

# Coffs Harbour City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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# Coffs Harbour City Council

## General Purpose Financial Statements for the year ended 30 June 2017

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## Coffs Harbour City Council

### General Purpose Financial Statements for the year ended 30 June 2017

### 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 (including Australian Accounting Interpretations) and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

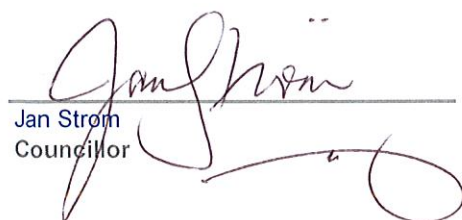
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 26 October 2017.




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Michael Adendorff  
Councillor




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Jan Ström  
Councillor



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Steve McGrath  
General manager



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Mark Griffioen  
Responsible accounting officer

## Coffs Harbour City Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
86,781	Rates and annual charges	3a	91,319	85,968
33,104	User charges and fees	3b	35,189	30,012
5,700	Interest and investment revenue	3c	7,069	6,829
8,152	Other revenues	3d	29,227	16,781
20,924	Grants and contributions provided for operating purposes	3e,f	22,063	20,641
24,317	Grants and contributions provided for capital purposes	3e,f	34,222	77,384
<b>178,978</b>	<b>Total income from continuing operations</b>		<b>219,089</b>	<b>237,615</b>
<b>Expenses from continuing operations</b>				
37,814	Employee benefits and on-costs	4a	42,732	42,808
11,498	Borrowing costs	4b	12,727	12,963
54,123	Materials and contracts	4c	44,958	49,073
44,767	Depreciation and amortisation	4d	38,075	43,773
12,236	Other expenses	4e	12,476	12,689
–	Net losses from the disposal of assets	5	14,308	2,001
<b>160,438</b>	<b>Total expenses from continuing operations</b>		<b>165,276</b>	<b>163,307</b>
<b>18,540</b>	<b>Operating result from continuing operations</b>		<b>53,813</b>	<b>74,308</b>
<b>18,540</b>	<b>Net operating result for the year</b>		<b>53,813</b>	<b>74,308</b>
18,540	Net operating result attributable to Council		53,813	74,308
<b>(5,777)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>19,591</b>	<b>(3,076)</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Coffs Harbour City Council

Statement of Comprehensive Income  
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>53,813</b>	<b>74,308</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	77,397	36,909
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>77,397</b>	<b>36,909</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	(10)	551
Other movements in reserves	20b (ii)	(11,534)	(79)
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>(11,544)</b>	<b>472</b>
<b>Total other comprehensive income for the year</b>		<b>65,853</b>	<b>37,381</b>
<b>Total comprehensive income for the year</b>		<b>119,666</b>	<b>111,689</b>
<b>Total comprehensive income attributable to Council</b>		<b>119,666</b>	<b>111,689</b>

## Coffs Harbour City Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	17,551	11,074
Investments	6b	57,779	54,489
Receivables	7	19,824	18,549
Inventories	8	1,845	1,876
Other	8	1,096	561
Non-current assets classified as 'held for sale'	22	505	1,492
<b>Total current assets</b>		<b>98,600</b>	<b>88,041</b>
<b>Non-current assets</b>			
Investments	6b	116,770	102,249
Receivables	7	2,900	2,392
Infrastructure, property, plant and equipment	9	1,954,761	1,862,598
Investment property	14	–	2,798
Intangible assets	25	56,231	66,053
<b>Total non-current assets</b>		<b>2,130,662</b>	<b>2,036,090</b>
<b>TOTAL ASSETS</b>		<b>2,229,262</b>	<b>2,124,131</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	6,615	7,380
Income received in advance	10	1,760	1,471
Borrowings	10	14,522	14,448
Provisions	10	14,189	13,523
<b>Total current liabilities</b>		<b>37,086</b>	<b>36,822</b>
<b>Non-current liabilities</b>			
Payables	10	–	341
Borrowings	10	149,496	164,017
Provisions	10	6,126	6,063
<b>Total non-current liabilities</b>		<b>155,622</b>	<b>170,421</b>
<b>TOTAL LIABILITIES</b>		<b>192,708</b>	<b>207,243</b>
<b>Net assets</b>		<b>2,036,554</b>	<b>1,916,888</b>
<b>EQUITY</b>			
Retained earnings	20	1,330,907	1,277,084
Revaluation reserves	20	705,106	639,253
Other reserves	20	541	551
<b>Council equity interest</b>		<b>2,036,554</b>	<b>1,916,888</b>
<b>Total equity</b>		<b>2,036,554</b>	<b>1,916,888</b>

## Coffs Harbour City Council

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		1,277,084	639,253	551	<b>1,916,888</b>	–	<b>1,916,888</b>	1,198,151	602,414	–	<b>1,800,565</b>	–	<b>1,800,565</b>
<b>a. Other movement in Equity</b>	20 (c)	–	–	–	–	–	–	4,634	–	–	<b>4,634</b>	–	<b>4,634</b>
<b>Revised opening balance</b>		<b>1,277,084</b>	<b>639,253</b>	<b>551</b>	<b>1,916,888</b>	<b>–</b>	<b>1,916,888</b>	<b>1,202,785</b>	<b>602,414</b>	<b>–</b>	<b>1,805,199</b>	<b>–</b>	<b>1,805,199</b>
<b>b. Net operating result for the year</b>		<b>53,813</b>	–	–	<b>53,813</b>	–	<b>53,813</b>	74,308	–	–	<b>74,308</b>	–	<b>74,308</b>
<b>c. Other comprehensive income</b>													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	77,397	–	<b>77,397</b>	–	<b>77,397</b>	–	36,909	–	<b>36,909</b>	–	<b>36,909</b>
– Revaluations: other reserves	20b (ii)	10	–	(10)	–	–	–	–	–	551	<b>551</b>	–	<b>551</b>
– Other reserves movements	20b (ii)	–	(11,544)	–	<b>(11,544)</b>	–	<b>(11,544)</b>	–	–	–	–	–	–
– Other Transfers to Reserves	20a	–	–	–	–	–	–	(79)	–	–	<b>(79)</b>	–	<b>(79)</b>
<b>Other comprehensive income</b>		<b>10</b>	<b>65,853</b>	<b>(10)</b>	<b>65,853</b>	<b>–</b>	<b>65,853</b>	<b>(79)</b>	<b>36,909</b>	<b>551</b>	<b>37,381</b>	<b>–</b>	<b>37,381</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>53,823</b>	<b>65,853</b>	<b>(10)</b>	<b>119,666</b>	<b>–</b>	<b>119,666</b>	<b>74,229</b>	<b>36,909</b>	<b>551</b>	<b>111,689</b>	<b>–</b>	<b>111,689</b>
<b>d. Transfers between equity</b>		–	–	–	–	–	–	70	(70)	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>1,330,907</b>	<b>705,106</b>	<b>541</b>	<b>2,036,554</b>	<b>–</b>	<b>2,036,554</b>	<b>1,277,084</b>	<b>639,253</b>	<b>551</b>	<b>1,916,888</b>	<b>–</b>	<b>1,916,888</b>

## Coffs Harbour City Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
86,781	Rates and annual charges		90,444	86,004
33,104	User charges and fees		34,915	31,272
5,700	Investment and interest revenue received		6,656	7,759
43,907	Grants and contributions		27,970	39,759
–	Bonds, deposits and retention amounts received		541	198
8,152	Other		36,593	19,969
<b>Payments:</b>				
(37,814)	Employee benefits and on-costs		(42,131)	(43,122)
(54,123)	Materials and contracts		(53,977)	(53,881)
(11,498)	Borrowing costs		(11,498)	(12,472)
(12,236)	Other		(13,223)	(16,177)
<u>61,973</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>76,290</u>	<u>59,309</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
54,312	Sale of investment securities		45,311	53,365
1,334	Sale of infrastructure, property, plant and equipment		1,967	1,221
–	Deferred debtors receipts		–	139
<b>Payments:</b>				
(50,000)	Purchase of investment securities		(62,732)	(72,644)
(52,771)	Purchase of infrastructure, property, plant and equipment		(39,849)	(27,695)
<u>(47,125)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(55,303)</u>	<u>(45,614)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(14,898)	Repayment of borrowings and advances		(14,510)	(18,055)
<u>(14,898)</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(14,510)</u>	<u>(18,055)</u>
(50)	<b>Net increase/(decrease) in cash and cash equivalents</b>		6,477	(4,360)
156,129	Plus: cash and cash equivalents – beginning of year	11a	11,074	15,434
<u>156,079</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>17,551</u>	<u>11,074</u>



# Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

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

##### **(a) Basis of preparation**

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

The functional currency of the financial statements is Australian Dollars.

##### **(i) New and amended standards adopted by Council**

AASB 124 Related Party Disclosures was adopted during the year. Council disclosed in Note 28 the remuneration of Key Management Personnel and other related party transactions.

##### **(ii) Early adoption of standards**

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### **(iii) 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 property, plant and equipment and investment property.

##### **(iv) 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 investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated tip remediation provisions.

##### ***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 in Note 7.

##### **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the 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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

##### **(i) Rates, annual charges, grants and contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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.

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

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

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.

#### (ii) User charges and fees

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

#### (iii) Sale of infrastructure, property, plant and equipment

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

#### (iv) Interest

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

#### (v) Rent

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

#### (vi) Dividend revenue

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### (vii) Other income

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

#### (c) Principles of consolidation

##### (i) 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.

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

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

Management assessed the following Committees, Entities and Operations to be immaterial in value and nature and they have been excluded from consolidation:

- *Woolgoolga Community Village Facility Management Committee*
- *Nana Glen Equestrian Centre Facility Management Committee*
- *Toormina Community Centre Facility Management Committee*
- *Eastern Dorrigo Community Hall Facility Management Committee*
- *Ayrshire Park Facility Management Committee*
- *Lowanna Community Hall Facility Management Committee*
- *Lower Bucca Community Hall Facility Management Committee*
- *Coramba Community Hall Facility Management Committee*

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

The (i) total income and expenditure from continuing operations and (ii) net assets held by these excluded committees and operations is as follows:

<b>Total income from continuing operations</b>	\$112,611
<b>Total expenditure from continuing operations</b>	\$70,853
<b>Total net assets held (i.e. equity)</b>	\$178,648

#### (ii) 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.

#### (iii) County Councils

Council is not a member of any county councils.

#### (iv) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

##### Associates

Council has no interest in any associates.

##### Unconsolidated structured entities

Unconsolidated structured entities represent 'special vehicles' that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities.

Detailed information relating to Council's interest in unconsolidated structured entities can be found at Note 19 (d).

