to significantly exceed the ratio benchmark. Council's prudent management of funds resulted in its ability to comfortably meet its budgeted operating and capital expenditure programs.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

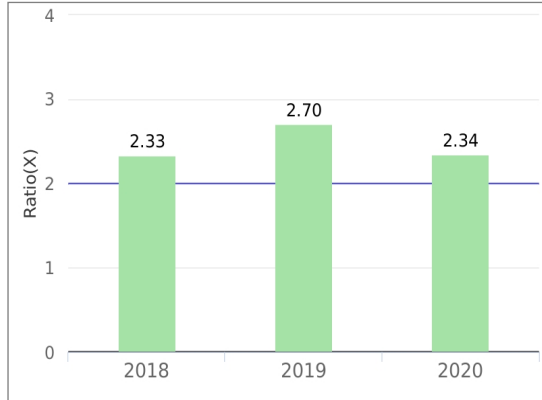
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2020

Note 29(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.34x

Council continues to exceed the ratio considering the impacts of COVID on Coffs Harbour Airport, Coffs Coast Holiday Parks, CitySmart Solutions, user charges and fees and a reduction in investment income due to the decline in interest rates.

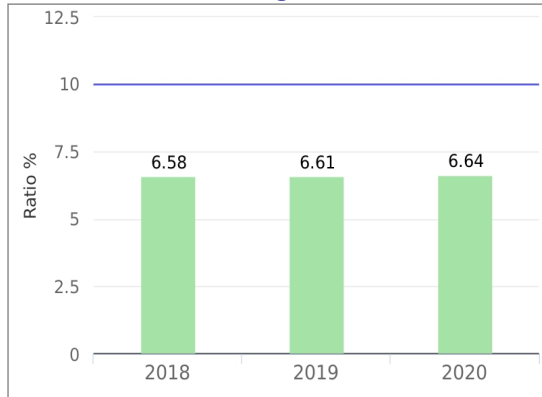
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 6.64%

The ratio remains consistent and below the maximum OLG benchmark of 10%. This is a favourable result in light of the hardship concessions that Council has extended to the community during the pandemic.

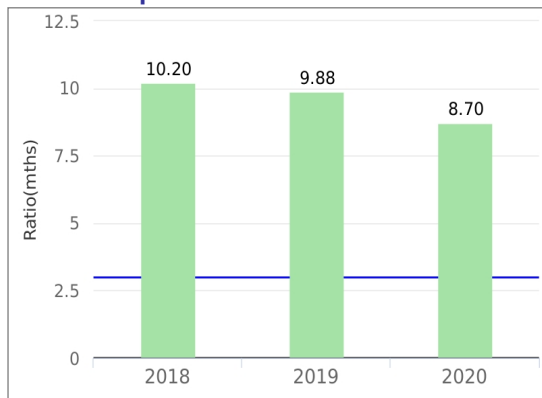
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.70 mths

Capital projects in the latter half of 2019/20 were impacted by COVID and subsequently postponed to the 2020/21 financial year. The reduction in this ratio is impacted by the decline in available cash due to COVID however still performs well above the benchmark of 3 months.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30. Council information and contact details

Principal place of business:

Corner Coff and Castle Streets
Coffs Harbour NSW 2450

Contact details

Mailing Address:

Locked Bag 155
Coffs Harbour NSW 2450

Telephone: 02 6648 4000

Facsimile: 02 6648 4199

Opening hours:

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

Internet: www.coffsharbour.nsw.gov.au

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

Officers

General Manager

Steve McGrath

Responsible Accounting Officer

Mark Griffioen

Public Officer

Lisa Garden

Auditors

Audit Office of NSW
Level 19, Tower 2
201 Sussex St
SYDNEY NSW 2001

Elected members

Mayor

Denise Knight

Councillors

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

Other information

ABN: 79 126 214 487



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Coffs Harbour City Council

To the Councillors of Coffs Harbour City Council

Opinion

I have audited the accompanying financial statements of Coffs Harbour City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

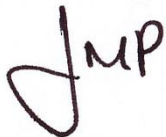
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

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

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

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 23 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 October 2020
SYDNEY



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

Contact: Jan-Michael Perez
 Phone no: 02 9275 7115
 Our ref: D2023825/1715

27 October 2020

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2020
 Coffs Harbour City Council**

I have audited the general purpose financial statements (GPFS) of the Coffs Harbour City Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	102.3	98.5	↑ 3.9
Grants and contributions revenue	54.1	48.1	↑ 12.5
Operating result from continuing operations	22.6	40.5	↓ 44.2
Net operating result before capital grants and contributions	(16.2)	6.0	↓ 3700