#### (d) Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

#### (e) Impairment of assets

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

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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.

#### **(f) Cash and cash equivalents**

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

#### **(g) Inventories**

##### **(i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

##### **(ii) Inventory held for distribution**

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

##### **(iii) Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

##### **(h) Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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.



## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

##### (i) Investments and other financial assets

###### 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.

###### (i) 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 classified as current assets.

###### (ii) Loans and receivables

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

###### (iii) 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. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

###### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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.

###### 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.

Financial assets 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.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

##### Impairment

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.

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.

##### (i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

##### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

##### (k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

###### Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Water and sewerage networks
- Other assets (Art work)

###### Internally valued:

- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Other infrastructure

##### As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Swimming pools
- Other open space/recreational assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

##### Depreciation

Land is not depreciated.



## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

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

##### Buildings

- Buildings	25 to 50 years
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##### Land Improvements

- Activity Area	5 to 60 years
- Landscape Area	5 years

##### Stormwater Drainage

- Drains	80 to 100 years
- Pipes, Pits and Culverts	60 to 120 years
- Gross Pollutant Traps	30 years

##### Transportation Assets

- Sealed Roads: Surface	18 to 22 years
- Sealed Roads: Structure	57 years
- Unsealed roads	40 years
- Bridge: Concrete	120 years
- Bridge: Other	60 years
- Footpaths and Cycleways	18 to 100 years
- Kerb, Gutter and Paths	100 years
- Other Transportation Assets	2 to 100 years

##### Water Assets

- Pump Stations	68 to 87 years
- Mains	68 to 140 years
- Treatment Plants	33 to 163 years
- Dams and Reservoirs	11 to 159 years
- Telemetry	10 to 15 years

##### Sewer Assets

- Pumping Stations	68 to 98 years
- Mains	59 to 168 years
- Treatment Works	23 to 159 years
- Ancillary	13 to 36 years
- Telemetry	12 to 15 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	50 years

- Other Open Space/ Recreational Assets	5 to 60 years
- Playground equipment	15 to 20 years
- Benches, seats etc	15 to 30 years

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

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

#### (l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

#### (m) 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.

#### (n) Borrowings

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

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

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

#### **(o) Borrowing costs**

All borrowing costs are expensed.

#### **(p) Provisions**

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

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

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

#### **(q) Employee benefits**

##### **(i) 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.

##### **(ii) Other long-term employee benefit obligations**

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

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

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

date, regardless of when the actual settlement is expected to occur.

##### (iii) Retirement benefit obligations

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

##### Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council 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.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'. This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA on 2 December 2016 relating to the period ended 30 June 2016.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

The share of this deficit that can be broadly attributed to Council is estimated to be \$1,224,000 as at 30 June 2017.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in these financial statements.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ended 30 June 2017 was \$967,787.

##### Defined Contribution Plans

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

##### (r) Land under roads

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

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.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

##### (s) Self-insurance

Council does not self-insure.

##### (t) Intangible assets

###### *IT Development and software*

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

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project.

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

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

###### *Goodwill*

Goodwill arising from a business combination is included in Intangibles in the Balance Sheet. Goodwill has an infinite useful life and is initially measured at cost, being the excess of the cost of acquisition over the fair value of identifiable assets acquired as at the date of the business acquisition.

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

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

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

expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

Cash generating units to which goodwill has been allocated are tested for impairment at least annually.

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

##### (u) 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.

##### (v) Rural fire service assets

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

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

##### (w) 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.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

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

#### (x) New accounting standards and interpretations issued not yet effective

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

Council considers that the following standards have the potential to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

#### **Pronouncement AASB 9 Financial Instruments and Associated Amending Standards**

##### **Nature of change in accounting policy**

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value.

The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Impairment of assets is now based on expected losses in AASB 9 which requires councils to measure:

(a) the 12-month expected credit losses (expected credit losses that result from those default events on

the financial instrument that are possible within 12 months after the reporting date) of full lifetime (b) expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

#### **Effective date**

Annual reporting periods beginning on or after 1 January 2018, i.e. Councils' Financial Statements for year ended 30 June 2019.

#### **Expected impact on Council financial statements**

The available-for-sale investments held will be classified at fair value through Other Comprehensive Income and will no longer be subject to impairment testing.

The model for determining impairment losses in relation to receivables will be amended. The impact of the new model has not yet been quantified, although some impairment may be recognised earlier. Other impacts on the reported financial position and performance have not yet been determined.

#### **Pronouncement AASB 16 Leases**

##### **Nature of change in accounting policy**

AASB 16 will result in most of the operating leases of an entity being brought onto the Statement of Financial Position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the Statement of Financial Position.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments.

A corresponding right to use assets will be recognised, which will be amortised over the term of the lease.

Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.



## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### Effective date

Annual reporting periods beginning on or after 1 January 2019; i.e. Councils' financial statements for year ended 30 June 2020.

##### Expected impact on Council financial statements

The impact of AASB16 has not yet been fully determined and the likely impact on Council from the accounting for operating leases is that rental expense will decrease and interest and depreciation will increase.

##### Pronouncement AASB 15 Revenue from Contracts with Customers, and associated amending standards.

##### Nature of change in accounting policy

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

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

AASB15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications), and improve guidance for multiple element arrangements.

##### Effective date

Annual reporting periods beginning on or after 1 January 2019, i.e. Councils' financial statements for year ended 30 June 2020.

##### Expected impact on Council financial statements

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

The impact of AASB15 has not yet been quantified.

##### Pronouncement AASB 1058 Income of NFP Entities

##### Nature of change in accounting policy

AASB 1058 supersedes all the income recognition requirements relating to Councils, previously in AASB 1004 Contribution.

The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

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

In cases where the Council enters into other transactions, the Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

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

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

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

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

##### **Effective date**

Annual reporting periods beginning on or after 1 January 2019; i.e. councils' financial statements for year ended 30 June 2020.

##### **Expected impact on Council financial statements**

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures. All revenue streams, including grant agreements, are currently being reviewed to determine the impact of AASB 1058.

Prepaid rates received prior to the beginning of a rating period will now be recognised as a financial liability until the commencement of the rating period.

##### **(y) Rounding of amounts**

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

##### **(z) Comparative figures**

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

##### **(aa) Disclaimer**

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

##### **(ab) Date of Issue of Financial Statements**

These financial statements were authorised for issue by the Council on 26 October 2017.

Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government directs Council to amend the financial statements.

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance Services	101	249	130	2,585	3,789	4,455	(2,484)	(3,540)	(4,325)	–	–	141	–
Financial Sustainability	–	–	4,009	–	–	1,466	–	–	2,543	–	–	–	–
Business Transformation	–	–	303	–	–	2,745	–	–	(2,442)	–	–	–	–
Community Facilities	–	–	1,984	–	–	494	–	–	1,490	–	–	–	288
CBD Masterplan Works	–	–	818	–	–	176	–	–	642	–	–	–	212
Jetty Foreshores	–	–	9	–	–	181	–	–	(172)	–	9	–	–
Coffs Coast Tourism and Marketing	–	–	–	–	–	3	–	–	(3)	–	–	–	26
Sustainable and Precinct Planning	–	–	429	–	–	2,183	–	–	(1,754)	–	343	–	–
Development Assessment and Building Services	–	–	1,985	–	–	2,387	–	–	(402)	–	–	–	12
Environmental Services	–	–	238	–	–	766	–	–	(528)	–	–	–	590
Public Health and Safety	–	–	213	–	–	767	–	–	(554)	–	–	–	6
Ranger Services	–	–	488	–	–	818	–	–	(330)	–	–	–	–
Domestic Waste Management	18,990	21,467	18,481	18,132	11,085	14,055	858	10,382	4,426	–	–	8,505	7,413
Non Domestic Waste Management	5,728	6,282	5,519	6,219	3,782	5,340	(491)	2,500	179	–	195	6,958	6,065
Commercial Property	–	–	2,075	–	–	467	–	–	1,608	–	–	–	11,629
Property Assets	–	–	1,372	–	–	2,578	–	–	(1,206)	–	–	–	128,215
Swimming Pools	–	–	–	–	–	364	–	–	(364)	–	–	–	2,415
Airport	7,792	11,792	7,087	5,670	4,954	5,529	2,122	6,838	1,558	4,526	104	90,907	89,227
Sports Unit	–	–	1,214	–	–	3,499	–	–	(2,285)	–	85	–	10,883
Rural Fire Services	–	–	1,002	–	–	974	–	–	28	–	1,001	–	2,773
Business Systems	9	14	8	3,566	3,117	3,457	(3,557)	(3,103)	(3,449)	–	–	2,602	2,350

(continued on the next page...)



## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
CitySmart Solutions	2,890	1,525	2,524	2,451	2,237	2,388	439	(712)	136	–	–	1,597	1,807
Finance	–	–	385	–	–	2,653	–	–	(2,268)	–	–	–	106,162
Plant	–	–	1,016	–	–	4,685	–	–	(3,669)	–	–	–	9,424
Program Support	–	–	240	–	–	1,251	–	–	(1,011)	–	–	–	–
Organisational Development	100	156	100	1,462	1,331	1,208	(1,362)	(1,175)	(1,108)	–	–	2	2
Customer Services	68	67	82	2,549	2,397	1,874	(2,481)	(2,330)	(1,792)	–	–	–	–
City Infrastructure Support	–	–	135	–	–	1,767	–	–	(1,632)	–	–	–	3,306
Sustainability	–	–	100	–	–	269	–	–	(169)	–	–	–	–
Asset Planning	–	–	–	–	–	86	–	–	(86)	–	–	–	–
Lifeguard Services	–	–	17	–	–	685	–	–	(668)	–	–	–	–
Library	–	–	273	–	–	2,088	–	–	(1,815)	–	228	–	254
Cultural Services	–	–	447	–	–	1,556	–	–	(1,109)	–	–	–	–
Community Services	–	–	242	–	–	1,204	–	–	(962)	–	70	–	20,359
Enterprise Coffs	–	–	310	–	–	1,554	–	–	(1,244)	–	33	–	–
Environmental Laboratory	433	552	549	552	510	521	(119)	42	28	–	–	1,768	107
City Services Operational Administration	–	–	47	–	–	1,047	–	–	(1,000)	–	–	–	2,754
Recreational Services	–	–	2,166	–	–	5,893	–	–	(3,727)	–	176	–	32,820
Regional Roads	–	–	1,829	–	–	678	–	–	1,151	–	1,829	–	1,962
Local Roads	–	–	66,282	–	–	17,258	–	–	49,024	–	2,728	–	506,801
Bridges	–	–	862	–	–	1,006	–	–	(144)	–	–	–	65,177
Footpaths, Cycleways and Bus Shelters	–	–	2,187	–	–	651	–	–	1,536	–	843	–	35,282
Parking	–	–	113	–	–	599	–	–	(486)	–	–	–	25,946
Quarries	–	–	6	–	–	56	–	–	(50)	–	–	–	2

(continued on the next page...)

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Street and Toilet Cleaning	–	–	–	–	–	658	–	–	(658)	–	–	–	–
Drainage	–	–	2,843	–	–	2,432	–	–	411	–	11	–	152,685
Harbour and Jetty	–	–	–	–	–	1	–	–	(1)	–	–	–	–
Coastal Works	6,676	3,335	2,837	5,591	2,604	2,699	1,085	731	138	–	–	1,219	1,123
Survey and Design	–	–	663	–	–	2,233	–	–	(1,570)	–	589	–	1,283
Street Lighting	–	–	148	–	–	843	–	–	(695)	–	148	–	–
Contracts and Subdivisions	–	–	286	–	–	227	–	–	59	–	–	–	–
General Fund Untied Funding	–	–	48,077	–	–	3,646	–	–	44,431	–	7,726	–	–
Water Supplies	22,762	26,908	23,799	20,521	18,153	18,039	2,241	8,755	5,760	–	259	432,799	388,434
Sewer Services	31,249	48,106	31,680	28,054	37,859	28,234	3,195	10,247	3,446	10	322	532,038	506,337
Business Services	–	–	–	354	364	–	(354)	(364)	–	–	–	–	–
Financial Services and Logistics	51,501	50,768	–	6,512	18,186	–	44,989	32,582	–	11,921	–	243,416	–
Sustainable Communities	–	(2)	–	359	313	–	(359)	(315)	–	–	–	–	–
Community and Cultural Services	609	955	–	5,961	5,332	–	(5,352)	(4,377)	–	310	–	1,991	–
Sustainable Places	2,848	3,715	–	5,474	5,886	–	(2,626)	(2,171)	–	446	–	550	–
City Prosperity	1,396	1,820	–	4,991	5,089	–	(3,595)	(3,269)	–	323	–	490	–
Sustainable Infrastructure	1,315	1,688	–	2,130	1,438	–	(815)	250	–	1,639	–	3,745	–
Asset Construction and Maintenance	3,079	13,451	–	28,450	26,802	–	(25,371)	(13,351)	–	1,225	–	4,538	–
Strategic Asset Management	20,982	23,537	–	7,331	6,682	–	13,651	16,855	–	5,709	–	895,996	–
Business Improvement	450	–	–	510	517	–	(60)	(517)	–	–	–	–	–
Holiday Parks and Reserves	–	2,704	–	–	2,351	–	–	353	–	–	–	–	–
<b>Total functions and activities</b>	<b>178,978</b>	<b>219,089</b>	<b>237,615</b>	<b>160,438</b>	<b>165,276</b>	<b>163,307</b>	<b>18,540</b>	<b>53,813</b>	<b>74,308</b>	<b>26,109</b>	<b>16,699</b>	<b>2,229,262</b>	<b>2,124,131</b>
<b>Operating result from continuing operations</b>	<b>178,978</b>	<b>219,089</b>	<b>237,615</b>	<b>160,438</b>	<b>165,276</b>	<b>163,307</b>	<b>18,540</b>	<b>53,813</b>	<b>74,308</b>	<b>26,109</b>	<b>16,699</b>	<b>2,229,262</b>	<b>2,124,131</b>

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

2. There has been a reclassification of Functions and Activities resulting from a restructure of the reporting system and accordingly the current year is not comparable to the prior period.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### **GOVERNANCE SERVICES**

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

##### **OFFICE OF THE GENERAL MANAGER**

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

##### **FINANCIAL SUSTAINABILITY**

Reflects Special Rate Variations programs as approved by IPART.

##### **COMMUNITY FACILITIES**

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

##### **CBD MASTERPLAN WORKS**

Upgrading of amenities, lighting, street and landscaping within Council's Central Business District.

##### **JETTY FORESHORES**

Upgrading of amenities, walkways, drainage, parking, lighting, street and landscaping within the Jetty Foreshores area.

##### **COFFS COAST TOURISM AND MARKETING**

Trade Exhibitions, Travel Shows, Tourism Promotion, Advertising and Promotions

##### **SUSTAINABLE AND PRECINCT PLANNING**

Local Environment Plan reviews, heritage programs, planning studies.

##### **DEVELOPMENT ASSESSMENT AND BUILDING SERVICES**

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

##### **ENVIRONMENTAL SERVICES**

Domestic Sewage supervision and administration, water quality monitoring, parks and street litter bins contract.

##### **PUBLIC HEALTH AND SAFETY**

Sullage collection, caravan park approvals, public pools inspection.

##### **RANGER SERVICES**

Rangers, stray animal management, parking inspectors.

##### **DOMESTIC WASTE MANAGEMENT**

Recycling, waste collection and processing, tip facilities.

##### **NON DOMESTIC WASTE MANAGEMENT**

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

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### **COMMERCIAL PROPERTY**

Valuation Services, land acquisition and development.

##### **PROPERTY ASSETS**

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

##### **SWIMMING POOLS**

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

##### **AIRPORT**

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

##### **SPORTS UNIT**

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

##### **ADMINISTRATION**

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

##### **RURAL FIRE SERVICES**

Hazard reduction, brigade station operations, fire attendances.

##### **BUSINESS SYSTEMS (PREVIOUSLY CORPORATE INFORMATION SERVICES)**

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

##### **CITYSMART SOLUTIONS (PREVIOUSLY TELECOMMUNICATIONS AND NEW TECHNOLOGY)**

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

##### **FINANCE**

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

##### **PLANT**

Fleet management, plant hire, mechanical workshop operations.

##### **PROGRAM SUPPORT**

Developer Contributions administration, environmental levy administration, budgeting.

##### **ORGANISATIONAL DEVELOPMENT**

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

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### **CUSTOMER SERVICES**

Provision of administration and customer services, record management.

##### **CITY INFRASTRUCTURE SUPPORT**

Two way radio operations, SES contributions.

##### **SUSTAINABILITY**

Sustainability services, environmental levy projects.

##### **ASSET PLANNING**

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

##### **LIFEGUARD SERVICES**

Beach patrols and beach safety education

##### **LIBRARY SERVICES**

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

##### **CULTURAL SERVICES**

Museum, Theatre, Art Gallery and Community Centre operations.

##### **COMMUNITY SERVICES**

Community engagement and consultation, aboriginal services and youth projects.

##### **ENTERPRISE COFFS**

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

##### **ENVIRONMENTAL LABORATORY**

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

##### **CITY SERVICES OPERATIONAL ADMINISTRATION**

Works depots operations, development, maintenance and repairs.

##### **RECREATIONAL SERVICES**

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

##### **REGIONAL ROADS**

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

##### **LOCAL ROADS**

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

##### **BRIDGES**

Maintenance and repair of concrete and timber bridges.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### **FOOTPATHS, CYCLEWAYS AND BUS SHELTERS**

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

##### **PARKING**

Multi level and ground level car park construction, maintenance and repairs.

##### **QUARRIES**

Extraction, production and distribution of quarry materials.

##### **STREET AND TOILET CLEANING**

Street and toilet cleaning (including Marina public toilets).

##### **DRAINAGE**

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

##### **HARBOUR AND JETTY**

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

##### **CITY WORKS PRIVATE WORKS**

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

##### **SURVEY AND DESIGN**

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

##### **STREET LIGHTING**

Operations of street lighting.

##### **CONTRACTS AND SUBDIVISION**

Contracts management, supervision of subdivision works.

##### **GENERAL FUND UNTIED FUNDING**

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

##### **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.

##### **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

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### **FINANCIAL SERVICES & 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.

##### **COMMUNITY AND CULTURAL SERVICES**

Library Services, Lifeguard Services, Museum, Art Gallery, Theatre, Community Centre, Community Engagement, 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.

##### **ASSET CONSTRUCTION AND MAINTENANCE**

Provision and Maintenance of Roads, Bridges, Recreational Services, Footpaths and Cycleways, Parking, Quarries, Drainage and Commercial Works.

##### **STRATEGIC ASSET MANAGEMENT**

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

##### **BUSINESS IMPROVEMENT**

Support for the Council in Continuous Improvement Program.

##### **HOLIDAY PARKS & RESERVES**

Provision and management of Holiday Parks and Reserve Trusts.

##### **ONCOST RECOVERIES**

Employee Leave Entitlements, Workers Compensation Insurance, Superannuation Contributions.

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		32,504	29,711
Farmland		1,480	1,390
Business		8,127	7,537
<b>Total ordinary rates</b>		<b>42,111</b>	<b>38,638</b>
<b>Special rates</b>			
Environmental		1,234	1,186
Other		–	7
<b>Total special rates</b>		<b>1,234</b>	<b>1,193</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		18,317	16,999
Stormwater management services		698	690
Water supply services		4,071	4,032
Sewerage services		22,898	22,556
Waste management services (non-domestic)		1,830	1,706
Other		160	154
<b>Total annual charges</b>		<b>47,974</b>	<b>46,137</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>91,319</b>	<b>85,968</b>

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.



## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>User charges</b> (per s.502 – specific 'actual use' charges)			
Waste management services (domestic)		1,494	–
Water supply services		14,467	13,747
Sewerage services		2,613	2,466
Waste management services (non-domestic)		3,194	2,999
Other		50	90
<b>Total user charges</b>		<b>21,818</b>	<b>19,302</b>
<b>Fees and Charges</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation		–	952
Construction certificates		–	551
Domestic sewerage system approval		–	356
Planning and building regulation		1,343	–
Private works – section 67		2,839	244
Regulatory/ statutory fees		136	–
Regulatory fees		835	–
Section 149 certificates (EPA Act)		154	161
Section 603 certificates		160	169
Town planning		–	747
Other		57	211
<b>Total fees and charges – statutory/regulatory</b>		<b>5,524</b>	<b>3,391</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		5,576	5,313
Cemeteries		298	316
Community centres		92	–
Community village income		3	66
Fire and emergency services levy (FESL) implementation		113	–
Laboratory income		501	507
Lease rentals		81	–
RMS charges (state roads not controlled by Council)		–	115
Sports stadium		251	155
Trade waste application fee		–	12
Water supply recovery charges		99	113
Watermain connections		–	375
Other		833	347
<b>Total fees and charges – other</b>		<b>7,847</b>	<b>7,319</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>35,189</b>	<b>30,012</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges		411	378
– Interest earned on investments		6,158	6,307
– Interest on deferred debtors		11	9
– Interest (other)		1	–
<b>Dividend revenue</b>		68	97
<b>Fair value adjustments</b>			
– Investments		390	–
– Interest free (or favourable) loans and advances received		30	38
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>7,069</u></b>	<b><u>6,829</u></b>
<b>(d) Other revenues</b>			
Fair value increments – investment properties	14	–	94
Rental income – investment properties	14	–	133
Rental income – other council properties		2,234	1,890
Assets recognised for the first time		17,800	–
Fines		414	325
Legal fees recovery – other		44	–
Airport parking		1,167	1,068
Banana sales from reuse trial		96	145
CDO recoupment		219	7,869
Commissions and agency fees		56	281
Conferences		156	324
ICT projects and consultancy		236	440
Insurance claim recoveries		99	–
Jetty theatre revenue		171	56
Nursery sales		336	262
Optical fibre lease		57	99
Holiday Parks Revenue		2,704	–
Recoverable rates legals		65	196
Reimbursements		298	790
Risk Mitigation Incentives		149	–
Waste revenue		192	–
Sewer Revenue		107	–
Sale of switchboards		1,206	1,524
Sports stadium food and drink		566	456
Other		855	829
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>29,227</u></b>	<b><u>16,781</u></b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	7,505	4,897	–	–
Financial assistance – local roads component	3,041	1,966	–	–
Pensioners' rates subsidies – general component	864	864	–	–
<b>Total general purpose</b>	<b>11,410</b>	<b>7,727</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	259	258	–	–
– Sewerage	252	251	–	–
Sewerage services	–	–	10	70
Airport	–	–	4,526	–
Boat ramps and facilities	–	–	–	381
Bushfire and emergency services	343	453	1,296	548
Community care	71	69	–	8
Community centres	–	8	–	4
Economic development	–	33	–	70
Environmental protection	613	195	22	53
Flood studies and mitigation works	28	55	14	11
Footpaths and cycleways	–	–	112	35
Heritage and cultural	11	228	–	–
Jetty4Shores	–	–	1,870	–
Library	135	134	104	94
Natural disaster	22	29	–	–
Noxious weeds	144	176	–	–
Orara river health	60	115	–	–
Recreation and culture	–	–	193	–
Street lighting	148	148	–	–
Transport (roads to recovery)	2,129	2,687	–	–
Transport (other roads and bridges funding)	1,033	1,046	1,011	1,693
Other	115	–	178	120
<b>Total specific purpose</b>	<b>5,363</b>	<b>5,885</b>	<b>9,336</b>	<b>3,087</b>
<b>Total grants</b>	<b>16,773</b>	<b>13,612</b>	<b>9,336</b>	<b>3,087</b>
<b>Comprising:</b>				
– Commonwealth funding	2,129	2,690	2,462	79
– State funding	14,630	10,917	6,762	2,992
– Other funding	14	5	112	16
	<b>16,773</b>	<b>13,612</b>	<b>9,336</b>	<b>3,087</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	3,707	2,896
S 64 – water supply contributions	–	–	3,511	3,818
S 64 – sewerage service contributions	–	–	3,082	3,552
S 64 – stormwater contributions	–	–	106	–
Other developer contributions	–	–	140	–
<b>Total developer contributions</b>	17	–	<b>10,546</b>	<b>10,266</b>
<b>Other contributions:</b>				
Bushfire services	2	–	–	–
Caravan parks	130	22	–	–
Community services	–	–	194	–
Contributions to works	4,049	4,272	–	–
Diesel fuel rebate	353	122	–	–
Kerb and gutter	–	–	(1)	73
Recreation and culture	190	–	363	–
Roads and bridges	–	–	107	–
RMS contributions (regional roads, block grant)	122	–	–	–
RMS contributions – Pine Creek handover	–	–	–	2,936
RMS road dedications (solitary way)	–	2,106	–	58,155
Subdivider dedications (other than by s94)	–	–	13,598	2,790
Water supplies (excl. section 64 contributions)	–	–	–	–
Vehicle lease payments	389	435	–	–
Other	55	72	79	77
<b>Total other contributions</b>	<b>5,290</b>	<b>7,029</b>	<b>14,340</b>	<b>64,031</b>
<b>Total contributions</b>	<b>5,290</b>	<b>7,029</b>	<b>24,886</b>	<b>74,297</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>22,063</b>	<b>20,641</b>	<b>34,222</b>	<b>77,384</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Grants and Contributions received and not spent in in prior reporting periods	16,884	16,264
<b>Add:</b> Grants and Contributions recognised in the current period that have not been spent:	15,813	11,135
<b>Less:</b> Grants and Contributions recognised in a previous reporting period that have been spent in the current reporting period:	(8,213)	(10,515)
<b>Net increase (decrease) in restricted Grants and Contributions</b>	<b>7,600</b>	<b>620</b>
<b>Grants and Contributions received for the provision of goods and services in a future reporting period and held as restricted assets</b>	<b>24,484</b>	<b>16,884</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	4,713	864
– Developer contributions	18,901	15,395
– Other contributions	870	625
	<b>24,484</b>	<b>16,884</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		34,762	30,648
Employee termination costs (where material – other than vested leave paid)		543	3,047
Travel expenses		2	63
Employee leave entitlements (ELE)		5,767	5,661
Superannuation – defined contribution plans		3,429	2,503
Superannuation – defined benefit plans		1,058	1,302
Workers' compensation insurance		1,875	2,143
Fringe benefit tax (FBT)		48	26
Payroll tax		431	482
Training costs (other than salaries and wages)		430	593
Protective clothing		149	169
Other		86	274
<b>Total employee costs</b>		<b>48,580</b>	<b>46,911</b>
Less: capitalised costs		(5,848)	(4,103)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>42,732</b>	<b>42,808</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		11,364	12,608
<b>Total interest bearing liability costs expensed</b>		<b>11,364</b>	<b>12,608</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of Discount on Tip Rehabilitation liabilities	26	1,270	239
Interest applicable on interest free (and favourable) loans to Council		93	116
<b>Total other borrowing costs</b>		<b>1,363</b>	<b>355</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>12,727</b>	<b>12,963</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		22,948	12,968
Contractor and consultancy costs		39,525	34,834
Auditors remuneration <sup>(1)</sup>		120	108
Legal expenses:			
– Legal expenses: planning and development		86	639
– Legal expenses: other		159	456
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		70	68
<b>Total materials and contracts</b>		<b>62,908</b>	<b>49,073</b>
Less: capitalised costs		(17,950)	–
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>44,958</b>	<b>49,073</b>
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Auditor-General of NSW (2016: Thomas Noble & Russell)			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		120	98
– Asset Management Review		–	10
<b>Remuneration for audit and other assurance services</b>		<b>120</b>	<b>108</b>
<b>Total remuneration of Council's Auditors</b>		<b>120</b>	<b>108</b>
<b>Total Auditor remuneration</b>		<b>120</b>	<b>108</b>
<b>2. Operating lease payments are attributable to:</b>			
Buildings		70	68
		<b>70</b>	<b>68</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		3,745	3,941
Office equipment		380	248
Furniture and fittings		157	148
Land improvements (depreciable)		284	498
Infrastructure:			
– Buildings – non-specialised		606	1,073
– Buildings – specialised		509	730
– Other structures		–	27
– Roads		10,906	12,550
– Bridges		755	736
– Footpaths		811	760
– Stormwater drainage		1,679	1,622
– Water supply network		5,094	5,719
– Sewerage network		10,645	12,504
– Swimming pools		86	84
– Other open space/recreational assets		848	712
Other assets			
– Other		–	248
Asset reinstatement costs	9 & 26	447	1,657
Intangible assets	25	1,123	853
<b>Total gross depreciation and amortisation costs</b>		<b>38,075</b>	<b>44,110</b>
Less: capitalised costs		–	(337)
<b>Total depreciation and amortisation costs</b>		<b>38,075</b>	<b>43,773</b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>38,075</u></b>	<b><u>43,773</u></b>



## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Bad and doubtful debts		–	50
Bank charges		222	201
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		1,126	–
– Contributions to regional parks		264	114
– NSW fire brigade levy		–	370
– NSW rural fire service levy		–	477
– Contributions to state parks		982	548
– Other contributions/levies		–	180
Councillor expenses – mayoral fee		40	40
Councillor expenses – councillors' fees		164	163
Councillors' expenses (incl. mayor) – other (excluding fees above)		72	42
Donations, contributions and assistance to other organisations (Section 356)		1,183	1,351
Election expenses		421	–
Electricity and heating		2,507	2,472
Fair value decrements – I,PP&E	9(a)	1,054	–
Insurance		1,695	2,006
Legal expenses for CDO investment recoupment		68	3,415
Office expenses (including computer expenses)		70	–
Postage		225	–
Printing and stationery		283	–
Street lighting		858	842
Subscriptions and publications		531	–
Telephone and communications		403	248
Valuation fees		193	–
Other		115	170
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>12,476</u></b>	<b><u>12,689</u></b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		–	43
Less: carrying amount of property assets sold/written off		(64)	(198)
<b>Net gain/(loss) on disposal</b>		<b>(64)</b>	<b>(155)</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		966	1,178
Less: carrying amount of plant and equipment assets sold/written off		(929)	(832)
<b>Net gain/(loss) on disposal</b>		<b>37</b>	<b>346</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(18,497)	(2,118)
<b>Net gain/(loss) on disposal</b>		<b>(18,497)</b>	<b>(2,118)</b>
<b>Investment properties</b>			
Less: carrying amount of investment properties sold/written off		–	(74)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(74)</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		45,311	53,365
Less: carrying amount of financial assets sold/redeemed/matured		(45,311)	(53,365)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Non-current assets classified as ‘held for sale’</b>			
Proceeds from disposal – non-current assets ‘held for sale’		1,001	–
Less: carrying amount of ‘held for sale’ assets sold/written off		(987)	–
<b>Net gain/(loss) on disposal</b>		<b>14</b>	<b>–</b>
<b>Other (Tip Reinstatement Amortisation)</b>			
Reversal of Tip Rehabilitation Amortisation		3,586	–
<b>Net gain/(loss) on disposal</b>		<b>3,586</b>	<b>–</b>
<b>Other (Regional Water Supply Amortisation)</b>			
Reversal of Regional Water Supply Intangible Amortisation		616	–
<b>Net gain/(loss) on disposal</b>		<b>616</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(14,308)</b>	<b>(2,001)</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		4,095	–	1,812	–
Deposits at call		13,456	–	9,262	–
<b>Total cash and cash equivalents</b>		<b>17,551</b>	<b>–</b>	<b>11,074</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		48,843	36,250	44,774	41,990
– Floating Rate Notes		8,936	60,656	6,595	53,462
– Floating rate term deposits		–	17,321	–	2,000
– Fixed coupon bonds		–	2,002	–	–
– Unlisted equity securities		–	541	–	551
– Other long term financial assets		–	–	3,120	4,246
<b>Total investments</b>		<b>57,779</b>	<b>116,770</b>	<b>54,489</b>	<b>102,249</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>75,330</b>	<b>116,770</b>	<b>65,563</b>	<b>102,249</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	75,330	116,770	65,563	102,249
<b>attributable to:</b>				
External restrictions (refer below)	38,465	80,813	33,859	66,756
Internal restrictions (refer below)	32,891	35,957	30,924	35,493
Unrestricted	3,974	–	780	–
	<b>75,330</b>	<b>116,770</b>	<b>65,563</b>	<b>102,249</b>