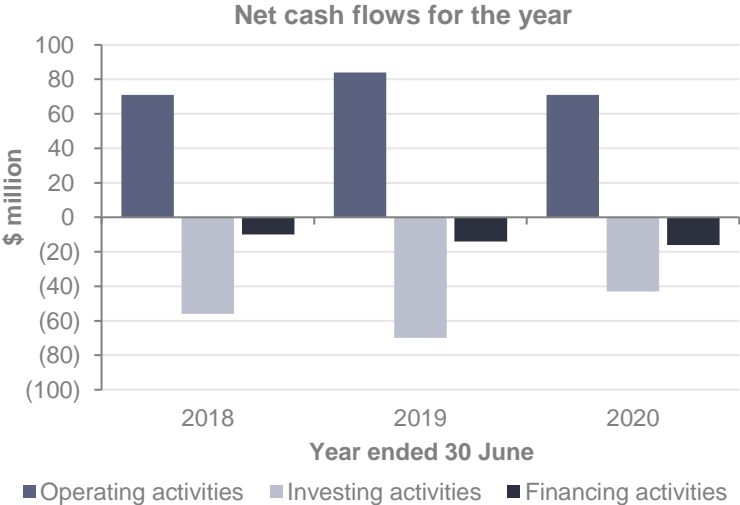
The Council’s operating result from continuing operations (\$22.6 million including depreciation and amortisation expense of \$50.3 million) was \$17.8 million lower than the 2018–19 result. The net operating result before capital grants and contributions was deficit \$16.2 million – \$22.2 million lower than the previous year. The overall decrease in both results have been predominantly driven by lower revenues this year and increases in expenses, in particular, \$11.5 million in losses from the disposal of assets, \$4.5 million increase in depreciation and amortisation expenses and a \$3.0 million increase in employee benefits and on-costs.

Rates and annual charges revenue (\$102.3 million) increased by \$3.8 million (3.9 per cent) in 2019–20.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of the Council during the year. Cash and cash equivalents at 30 June 2020 was \$32.9 million compared with \$21.4 million in 2018–19.

Operating activities contributed net cash inflow of \$71.2 million (\$83.7 million in 2018–19). The decrease in operating activity cash flow is primarily attributed to the lower user charges and fees payments received by Council compared to last year, together with increased payments in employee benefits and on-costs and other payments. Net cash used in investing activities was \$27.2 million lower than the previous year owing to reduced purchases of infrastructure, property, plant and equipment and increased cash inflow from sale of investment securities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	127.9	130.1	Cash and investments totalled \$225.2 million at 30 June 2020 (2019: \$223.3 million). The increase is mainly due to a net increase in purchase of financial assets.
Internal restrictions	88.3	85.5	
Unrestricted	9.0	7.8	
Cash and investments	225.2	223.3	

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

Internally restricted cash and investments have been restricted in their use by resolution or policy of the Council to reflect forward plans and identified programs of works. These totalled \$88.3 million and their purpose is fully disclosed in Note 7(c) of the financial statements.

The Council's unrestricted cash and investments amounted to \$9.0 million, which is available to provide liquidity for day to day operations.

Debt

The Council overdraft facilities totalled \$124.8 million as of 30 June 2020. The total drawn down was \$123.8 million.

PERFORMANCE

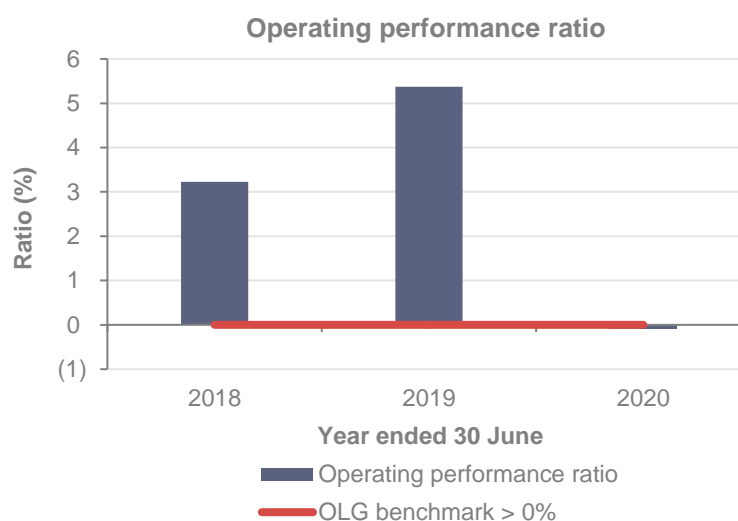
Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

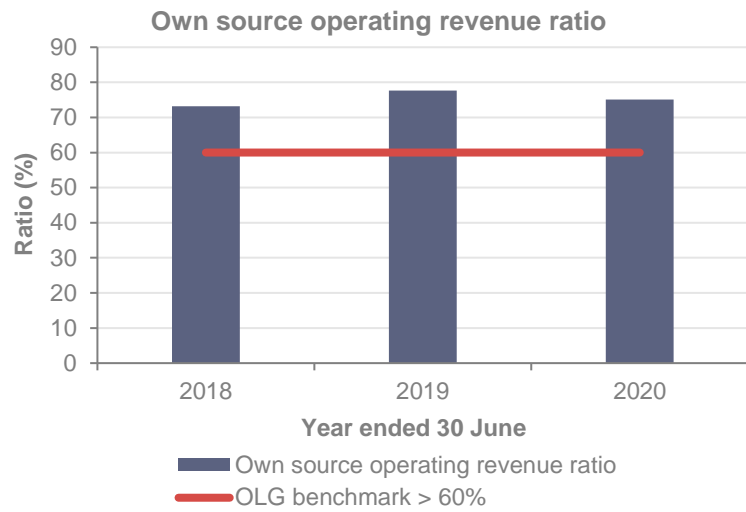
The Council did not meet the OLG benchmark for the current reporting period. This year's result of deficit 0.09 per cent (5.37 per cent in 2018–19) was primarily driven by lower revenues from Council's operations, and higher expenditure from disposals of assets, depreciation and employee benefits.