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of restrictions

## External restrictions – included in liabilities

Specific Purpose Unexpended Loans – Water (A)	19,850	–	(31)	19,819
Specific Purpose Unexpended Loans – Sewer (A)	26,927	–	(470)	26,457
<b>External restrictions – included in liabilities</b>	<b>46,777</b>	<b>–</b>	<b>(501)</b>	<b>46,276</b>

## External restrictions – other

Developer Contributions – General (D)	15,088	4,693	(1,528)	18,253
Developer Contributions – Water (D)	127	3,476	(3,193)	410
Developer Contributions – Sewer (D)	180	3,052	(2,994)	238
Specific Purpose Unexpended Grants (F)	864	4,199	(350)	4,713
Infrastructure Assets Renewal - Water (G)	7,585	7,072	–	14,657
Infrastructure Assets Renewal - Sewer (G)	22,668	–	(2,424)	20,244
Waste Management - Domestic (G)	7,326	21,752	(14,591)	14,487
<b>External restrictions – other</b>	<b>53,838</b>	<b>44,244</b>	<b>(25,080)</b>	<b>73,002</b>
<b>Total external restrictions</b>	<b>100,615</b>	<b>44,244</b>	<b>(25,581)</b>	<b>119,278</b>

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

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

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

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant Replacement	11,276	11,448	(10,976)	11,748
Employee Leave Entitlements	6,732	3,718	(3,388)	7,062
Deposits, Retentions and Bonds	664	518	(374)	808
Coffs Harbour Regional Airport Business Unit	247	11,792	(12,023)	16
Infrastructure Assets Renewal - General	7,009	4,381	(2,504)	8,886
Car Parking Upgrade	1,123	46	–	1,169
CBD Masterplan	1,887	801	(1,249)	1,439
Community Facilities	1,128	2,279	(1,122)	2,285
Environmental Laboratory Business Unit	1,174	895	(623)	1,446
Environmental Levy	189	1,310	(1,273)	226
Flood Mitigation Works	3,472	3,444	–	6,916
Strategic Initiatives	2,558	259	(126)	2,691
General Fund Revotes	3,746	–	(3,746)	–
Jetty4shores Recreation Hub	5,091	195	(1,995)	3,291
Waste Management - Non Domestic	3,301	6,379	(4,348)	5,332
Coastal Works Business Unit	1,000	1,172	(987)	1,185
Renewable Energy	50	104	–	154
RMS Contributions – Sapphire to Woolgoolga	3,778	155	–	3,933
RMS Contributions – Pine Creek Hand Over	2,155	88	(25)	2,218
T2S Savings	1,504	3,315	–	4,819
CitySmart Solutions Business Unit	438	1,924	(2,348)	14
Unexpended Grants - General	625	394	(149)	870
Unexpended Loans - General	7,270	–	(4,930)	2,340
<b>Total internal restrictions</b>	<b>66,417</b>	<b>54,617</b>	<b>(52,186)</b>	<b>68,848</b>
<b>TOTAL RESTRICTIONS</b>	<b>167,032</b>	<b>98,861</b>	<b>(77,767)</b>	<b>188,126</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		3,582	1,919	3,176	1,450
Interest and extra charges		524	407	448	397
User charges and fees		2,300	46	1,895	35
Private works		1,178	–	394	–
Accrued revenues					
– Interest on investments		1,327	–	1,420	–
Accrued revenues – user charges and fee		2,150	–	2,477	–
Airport landing charges		1,741	44	1,359	43
Caravan parks		2,092	–	1,234	–
Economic development unit		–	–	2	–
Environmental lab		101	–	98	–
Government grants and subsidies		2,422	232	1,263	328
Lease rentals		124	–	24	–
Loans to non-profit organisations		29	223	15	105
Net GST receivable		438	–	664	–
Switchboard sales		567	–	473	–
Tip charges		328	–	276	–
Other debtors		971	29	3,391	34
<b>Total</b>		<b>19,874</b>	<b>2,900</b>	<b>18,609</b>	<b>2,392</b>
<b>Less: provision for impairment</b>					
Other debtors		(50)	–	(60)	–
<b>Total provision for impairment – receivables</b>		<b>(50)</b>	<b>–</b>	<b>(60)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>19,824</b>	<b>2,900</b>	<b>18,549</b>	<b>2,392</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		158	86	119	102
– Other		3,604	38	3,913	28
<b>Sewerage services</b>					
– Rates and availability charges		860	495	659	560
– Other		2,836	8	1,324	6
<b>Domestic waste management</b>		<b>1,214</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total external restrictions</b>		<b>8,672</b>	<b>627</b>	<b>6,015</b>	<b>696</b>
<b>Internally restricted receivables</b>					
Non Domestic Waste management		994	–	–	–
<b>Internally restricted receivables</b>		<b>994</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Unrestricted receivables</b>		<b>10,158</b>	<b>2,273</b>	<b>12,534</b>	<b>1,696</b>
<b>TOTAL NET RECEIVABLES</b>		<b>19,824</b>	<b>2,900</b>	<b>18,549</b>	<b>2,392</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Coffs Harbour City Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		1,368	–	1,301	–
Trading stock		477	–	575	–
<b>Total inventories at cost</b>		<b>1,845</b>	<b>–</b>	<b>1,876</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>1,845</b>	<b>–</b>	<b>1,876</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		632	–	561	–
Work in progress		464	–	–	–
<b>TOTAL OTHER ASSETS</b>		<b>1,096</b>	<b>–</b>	<b>561</b>	<b>–</b>
<b>Externally restricted assets</b>					
<b>Water</b>					
Stores and materials		228	–	204	–
<b>Total water</b>		<b>228</b>	<b>–</b>	<b>204</b>	<b>–</b>
<b>Sewerage</b>					
Nil					
<b>Domestic waste management</b>					
Stores and materials		246	–	–	–
<b>Total domestic waste management</b>		<b>246</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Other</b>					
Nil					
<b>Total externally restricted assets</b>		<b>474</b>	<b>–</b>	<b>204</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>201</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>2,266</b>	<b>–</b>	<b>2,233</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>2,941</b>	<b>–</b>	<b>2,437</b>	<b>–</b>



## Coffs Harbour City Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period											as at 30/6/2017			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements	Other movements	Tfrs from/(to) investment properties	Revaluation decrements to P&L	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>																		
Capital work in progress	27,083	–	27,083	18,994	8,136	(699)	–	(9,950)	–	–	(1,684)	–	–	(1,202)	–	40,678	–	40,678
Plant and equipment	40,038	23,096	16,942	2,889	1,655	(929)	(3,745)	–	–	104	–	–	–	–	–	41,166	24,250	16,916
Office equipment	4,039	3,123	916	–	334	–	(380)	122	–	–	–	–	–	–	–	4,495	3,503	992
Furniture and fittings	3,538	1,924	1,614	2	–	–	(157)	183	–	–	–	–	–	–	–	3,723	2,081	1,642
<b>Land:</b>																		
– Operational land	119,493	–	119,493	–	–	–	–	–	–	–	–	2,514	–	–	–	122,007	–	122,007
– Community land	33,303	–	33,303	–	487	–	–	–	–	–	–	–	–	–	–	33,790	–	33,790
– Land under roads (post 30/6/08)	2,746	–	2,746	–	1,528	–	–	–	–	–	–	–	(1,054)	(1,024)	–	2,196	–	2,196
Land improvements – depreciable	20,016	16,200	3,816	–	236	–	(284)	704	–	–	–	–	–	–	–	20,956	16,484	4,472
<b>Infrastructure:</b>																		
– Buildings – non-specialised	54,866	6,400	48,466	–	–	–	(606)	242	–	–	–	284	–	–	–	55,392	7,006	48,386
– Buildings – specialised	54,965	6,045	48,920	3	194	(63)	(509)	297	–	–	–	–	–	–	–	55,378	6,536	48,842
– Other structures	1,212	536	676	–	–	–	–	–	(676)	–	–	–	–	–	–	–	–	–
– Roads	580,472	142,512	437,960	1,275	3,471	(118)	(10,906)	4,125	–	73	–	–	–	–	–	589,191	153,311	435,880
– Bridges	72,157	7,348	64,809	400	542	(2,635)	(755)	332	–	–	–	–	–	–	–	70,410	7,717	62,693
– Footpaths	47,426	8,234	39,192	–	1,078	(10)	(811)	651	–	48	–	–	–	–	–	49,193	9,045	40,148
– Bulk earthworks (non-depreciable)	134,473	–	134,473	141	548	(17)	–	472	–	4	–	–	–	–	–	135,621	–	135,621
– Stormwater drainage	195,852	43,203	152,649	73	2,624	(14)	(1,679)	999	–	31	–	–	–	–	–	199,562	44,879	154,683
– Water supply network	420,736	144,975	275,761	331	922	(1,684)	(5,094)	515	–	2,725	–	–	–	–	51,543	432,915	107,896	325,019
– Sewerage network	656,747	216,355	440,392	268	3,869	(13,319)	(10,645)	1,272	–	14,941	–	–	–	–	28,080	638,983	174,125	464,858
– Swimming pools	4,210	1,814	2,396	142	–	–	(86)	4	–	–	–	–	–	–	–	4,356	1,900	2,456
– Other open space/recreational assets	14,126	8,200	5,926	15	532	(2)	(848)	32	4,261	–	–	–	–	–	–	22,503	12,587	9,916
<b>Other assets:</b>																		
– Other	7,881	3,046	4,835	–	32	–	–	–	(3,585)	–	–	–	–	–	–	1,282	–	1,282
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>																		
– Tip assets	5,608	5,378	230	–	–	–	(447)	–	–	–	2,501	–	–	–	–	4,523	2,239	2,284
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>2,500,987</b>	<b>638,389</b>	<b>1,862,598</b>	<b>24,533</b>	<b>26,188</b>	<b>(19,490)</b>	<b>(36,952)</b>	<b>–</b>	<b>–</b>	<b>17,926</b>	<b>817</b>	<b>2,798</b>	<b>(1,054)</b>	<b>(2,226)</b>	<b>79,623</b>	<b>2,528,320</b>	<b>573,559</b>	<b>1,954,761</b>

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## Coffs Harbour City Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated deprn. and impairment	Net carrying amount	Gross carrying amount	Accumulated deprn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	11,236	–	<b>11,236</b>	9,491	–	<b>9,491</b>
Plant and equipment	1,793	1,466	<b>327</b>	3,732	2,423	<b>1,309</b>
Office equipment	233	230	<b>3</b>	233	227	<b>6</b>
Land						
– Operational land	4,773	–	<b>4,773</b>	4,773	–	<b>4,773</b>
Infrastructure	432,915	107,896	<b>325,019</b>	420,737	144,975	<b>275,762</b>
<b>Total water supply</b>	<b>450,950</b>	<b>109,592</b>	<b>341,358</b>	<b>438,966</b>	<b>147,625</b>	<b>291,341</b>
<b>Sewerage services</b>						
WIP	3,361	–	<b>3,361</b>	3,460	–	<b>3,460</b>
Plant and equipment	82	71	<b>11</b>	3,640	2,450	<b>1,190</b>
Office equipment	70	57	<b>13</b>	70	45	<b>25</b>
Furniture and fittings	78	78	<b>–</b>	78	78	<b>–</b>
Land						
– Operational land	12,651	–	<b>12,651</b>	12,651	–	<b>12,651</b>
Infrastructure	638,983	174,125	<b>464,858</b>	656,747	216,354	<b>440,393</b>
Other assets	6	–	<b>6</b>	–	–	<b>–</b>
<b>Total sewerage services</b>	<b>655,231</b>	<b>174,331</b>	<b>480,900</b>	<b>676,646</b>	<b>218,927</b>	<b>457,719</b>
<b>Domestic waste management</b>						
Plant and equipment	173	162	<b>11</b>	314	284	<b>30</b>
Office equipment	4	2	<b>2</b>	7	2	<b>5</b>
Land						
– Operational land	6,029	–	<b>6,029</b>	10,962	–	<b>10,962</b>
Buildings	1,117	156	<b>961</b>	2,031	284	<b>1,747</b>
Other structures	–	–	<b>–</b>	5,916	5,541	<b>375</b>
Infrastructure	4,461	3,204	<b>1,256</b>	–	–	<b>–</b>
Other assets	–	–	<b>–</b>	408	48	<b>360</b>
<b>Total DWM</b>	<b>11,783</b>	<b>3,524</b>	<b>8,259</b>	<b>19,638</b>	<b>6,159</b>	<b>13,479</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>1,117,964</b>	<b>287,447</b>	<b>830,517</b>	<b>1,135,250</b>	<b>372,711</b>	<b>762,539</b>

Note 9c. Infrastructure, property, plant and equipment – current year  
impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		2,039	–	3,593	–
Goods and services – capital expenditure		170	–	1,003	–
Accrued expenses:					
– Borrowings		1,423	–	1,557	–
– Salaries and wages		337	–	27	–
– Other expenditure accruals		1,425	–	–	341
Security bonds, deposits and retentions		1,205	–	664	–
Workers compensation premium adjustmer		–	–	209	–
Waste levy		–	–	183	–
Other		16	–	144	–
<b>Total payables</b>		<b>6,615</b>	<b>–</b>	<b>7,380</b>	<b>341</b>
<b>Income received in advance</b>					
Payments received in advance		1,760	–	1,471	–
<b>Total income received in advance</b>		<b>1,760</b>	<b>–</b>	<b>1,471</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		14,522	149,496	14,448	164,017
<b>Total borrowings</b>		<b>14,522</b>	<b>149,496</b>	<b>14,448</b>	<b>164,017</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		3,049	–	2,835	–
Sick leave		198	–	205	–
Long service leave		8,578	596	8,525	504
Accrued leave		185	–	130	–
ELE on-costs		2,179	112	1,828	325
Sub-total – aggregate employee benefits		14,189	708	13,523	829
Asset remediation/restoration (future works)	26	–	5,418	–	5,234
<b>Total provisions</b>		<b>14,189</b>	<b>6,126</b>	<b>13,523</b>	<b>6,063</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>37,086</b>	<b>155,622</b>	<b>36,822</b>	<b>170,421</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(i) Liabilities relating to restricted assets</b>					
<b>Externally restricted assets</b>					
Water		11,723	62,346	6,114	67,564
Sewer		7,633	71,718	7,218	78,164
Domestic waste management		381	2,988	183	5,234
Liabilities relating to externally restricted assets		19,737	137,052	13,515	150,962
<b>Internally restricted assets</b>					
Non Domestic Waste management		312	2,444	–	–
Liabilities relating to internally restricted assets		312	2,444	–	–
<b>Total liabilities relating to restricted assets</b>		<b>20,049</b>	<b>139,496</b>	<b>13,515</b>	<b>150,962</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>17,037</b>	<b>16,126</b>	<b>23,307</b>	<b>19,459</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>37,086</b>	<b>155,622</b>	<b>36,822</b>	<b>170,421</b>

<sup>1</sup> 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 15.

**(ii) Current liabilities 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.

	2017	2016
Provisions – employees benefits	13,896	10,816
	<b>13,896</b>	<b>10,816</b>

## Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	2,835	2,933	(2,719)	–	–	3,049
Sick leave	205	(7)	–	–	–	198
Long service leave	9,029	1,196	(1,051)	–	–	9,174
Other leave	130	55	–	–	–	185
ELE on-costs	2,153	138	–	–	–	2,291
Asset remediation	5,234	184	–	–	–	5,418
<b>TOTAL</b>	<b>19,586</b>	<b>4,499</b>	<b>(3,770)</b>	<b>–</b>	<b>–</b>	<b>20,315</b>

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	17,551	11,074
<b>Balance as per the Statement of Cash Flows</b>		<b>17,551</b>	<b>11,074</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>53,813</b>	<b>74,308</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		38,075	43,773
Net losses/(gains) on disposal of assets		14,308	2,001
Non-cash capital grants and contributions		(29,091)	(61,182)
<b>Losses/(gains) recognised on fair value re-measurements through the P&amp;L:</b>			
– Investments classified as 'at fair value' or 'held for trading'		(390)	–
– Investment properties		–	(94)
– Favourable financial liabilities (i.e. initial recognition at fair value)		(30)	(38)
– Write offs relating to the fair valuation of I,PP&E		1,054	–
<b>Amortisation of premiums, discounts and prior period fair valuations</b>			
– Interest exp. on interest-free loans received by Council (previously fair valued)		93	116
Unwinding of discount rates on reinstatement provisions		1,270	562
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(1,773)	(17)
Increase/(decrease) in provision for doubtful debts		(10)	4
Decrease/(increase) in inventories		31	84
Decrease/(increase) in other assets		(535)	(41)
Increase/(decrease) in payables		(1,554)	15
Increase/(decrease) in accrued interest payable		(134)	(187)
Increase/(decrease) in other accrued expenses payable		1,394	(253)
Increase/(decrease) in other liabilities		310	364
Increase/(decrease) in employee leave entitlements		545	(106)
Increase/(decrease) in other provisions		(1,086)	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>76,290</b>	<b>59,309</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
Bushfire grants		1,261	446
Other dedications (developer)		26,560	2,343
Future reinstatement costs re-measurement		1,270	239
<b>Total non-cash investing and financing activities</b>		<b>29,091</b>	<b>3,028</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit cards/purchase cards		1,200	1,200
Loan facilities		164,018	178,465
<b>Total financing arrangements</b>		<b>165,218</b>	<b>179,665</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		341	295
– Loan facilities		164,018	178,465
<b>Total financing arrangements utilised</b>		<b>164,359</b>	<b>178,760</b>
<b>(ii) Secured loan liabilities</b>			

Loans are secured by a mortgage over future years rate revenue only.

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		245	–
Sewer network		2	284
Transport assets		–	2,059
Water network		200	–
Stormwater drainage		–	332
Recreational surfaces		3,127	1,581
<b>Total commitments</b>		<b>3,574</b>	<b>4,256</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		3,574	4,256
<b>Total payable</b>		<b>3,574</b>	<b>4,256</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		1,127	3,640
Sect 64 and 94 funds/reserves		202	–
Unexpended grants		1,138	–
Internally restricted reserves		1,107	616
<b>Total sources of funding</b>		<b>3,574</b>	<b>4,256</b>

**Details of capital commitments**

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

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

**(b) Finance lease commitments**

Nil

**(c) Operating lease commitments (non-cancellable)**

Nil

**(d) Investment property commitments**

Nil



## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>34,563</u>	<b>18.74%</b>	-0.73%	-5.58%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>184,477</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>162,414</u>	<b>74.26%</b>	58.73%	76.10%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>218,699</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>50,989</u>	<b>14.77x</b>	3.84x	3.71x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>3,453</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>85,365</u>	<b>3.13x</b>	1.79x	1.52x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>27,237</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>6,432</u>	<b>6.62%</b>	5.96%	6.29%	< 5% Metro
Rates, annual and extra charges collectible	<u>97,201</u>				<10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>102,644</u>	<b>9.10 mths</b>	8.2 mths	9.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>11,278</u>				

## Notes

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

(2) Refer Notes 6-8 inclusive.

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

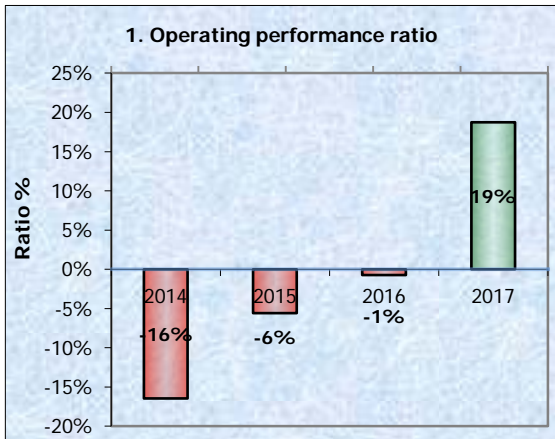
(3) Refer to Note 10(a).