Own source operating revenue ratio

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

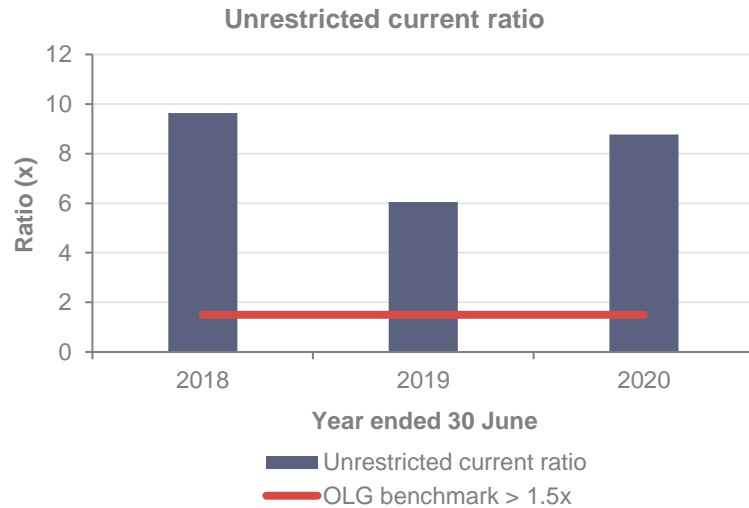
The Council has exceeded the OLG benchmark over the past three years.



Unrestricted current ratio

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

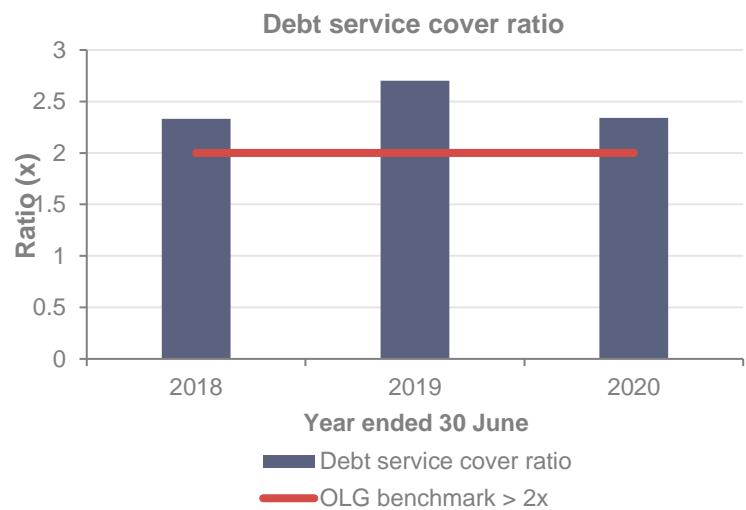
The Council exceeded the OLG benchmark for the last three years. This year's current ratio of 8.77 is an increase from 6.04 last year, it indicates Council has sufficient liquid assets to meet its short-term obligations as and when they fall due.



Debt service cover ratio

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

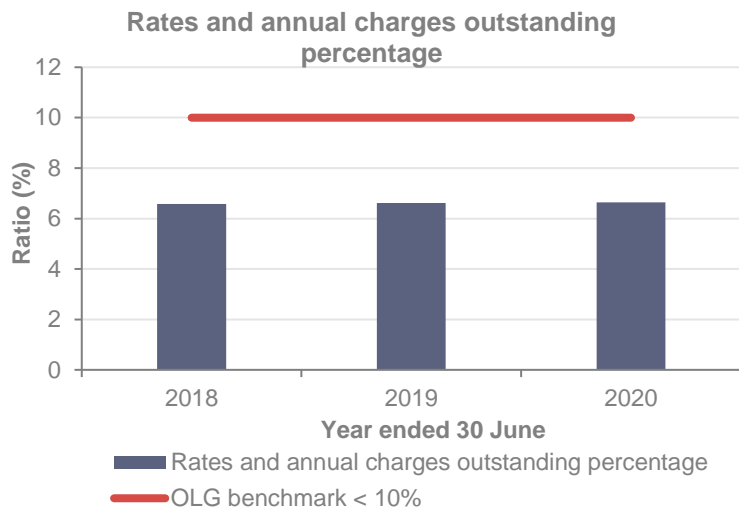
The Council exceeded the OLG benchmark for the last three years. This year's ratio of 2.34 indicates Council has sufficient operating cash to meet its debt including interest, principal and lease payments.



Rates and annual charges outstanding percentage

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

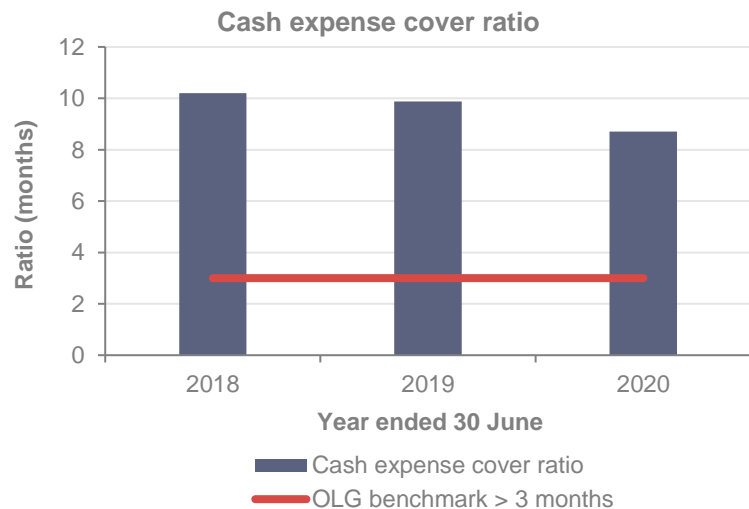
The Council met the OLG benchmark for the last three years. At 30 June 2020 the rates and annual charges ratio was 6.64 per cent (6.61 per cent in 2018–19). The ratio is fairly consistent and continues to be lower than the OLG benchmark of 10 per cent reflecting Council's debt recovery efforts.



Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the last three years due to having a high amount of investments compared to payments from operating and financing activities.



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2019–20 totalled \$30.3 million compared with \$47.8 million in the previous year. The decrease in infrastructure, property, plant and equipment renewals was mainly driven by lower renewals in capital work in progress totalling \$16.9 million (\$32.7 million in 2018–19) and plant and equipment of \$4.0 million (\$5.3 million in 2018–19).

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$1.8 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

As the Council did not have any material leases as a lessee, it did not recognise any right-of-use assets and lease liabilities at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 14.

Council Entities

The Council has eight separate Special Purpose entities:

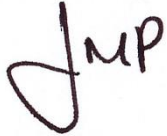
- Water Supply Business Activity
- Sewerage Business Activity
- CitySmart Solutions
- Airport
- Environmental Laboratory
- Coastal Works
- Coffs Coast Holiday Parks.

An unqualified opinion was issued on the Special Purpose Financial Statements for the year ended 30 June 2020.

Legislative compliance

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

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

A handwritten signature in black ink, appearing to read 'JMP', is positioned above the typed name of the signatory.

Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

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

Coffs Harbour City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

*Connected
Sustainable
Thriving*



Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2020

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

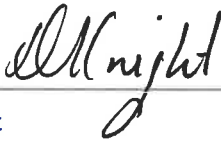
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

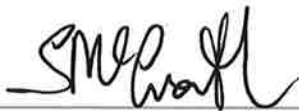
Signed in accordance with a resolution of Council made on 22 October 2020.



Denise Knight
Mayor
22 October 2020



Michael Adendorff
Councillor
22 October 2020



Steve McGrath
General Manager
22 October 2020



Mark Griffioen
Responsible Accounting Officer
22 October 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	4,430	4,317
User charges	17,048	15,709
Fees	481	418
Interest	537	1,007
Grants and contributions provided for non-capital purposes	270	261
Other income	115	126
Total income from continuing operations	22,881	21,838
Expenses from continuing operations		
Employee benefits and on-costs	3,359	2,632
Borrowing costs	3,713	4,110
Materials and contracts	3,011	3,065
Depreciation, amortisation and impairment	6,878	6,052
Loss on sale of assets	384	1,172
Calculated taxation equivalents	36	37
Debt guarantee fee (if applicable)	505	567
Other National Competition Policy imputation payments	7	6
Other expenses	2,919	3,398
Total expenses from continuing operations	20,812	21,039
Surplus (deficit) from continuing operations before capital amounts	2,069	799
Grants and contributions provided for capital purposes	4,161	6,782
Surplus (deficit) from continuing operations after capital amounts	6,230	7,581
Surplus (deficit) from all operations before tax	6,230	7,581
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(569)	(220)
SURPLUS (DEFICIT) AFTER TAX	5,661	7,361
Plus Accumulated Funds and Equity Reserves	200,322	183,995
Plus/less: Transfers to Reserves & Special Schedule Additional Expenses	–	8,762
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	36	37
– Debt guarantee fees	505	567
– Corporate taxation equivalent	569	220
– Other National Competition Policy imputation payments	7	6
Less:		
– Tax equivalent dividend paid	(1,411)	(626)
Closing Accumulated Funds and Equity Reserves	205,689	200,322
Return on capital %	1.6%	1.4%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	5,661	7,361
Less: capital grants and contributions (excluding developer contributions)	(4,161)	(2,280)
Surplus for dividend calculation purposes	1,500	5,081
Potential dividend calculated from surplus	750	2,541

Income Statement – Sewerage Business Activity for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	25,663	24,497
User charges	2,733	2,500
Liquid trade waste charges	597	589
Fees	41	32
Interest	1,152	1,765
Grants and contributions provided for non-capital purposes	267	255
Other income	142	87
Total income from continuing operations	30,595	29,725
Expenses from continuing operations		
Employee benefits and on-costs	4,383	4,494
Borrowing costs	4,242	4,726
Materials and contracts	4,973	5,785
Depreciation, amortisation and impairment	11,160	10,825
Loss on sale of assets	1,171	683
Calculated taxation equivalents	140	148
Debt guarantee fee (if applicable)	576	649
Other National Competition Policy imputation payments	11	11
Other expenses	3,062	4,559
Total expenses from continuing operations	29,718	31,880
Surplus (deficit) from continuing operations before capital amounts	877	(2,155)
Grants and contributions provided for capital purposes	5,870	9,623
Surplus (deficit) from continuing operations after capital amounts	6,747	7,468
Surplus (deficit) from all operations before tax	6,747	7,468
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(241)	–
SURPLUS (DEFICIT) AFTER TAX	6,506	7,468
Plus Accumulated Funds and Equity Reserves	300,601	266,898
Plus/less: Transfers to Reserves & Special Schedule Additional Expenses	360	26,092
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	140	148
– Debt guarantee fees	576	649
– Corporate taxation equivalent	241	–
– Other National Competition Policy imputation payments	11	11
Less:		
– Tax equivalent dividend paid	(2,337)	(665)
Closing Accumulated Funds and Equity Reserves	306,098	300,601
Return on capital %	1.0%	0.5%
Subsidy from Council	–	3,910
Calculation of dividend payable:		
Surplus (deficit) after tax	6,506	7,468
Less: capital grants and contributions (excluding developer contributions)	(5,870)	(4,650)
Surplus for dividend calculation purposes	636	2,818
Potential dividend calculated from surplus	318	1,409