(4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

# Coffs Harbour City Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of operating performance ratio**

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

**Commentary on 2016/17 result**

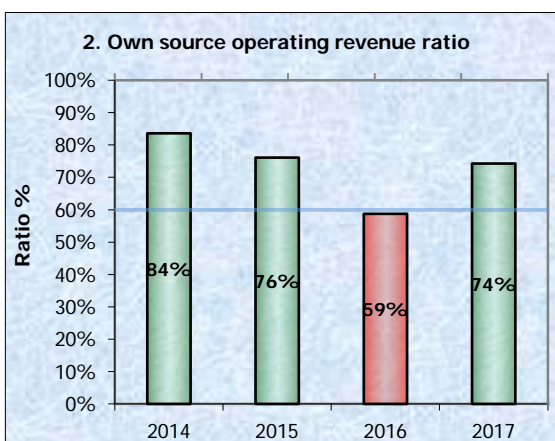
**2016/17 ratio 18.74%**

Receipt of Financial Assistance Grant in advance (\$3.6m) and \$17.8m revenue from assets recognised for the first time.

Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2016/17 result**

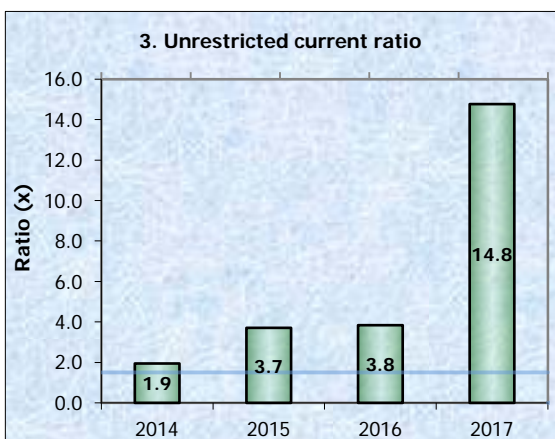
**2016/17 ratio 74.26%**

This ratio has improved due to the one off recognition of the gifted Solitary Islands way from RMS in the previous financial year.

Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 14.77x**

An increase Council's current assets plus a change in the internal accounting treatment of current versus non-current external restrictions has resulted in this ratio significantly improving.

Benchmark: ——— Minimum  $\geq 1.50$

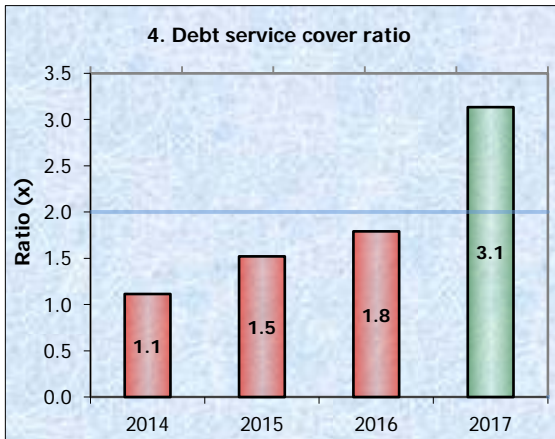
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

# Coffs Harbour City Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**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 2016/17 result**

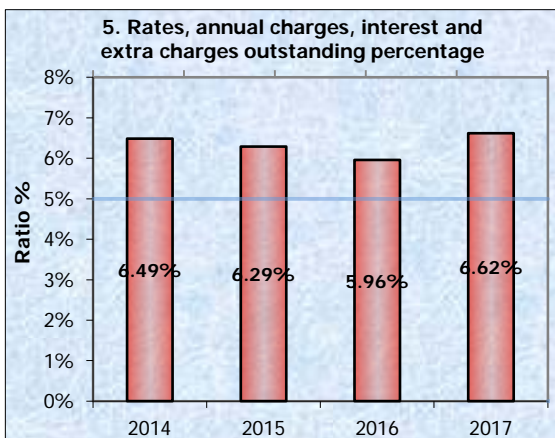
**2016/17 ratio 3.13x**

Interest costs have decreased and Council experienced a greater operating result as shown in the Operating Performance Ratio.

Benchmark: ——— Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 2016/17 result**

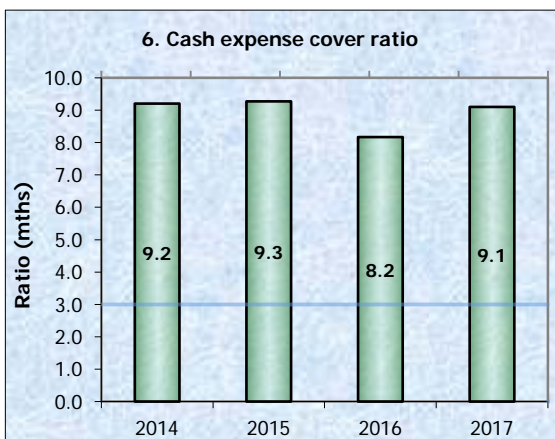
**2016/17 ratio 6.62%**

There has been an increase in outstanding rates and annual charges due to lower levels of debt recovery activity than in previous years.

Benchmark: ——— Maximum  $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 9.10 mths**

A greater amount of cash was held at the end of financial year resulting in an increase to this ratio.

Benchmark: ——— Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>28.16%</b>	4.86%	<b>-0.52%</b>	-7.27%	<b>-6.26%</b>	-18.30%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>79.22%</b>	50.92%	<b>76.49%</b>	81.65%	<b>59.66%</b>	85.43%	>60.00%
Total continuing operating revenue <sup>(1)</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>	<b>14.77x</b>	3.84x	<b>5.00x</b>	No liabilities	<b>-14.40x</b>	No liabilities	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							

## Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

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

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13b. Statement of performance measurement – indicators (by fund) (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund (continued)</b>							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>10.69x</b>	5.13x	<b>0.95x</b>	0.99x	<b>1.17x</b>	0.86x	>2x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>7.02%</b>	6.36%	<b>5.61%</b>	5.08%	<b>5.63%</b>	5.05%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	<b>8.97 months</b>	3.26 months	<b>9.96 months</b>	18.85 months	<b>8.83 months</b>	17.10 months	> 3 months

## Notes

(1) Refer to Notes at Note 13a(i) above.

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

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Investment properties at fair value</b>			
<u>Investment properties on hand</u>		–	2,798
<b>Reconciliation of annual movement:</b>			
Opening balance		2,798	3,698
– Classified as 'held for sale'		–	(994)
– Disposals during year		–	(74)
– Net gain/(loss) from fair value adjustments		–	94
– Transfers from/(to) IPPE (Note 9)		(2,798)	–
– Other movements		–	74
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>		<b>–</b>	<b>2,798</b>

Council reclassified Investment Properties to Operational Properties as the primary purpose for holding the properties is to meet community needs not capital appreciation or income generation.

**(b) Valuation basis**

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2016 revaluations were based on independent assessments made by:  
APV Valuers & Asset Management

**(c) Leasing arrangements – Council as lessor**

Details of leased properties are as follows;

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	–	57
Later than 1 year but less than 5 years	–	118
<b>Total minimum lease payments receivable</b>	<b>–</b>	<b>175</b>

**(d) Investment property income and expenditure – summary**

<b>Rental income from investment properties:</b>		
– Minimum lease payments	–	133
<b>Direct operating expenses on investment properties:</b>		
– that generated rental income	–	(2)
<b>Net revenue contribution from investment properties</b>	<b>–</b>	<b>131</b>
plus:		
<b>Fair value movement for year</b>	<b>–</b>	<b>94</b>
<b>Total income attributable to investment properties</b>	<b>–</b>	<b>225</b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investment properties held.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	17,551	11,074	17,448	11,074
Investments				
– 'Designated at fair value on initial recognition'	69,592	67,423	69,592	67,423
– 'Held to maturity'	104,416	88,764	104,416	88,764
– 'Available for sale'	541	551	541	551
Receivables	22,724	20,941	22,724	20,941
<b>Total financial assets</b>	<b>214,824</b>	<b>188,753</b>	<b>214,721</b>	<b>188,753</b>
<b>Financial liabilities</b>				
Payables	6,615	7,721	6,607	7,721
Loans/advances	164,018	178,465	188,457	208,649
<b>Total financial liabilities</b>	<b>170,633</b>	<b>186,186</b>	<b>195,064</b>	<b>216,370</b>

Fair value is determined as follows:

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

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.



## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Net Result	Equity	Net Result	Equity
<b>2017</b>				
Possible impact of a 10% movement in market values	54	54	(54)	(54)
Possible impact of a 1% movement in interest rates	1,874	1,874	(1,874)	(1,874)
<b>2016</b>				
Possible impact of a 10% movement in market values	55	55	(55)	(55)
Possible impact of a 1% movement in interest rates	1,656	1,656	(1,656)	(1,656)

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

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

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

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

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

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

		2017	2017	2016	2016
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Percentage of Rates and Annual Charges -%</b>					
Current (not yet overdue)		0%	73%	0%	77%
Overdue		100%	27%	100%	23%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Analysis of overdue receivables – value</b>					
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	–	12,569	–	12,591
< 1 year overdue	0 – 30 days overdue	2,526	2,534	3,177	2,200
1 – 2 years overdue	31 – 60 days overdue	1,203	654	707	1,059
2 – 5 years overdue	61 – 90 days overdue	1,548	483	626	44
> 5 years overdue	> 91 days overdue	224	1,033	116	481
		<b>5,501</b>	<b>17,273</b>	<b>4,626</b>	<b>16,375</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2017</b>									
Trade/other payables	1,205	7,170	–	–	–	–	–	8,375	6,615
Loans and advances	–	25,221	24,934	24,921	23,619	20,879	106,221	225,795	164,018
<b>Total financial liabilities</b>	<b>1,205</b>	<b>32,391</b>	<b>24,934</b>	<b>24,921</b>	<b>23,619</b>	<b>20,879</b>	<b>106,221</b>	<b>234,170</b>	<b>170,633</b>
<b>2016</b>									
Trade/other payables	664	8,187	341	–	–	–	–	9,192	7,721
Loans and advances	–	25,945	25,050	24,593	24,579	28,147	121,462	249,776	178,465
<b>Total financial liabilities</b>	<b>664</b>	<b>34,132</b>	<b>25,391</b>	<b>24,593</b>	<b>24,579</b>	<b>28,147</b>	<b>121,462</b>	<b>258,968</b>	<b>186,186</b>

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 through the diversification of borrowing types, maturities and interest rate structures.