Income Statement – CitySmart Solutions

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Other income	3,189	4,676
Total income from continuing operations	<u>3,189</u>	<u>4,676</u>
Expenses from continuing operations		
Employee benefits and on-costs	777	673
Borrowing costs	–	33
Materials and contracts	2,197	3,354
Depreciation, amortisation and impairment	3	–
Other expenses	212	492
Total expenses from continuing operations	<u>3,189</u>	<u>4,552</u>
Surplus (deficit) from continuing operations before capital amounts	–	124
Surplus (deficit) from continuing operations after capital amounts	–	124
Surplus (deficit) from all operations before tax	–	124
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(34)
SURPLUS (DEFICIT) AFTER TAX	<u>–</u>	<u>90</u>
Plus Accumulated Funds and Equity Reserves	75	73
Plus/less: Transfer to Reserves	234	(31)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	34
Less:		
– Dividend paid	(40)	(91)
Closing Accumulated Funds and Equity Reserves	<u>269</u>	<u>75</u>

Income Statement – Coffs Harbour Airport

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	4,736	6,030
Interest	88	160
Other income	1,563	2,121
Total income from continuing operations	6,387	8,311
Expenses from continuing operations		
Employee benefits and on-costs	739	741
Borrowing costs	602	495
Materials and contracts	2,578	2,332
Depreciation, amortisation and impairment	1,943	2,023
Loss on sale of assets	991	333
Calculated taxation equivalents	236	256
Debt guarantee fee (if applicable)	150	37
Other National Competition Policy imputation payments	15	15
Other expenses	1,815	1,170
Total expenses from continuing operations	9,069	7,402
Surplus (deficit) from continuing operations before capital amounts	(2,682)	909
Grants and contributions provided for capital purposes	996	–
Surplus (deficit) from continuing operations after capital amounts	(1,686)	909
Surplus (deficit) from all operations before tax	(1,686)	909
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(250)
SURPLUS (DEFICIT) AFTER TAX	(1,686)	659
Plus Accumulated Funds and Equity Reserves	50,738	54,739
Plus/less: Transfer to Reserves	(969)	(4,908)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	236	256
– Debt guarantee fees	150	37
– Corporate taxation equivalent	–	250
– Other National Competition Policy imputation payments	15	15
Less:		
– TER dividend paid	(243)	(256)
– Dividend paid	(188)	(54)
Closing Accumulated Funds and Equity Reserves	48,053	50,738
Return on capital %	(2.4)%	1.6%
Subsidy from Council	2,832	–

Income Statement – Coffs Harbour Laboratory

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Interest	27	55
Other income	1,031	1,035
Total income from continuing operations	1,058	1,090
Expenses from continuing operations		
Employee benefits and on-costs	449	405
Materials and contracts	214	212
Depreciation, amortisation and impairment	34	32
Other expenses	145	127
Total expenses from continuing operations	842	776
Surplus (deficit) from continuing operations before capital amounts	216	314
Surplus (deficit) from continuing operations after capital amounts	216	314
Surplus (deficit) from all operations before tax	216	314
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(59)	(86)
SURPLUS (DEFICIT) AFTER TAX	157	228
Plus Accumulated Funds and Equity Reserves	2,008	1,996
Plus/less: Transfer to Reserves	–	(302)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	59	86
Closing Accumulated Funds and Equity Reserves	2,224	2,008
Return on capital %	13.9%	20.3%

Income Statement – Coastal Works

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Interest	19	–
Grants and contributions provided for non-capital purposes	13	244
Other income	3,671	5,205
Total income from continuing operations	3,703	5,449
Expenses from continuing operations		
Employee benefits and on-costs	622	1,070
Materials and contracts	1,904	3,883
Other expenses	379	505
Total expenses from continuing operations	2,905	5,458
Surplus (deficit) from continuing operations before capital amounts	798	(9)
Surplus (deficit) from continuing operations after capital amounts	798	(9)
Surplus (deficit) from all operations before tax	798	(9)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(219)	–
SURPLUS (DEFICIT) AFTER TAX	579	(9)
Plus Accumulated Funds and Equity Reserves	1,206	(50)
Plus/less: Transfer to Reserves	(147)	1,265
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	219	–
– Dividend paid	(256)	–
Closing Accumulated Funds and Equity Reserves	1,601	1,206
Subsidy from Council	–	9

Income Statement – Coffs Coast Holiday Parks

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	9,144	10,679
Interest	57	68
Grants and contributions provided for non-capital purposes	30	–
Other income	201	2,521
Total income from continuing operations	9,432	13,268
Expenses from continuing operations		
Employee benefits and on-costs	4,360	3,016
Borrowing costs	47	57
Materials and contracts	1,353	3,970
Depreciation, amortisation and impairment	1,198	946
Loss on sale of assets	249	520
Calculated taxation equivalents	–	603
Debt guarantee fee (if applicable)	8	–
Other expenses	2,913	1,448
Total expenses from continuing operations	10,128	10,560
Surplus (deficit) from continuing operations before capital amounts	(696)	2,708
Grants and contributions provided for capital purposes	156	488
Surplus (deficit) from continuing operations after capital amounts	(540)	3,196
Surplus (deficit) from all operations before tax	(540)	3,196
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(745)
SURPLUS (DEFICIT) AFTER TAX	(540)	2,451
Plus Accumulated Funds and Equity Reserves	3,799	–
Plus/less: other adjustments (Opening Reserves)	(310)	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	603
– Debt guarantee fees	8	–
– Corporate taxation equivalent	–	745
Closing Accumulated Funds and Equity Reserves	2,957	3,799
Return on capital %	(0.9)%	4.2%
Subsidy from Council	1,282	–

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	15,027	16,006
Receivables	8,827	8,360
Inventories	244	254
Total current assets	24,098	24,620
Non-current assets		
Investments	14,119	14,665
Receivables	162	146
Infrastructure, property, plant and equipment	357,588	352,828
Intangible assets	50,648	51,245
Total non-current assets	422,517	418,884
TOTAL ASSETS	446,615	443,504
LIABILITIES		
Current liabilities		
Contract liabilities	361	–
Payables	426	496
Borrowings	6,917	6,552
Provisions	1,611	1,365
Total current liabilities	9,315	8,413
Non-current liabilities		
Borrowings	44,226	50,665
Provisions	146	123
Total non-current liabilities	44,372	50,788
TOTAL LIABILITIES	53,687	59,201
NET ASSETS	392,928	384,303
EQUITY		
Accumulated Funds and Equity Reserves	205,689	200,322
Revaluation reserves	187,239	183,981
TOTAL EQUITY	392,928	384,303

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	16,025	27,788
Receivables	5,359	1,727
Total current assets	21,384	29,515
Non-current assets		
Investments	27,035	22,417
Receivables	11,112	6,010
Infrastructure, property, plant and equipment	492,707	491,021
Total non-current assets	530,854	519,448
TOTAL ASSETS	552,238	548,963
LIABILITIES		
Current liabilities		
Contract liabilities	3	–
Payables	591	276
Borrowings	7,913	7,884
Provisions	1,063	701
Total current liabilities	9,570	8,861
Non-current liabilities		
Borrowings	50,181	57,585
Provisions	96	61
Total non-current liabilities	50,277	57,646
TOTAL LIABILITIES	59,847	66,507
NET ASSETS	492,391	482,456
EQUITY		
Accumulated Funds and Equity Reserves	306,098	300,601
Revaluation reserves	186,293	181,855
TOTAL EQUITY	492,391	482,456

Statement of Financial Position – CitySmart Solutions

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Receivables	–	258
Inventories	577	685
Contract assets	377	–
Total current assets	<u>954</u>	<u>943</u>
Non-current assets		
Infrastructure, property, plant and equipment	14	–
Total non-current assets	<u>14</u>	<u>–</u>
TOTAL ASSETS	<u>968</u>	<u>943</u>
LIABILITIES		
Current liabilities		
Payables	534	627
Contract liabilities	16	–
Provisions	145	224
Total current liabilities	<u>695</u>	<u>851</u>
Non-current liabilities		
Provisions	4	17
Total non-current liabilities	<u>4</u>	<u>17</u>
TOTAL LIABILITIES	<u>699</u>	<u>868</u>
NET ASSETS	<u>269</u>	<u>75</u>
EQUITY		
Accumulated Funds and Equity Reserves	269	75
TOTAL EQUITY	<u>269</u>	<u>75</u>

Statement of Financial Position – Coffs Harbour Airport

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	6	6
Receivables	3,208	6,015
Total current assets	3,214	6,021
Non-current assets		
Receivables	32	81
Infrastructure, property, plant and equipment	85,425	88,561
Total non-current assets	85,457	88,642
TOTAL ASSETS	88,671	94,663
LIABILITIES		
Current liabilities		
Payables	100	140
Borrowings	1,161	1,098
Provisions	232	46
Total current liabilities	1,493	1,284
Non-current liabilities		
Borrowings	12,742	8,885
Provisions	19	3
Total non-current liabilities	12,761	8,888
TOTAL LIABILITIES	14,254	10,172
NET ASSETS	74,417	84,491
EQUITY		
Accumulated Funds and Equity Reserves	48,053	50,738
Revaluation reserves	26,364	33,753
<u>TOTAL EQUITY</u>	<u>74,417</u>	<u>84,491</u>

Statement of Financial Position – Coffs Harbour Laboratory

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Receivables	815	549
Inventories	35	37
Total current assets	850	586
Non-current assets		
Infrastructure, property, plant and equipment	1,550	1,544
Total non-current assets	1,550	1,544
TOTAL ASSETS	2,400	2,130
LIABILITIES		
Current liabilities		
Payables	7	2
Provisions	91	46
Total current liabilities	98	48
Non-current liabilities		
Provisions	8	4
Total non-current liabilities	8	4
TOTAL LIABILITIES	106	52
NET ASSETS	2,294	2,078
EQUITY		
Accumulated Funds and Equity Reserves	2,224	2,008
Revaluation reserves	70	70
TOTAL EQUITY	2,294	2,078

Statement of Financial Position – Coastal Works

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Contract cost assets	35	–
Receivables	1,609	1,442
Total current assets	<u>1,644</u>	<u>1,442</u>
TOTAL ASSETS	<u>1,644</u>	<u>1,442</u>
LIABILITIES		
Current liabilities		
Contract liabilities	35	–
Payables	8	236
Total current liabilities	<u>43</u>	<u>236</u>
TOTAL LIABILITIES	<u>43</u>	<u>236</u>
NET ASSETS	<u>1,601</u>	<u>1,206</u>
EQUITY		
Accumulated Funds and Equity Reserves	1,601	1,206
TOTAL EQUITY	<u>1,601</u>	<u>1,206</u>

Statement of Financial Position – Coffs Coast Holiday Parks

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	134	114
Receivables	8	8
Inventories	78	79
Other	4	–
Total current assets	224	201
Non-current assets		
Investments	545	1,649
Infrastructure, property, plant and equipment	71,986	66,426
Intangible assets	37	43
Total non-current assets	72,568	68,118
TOTAL ASSETS	72,792	68,319
LIABILITIES		
Current liabilities		
Payables	1,667	394
Borrowings	190	190
Contract liabilities	1,514	–
Provisions	602	453
Total current liabilities	3,973	1,037
Non-current liabilities		
Borrowings	569	759
Provisions	52	40
Total non-current liabilities	621	799
TOTAL LIABILITIES	4,594	1,836
NET ASSETS	68,198	66,483
EQUITY		
Accumulated Funds and Equity Reserves	2,957	3,799
Revaluation reserves	65,241	62,684
TOTAL EQUITY	68,198	66,483

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Coffs Harbour City Council Water Supplies

Water supply activity servicing the Coffs Harbour local government area

b. Coffs Harbour City Council Sewerage Service

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

c. Coffs Harbour Regional Airport

Airport activities carried out by Council in its own name

d. CitySmart Solutions

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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

e. Coffs Harbour Coastal Works

Infrastructure construction, maintenance and consultancy

f. Coffs Coast Holiday Parks

Holiday Park operations at 4 locations and maintenance of Crown reserves

Category 2

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

a. Coffs Harbour Environmental Laboratory

Environmental testing, analysis and consultancy

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars, except for Note 2 (Water supply best-practice management disclosures) and Note 3 (Sewerage best-practice management disclosures). As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are in whole dollars.

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/20.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Coffs Harbour City Council

To the Councillors of Coffs Harbour City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Coffs Harbour City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider

whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

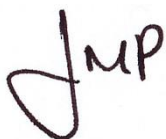
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

The scope of my audit does not include, nor provide assurance:

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



Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 October 2020
SYDNEY

Coffs Harbour City Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*Connected
Sustainable
Thriving*



Special Schedules

for the year ended 30 June 2020

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Report on Infrastructure Assets - Values	7

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	50,109	48,478
Plus or minus adjustments ²	b	246	296
Notional general income	c = a + b	50,355	48,774
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Less expiring special variation amount	g	(2,027)	–
Or plus rate peg amount	i = e x (c + g)	1,257	1,317
Sub-total	k = (c + g + h + i + j)	49,585	50,091
Plus (or minus) last year's carry forward total	l	(70)	(26)
Less valuation objections claimed in the previous year	m	(17)	(43)
Sub-total	n = (l + m)	(87)	(69)
Total permissible income	o = k + n	49,498	50,022
Less notional general income yield	p	48,781	50,109
Catch-up or (excess) result	q = o – p	716	(87)
Plus income lost due to valuation objections claimed ⁴	r	–	17
Carry forward to next year ⁶	t = q + r + s	716	(70)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Coffs Harbour City Council

To the Councillors of Coffs Harbour City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Coffs Harbour City Council (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

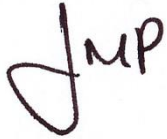
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, consisting of the letters 'JMP' in a stylized, cursive font.

Jan-Michael Perez
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 October 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
(a) Report on Infrastructure Assets - Values													
Buildings	Buildings	–	–	1,734	1,834	138,852	195,971	32.5%	54.0%	10.3%	1.7%	1.5%	
	Sub-total	–	–	1,734	1,834	138,852	195,971	32.5%	54.0%	10.3%	1.7%	1.5%	
Roads	Sealed roads	–	–	5,889	6,058	435,300	581,754	49.4%	47.0%	3.6%	0.1%	0.0%	
	Unsealed roads	–	–	342	3	2,587	5,307	14.8%	24.4%	47.2%	12.9%	0.7%	
	Bridges	2,000	2,000	155	175	65,135	102,430	22.5%	61.6%	14.0%	1.9%	0.0%	
	Footpaths	–	–	343	308	57,360	73,250	54.0%	30.9%	11.8%	2.3%	1.0%	
	Other road assets	–	–	287	139	3,924	5,871	68.5%	20.8%	7.2%	2.2%	1.3%	
	Bulk earthworks	–	–	30	31	258,750	258,750	100.0%	0.0%	0.0%	0.0%	0.0%	
	Kerb & Gutter	–	–	60	62	74,529	79,492	98.3%	1.5%	0.2%	0.0%	0.0%	
	Sub-total	2,000	2,000	7,106	6,776	897,585	1,106,854	62.5%	32.8%	4.2%	0.5%	0.1%	
Water supply network	Water supply network	–	–	2,782	2,743	346,492	475,928	7.5%	18.6%	70.3%	3.5%	0.1%	
	Sub-total	–	–	2,782	2,743	346,492	475,928	7.5%	18.6%	70.3%	3.5%	0.1%	
Sewerage network	Sewerage network	–	–	3,169	2,555	473,373	687,529	16.0%	34.4%	46.9%	2.7%	0.0%	
	Sub-total	–	–	3,169	2,555	473,373	687,529	16.0%	34.4%	46.9%	2.7%	0.0%	
Stormwater drainage	Stormwater drainage	–	–	337	421	182,638	249,863	44.4%	36.0%	17.7%	1.8%	0.1%	
	Sub-total	–	–	337	421	182,638	249,863	44.4%	36.0%	17.7%	1.8%	0.1%	
Open space / recreational assets	Other Open Space	24,140	24,140	507	549	34,922	74,171	13.6%	29.3%	27.6%	7.2%	22.4%	
	Swimming Pools	6,000	6,000	78	106	2,095	4,713	19.8%	50.8%	2.0%	27.4%	0.0%	
	Sub-total	30,140	30,140	585	655	37,017	78,884	14.0%	30.5%	26.1%	8.4%	21.0%	
Other infrastructure assets	Other	–	–	–	–	619	1,191	4.5%	93.2%	2.2%	0.1%	0.0%	
	Sub-total	–	–	–	–	619	1,191	4.5%	93.2%	2.2%	0.1%	0.0%	
TOTAL - ALL ASSETS		32,140	32,140	15,713	14,984	2,076,576	2,796,220	36.6%	32.5%	28.2%	2.0%	0.8%	

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

Report on Infrastructure Assets - Values (continued)
as at 30 June 2020

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	13,361	31.13%	37.38%	59.27%	>=100.00%
Depreciation, amortisation and impairment	42,922				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	32,140	1.55%	0.00%	0.00%	<2.00%
Net carrying amount of infrastructure assets	2,076,576				
Asset maintenance ratio					
Actual asset maintenance	14,984	95.36%	98.05%	100.29%	>100.00%
Required asset maintenance	15,713				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	32,140	1.15%	0.00%	0.00%	
Gross replacement cost	2,796,220				

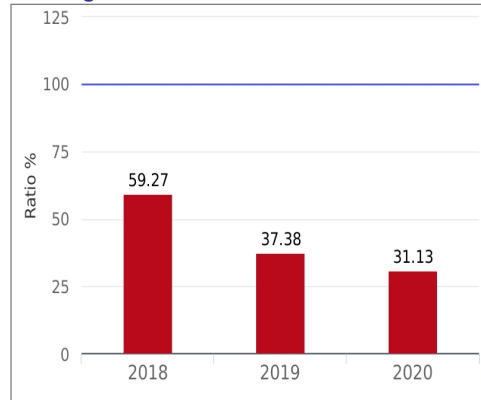
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 31.13%

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

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

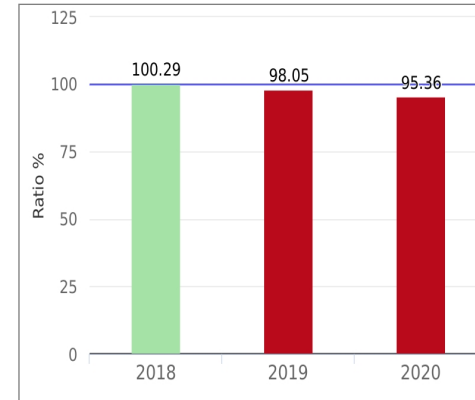
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

19/20 ratio 95.36%

Although the ratio has reduced slightly this year due to the Transport revaluation revising Council's actual maintenance requirements, this ratio demonstrates that Council is still investing the required funds to maintain infrastructure at the required service levels.

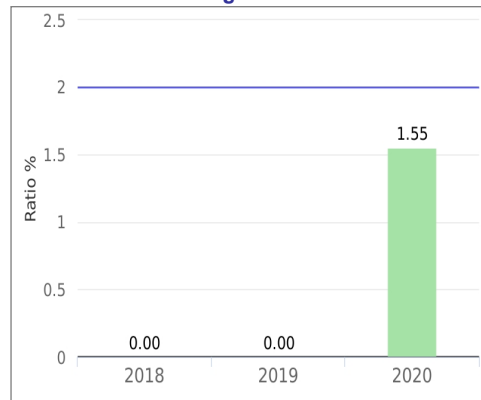
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 1.55%

The Infrastructure backlog is based on the principle that assets not included in the current works program, which have an unacceptable level of risk, will be reported at the cost of undertaking the renewal or maintenance work.

The works required will bring the assets back to a satisfactory condition, as determined by Council and the community.

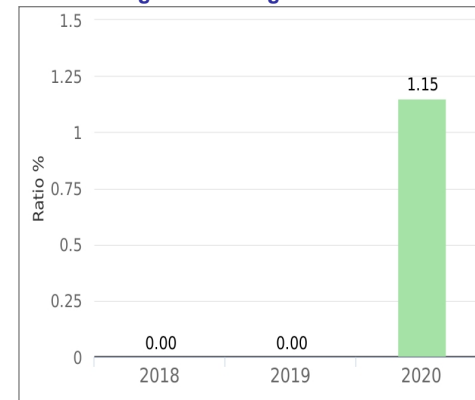
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result

19/20 ratio 1.15%

The estimated cost to bring the asset to a satisfactory standard should be measured against the condition 2 rating of 'good' as stated in the Integrated Planning & Reporting framework for Local Government in NSW.

However in practical terms, the assets will be renewed to condition 1, which is the cost calculated.

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	40.81%	53.62%	30.07%	7.20%	9.59%	18.56%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.56%	0.00%	0.00%	0.00%	0.00%	0.00%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	99.22%	96.25%	98.60%	106.54%	80.62%	96.00%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.97%	0.00%	0.00%	0.00%	0.00%	0.00%	

(1) Excludes Work In Progress (WIP)

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