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	6,615	0.00%	7,721	0.00%
Loans and advances – fixed interest rate	164,018	6.66%	178,465	6.64%
	<b>170,633</b>		<b>186,186</b>	

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 23 June 2016.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	86,781	91,319	4,538	5%	<b>F</b>
User charges and fees	33,104	35,189	2,085	6%	<b>F</b>
Interest and investment revenue	5,700	7,069	1,369	24%	<b>F</b>
The budgeted expenditure on capital projects was not achieved and with an unbudgeted increase in capital grants resulted in additional funds available for investment and with the continuance of existing investments in a declining interest rate environment resulted in a better than expected investment return.					
Other revenues	8,152	29,227	21,075	259%	<b>F</b>
The accounting for the recovery of employee benefits and oncosts from Coffs Coast State Park Trust resulted in an increase of \$2.7 M in Other Revenue and a corresponding increase in Employee Benefits Cost of \$2.7 M. Revenues from Council Business Units and Private Works were greater than expected.					
Operating grants and contributions	20,924	22,063	1,139	5%	<b>F</b>
Capital grants and contributions	24,317	34,222	9,905	41%	<b>F</b>
Subdivision dedications for General, Water and Sewer were higher than expected combined with the recognition of \$12 M assets resulting from the Water and Sewer Revaluation.					

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>37,814</b>	<b>42,732</b>	<b>(4,918)</b>	(13%) <b>U</b>
The variance arises between the budgeted apportionment of the capital costs between Employee Benefits and Materials and Contracts and actual resourcing mix between Employee Benefits and Material and Contracts applied in the delivery of the planned works.				
The accounting for the recovery of employee benefits and oncosts from Coffs Coast State Park Trust resulted in an increase of \$2.7 M in Employee Benefits Cost and a corresponding increase in Other Revenue of \$2.7 M.				
<b>Borrowing costs</b>	<b>11,498</b>	<b>12,727</b>	<b>(1,229)</b>	(11%) <b>U</b>
The variation relates to the adjustment of the discount calculation for the Tip Rehabilitation Provision by \$1.19 M resulting from a reassessment of the life of the facility and the basis of the liability calculation.				
<b>Materials and contracts</b>	<b>54,123</b>	<b>44,958</b>	<b>9,165</b>	17% <b>F</b>
The variance arises between the budgeted apportionment of the capital costs between Employee Benefits and Materials and Contracts and actual resourcing mix between Employee Benefits and Material and Contracts applied in the delivery of the planned works together with lower than expected capital project delivery outcomes resulting in less expenditure.				
<b>Depreciation and amortisation</b>	<b>44,767</b>	<b>38,075</b>	<b>6,692</b>	15% <b>F</b>
Depreciation and amortisation expense impacted by revaluation of Water and Sewer assets that extended effective useful lives together with the removal of residual values and implementation of short life/long life concepts in accordance with Australian Accounting Standards resulted in a reduction in expense.				
<b>Other expenses</b>	<b>12,236</b>	<b>12,476</b>	<b>(240)</b>	(2%) <b>U</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>14,308</b>	<b>(14,308)</b>	0% <b>U</b>
The revaluation of Water and Sewer Assets and reassessment of the Waste Recycling asset resulted in write off of assets that could not have been budgeted				
<b>Budget variations relating to Council's Cash Flow Statement include:</b>				
<b>Cash flows from operating activities</b>	<b>61,973</b>	<b>76,290</b>	<b>14,317</b>	23.1% <b>F</b>
The budgeted expenditure on materials and capital projects did not proceed as expected and these unspent funds were invested.				
<b>Cash flows from investing activities</b>	<b>(47,125)</b>	<b>(55,303)</b>	<b>(8,178)</b>	17.4% <b>U</b>
The budgeted expenditure on materials and capital projects did not proceed as expected and these unspent funds were invested.				
<b>Cash flows from financing activities</b>	<b>(14,898)</b>	<b>(14,510)</b>	<b>388</b>	(2.6%) <b>F</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	2,138	106	–	87	(24)	–	2,307	–
Roads	4,159	1,184	–	174	(818)	–	4,699	–
Traffic facilities	35	1	–	1	–	–	37	–
Parking	1,034	33	–	43	–	–	1,110	–
Open space	4,267	2,338	–	212	(320)	–	6,497	–
Community facilities	1,769	145	–	69	(241)	–	1,742	–
Other	1,165	217	–	49	(110)	–	1,321	–
<b>S94 contributions – under a plan</b>	<b>14,567</b>	<b>4,024</b>	<b>–</b>	<b>635</b>	<b>(1,513)</b>	<b>–</b>	<b>17,713</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>14,567</b>	<b>4,024</b>	<b>–</b>	<b>635</b>	<b>(1,513)</b>	<b>–</b>	<b>17,713</b>	<b>–</b>
S94 not under plans	521	–	–	21	(2)	–	540	–
S64 contributions	307	6,522	–	19	(6,200)	–	648	–
<b>Total contributions</b>	<b>15,395</b>	<b>10,546</b>	<b>–</b>	<b>675</b>	<b>(7,715)</b>	<b>–</b>	<b>18,901</b>	<b>–</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## City Centre Car Parking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	501	–	–	20	–	–	521	–
<b>Total</b>	<b>501</b>	<b>–</b>	<b>–</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>521</b>	<b>–</b>

## Coffs Harbour Road Network

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	21	333	–	1	(333)	–	22	–
<b>Total</b>	<b>21</b>	<b>333</b>	<b>–</b>	<b>1</b>	<b>(333)</b>	<b>–</b>	<b>22</b>	<b>–</b>

## Corindi

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	104	–	–	4	–	–	108	–
Open space	4	–	–	–	(4)	–	–	–
Community facilities	482	–	–	15	(219)	–	278	–
<b>Total</b>	<b>590</b>	<b>–</b>	<b>–</b>	<b>19</b>	<b>(223)</b>	<b>–</b>	<b>386</b>	<b>–</b>



## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## Hearnes Lake / Sandy Beach

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	222	210	–	9	(207)	–	234	–
Open space	70	72	–	4	–	–	146	–
Other	–	3	–	–	(3)	–	–	–
<b>Total</b>	<b>292</b>	<b>285</b>	<b>–</b>	<b>13</b>	<b>(210)</b>	<b>–</b>	<b>380</b>	<b>–</b>

## Jetty Area Car Parking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	16	–	–	1	–	–	17	–
<b>Total</b>	<b>16</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>17</b>	<b>–</b>

## Korora Rural Residential Release Area

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	232	–	–	8	(50)	–	190	–
Open space	212	–	–	9	–	–	221	–
Other	53	–	–	2	–	–	55	–
<b>Total</b>	<b>497</b>	<b>–</b>	<b>–</b>	<b>19</b>	<b>(50)</b>	<b>–</b>	<b>466</b>	<b>–</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## Mines and Extractive Industries

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	24	10	–	2	–	–	36	–
<b>Total</b>	<b>24</b>	<b>10</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>36</b>	<b>–</b>

## Moonee Release Area

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	65	–	–	2	(24)	–	43	–
Roads	1,763	252	–	72	(171)	–	1,916	–
Open space	374	200	–	19	–	–	593	–
Community facilities	359	97	–	16	–	–	472	–
Other	–	1	–	–	(1)	–	–	–
<b>Total</b>	<b>2,561</b>	<b>550</b>	<b>–</b>	<b>109</b>	<b>(196)</b>	<b>–</b>	<b>3,024</b>	<b>–</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## North Boambee Valley (East)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	380	1	–	15	–	–	396	–
Roads	58	2	–	2	–	–	62	–
Open space	154	–	–	6	–	–	160	–
Community facilities	83	1	–	4	–	–	88	–
Other	89	3	–	4	–	–	96	–
<b>Total</b>	<b>764</b>	<b>7</b>	<b>–</b>	<b>31</b>	<b>–</b>	<b>–</b>	<b>802</b>	<b>–</b>

## North Bonville

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	205	50	–	9	–	–	264	–
Roads	6	201	–	4	–	–	211	–
Open space	197	19	–	8	–	–	224	–
Other	–	2	–	–	(2)	–	–	–
<b>Total</b>	<b>408</b>	<b>272</b>	<b>–</b>	<b>21</b>	<b>(2)</b>	<b>–</b>	<b>699</b>	<b>–</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## Park Beach

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	35	1	–	1	–	–	37	–
Parking	19	–	–	1	–	–	20	–
Open space	172	4	–	7	–	–	183	–
<b>Total</b>	<b>226</b>	<b>5</b>	<b>–</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>240</b>	<b>–</b>

## Regional, District and Neighbourhood Facilities and Services

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	2,884	2,010	–	150	(303)	–	4,741	–
Community facilities	20	8	–	–	(22)	–	6	–
Other	518	177	–	23	(100)	–	618	–
<b>Total</b>	<b>3,422</b>	<b>2,195</b>	<b>–</b>	<b>173</b>	<b>(425)</b>	<b>–</b>	<b>5,365</b>	<b>–</b>

## South Coffs

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	17	10	–	1	–	–	28	–
Open space	10	1	–	1	–	–	12	–
<b>Total</b>	<b>27</b>	<b>11</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>40</b>	<b>–</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## Surf Rescue Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	112	27	–	5	–	–	144	–
<b>Total</b>	<b>112</b>	<b>27</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>144</b>	<b>–</b>

## West Coffs

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,488	55	–	61	–	–	1,604	–
Roads	1,272	155	–	53	(57)	–	1,423	–
Open space	167	31	–	7	(13)	–	192	–
Community facilities	825	39	–	34	–	–	898	–
Other	361	3	–	14	(3)	–	375	–
<b>Total</b>	<b>4,113</b>	<b>283</b>	<b>–</b>	<b>169</b>	<b>(73)</b>	<b>–</b>	<b>4,492</b>	<b>–</b>

## West Woolgoolga

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	440	11	–	18	–	–	469	–
Open space	23	1	–	1	–	–	25	–
Other	32	1	–	1	(1)	–	33	–
<b>Total</b>	<b>495</b>	<b>13</b>	<b>–</b>	<b>20</b>	<b>(1)</b>	<b>–</b>	<b>527</b>	<b>–</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## Woolgoolga Car Parking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	498	33	–	21	–	–	552	–
<b>Total</b>	<b>498</b>	<b>33</b>	<b>–</b>	<b>21</b>	<b>–</b>	<b>–</b>	<b>552</b>	<b>–</b>

**S94 CONTRIBUTIONS – NOT UNDER A PLAN**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	151	–	–	6	–	–	157	–
Open space	2	–	–	–	–	–	2	–
Community facilities	177	–	–	7	(2)	–	182	–
Other	191	–	–	8	–	–	199	–
<b>Total</b>	<b>521</b>	<b>–</b>	<b>–</b>	<b>21</b>	<b>(2)</b>	<b>–</b>	<b>540</b>	<b>–</b>

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

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

Amount of employer contributions recognised as an expense for the year ending 30/6/17 was \$1,058,369. Employers are required to contribute additional contributions to assist in extinguishing this deficit. The annual amount of additional contributions payable to extinguish the deficit is expected to be \$457,779.

##### (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.

##### (iv) Other guarantees

The Council has provided 5 bank guarantees totalling \$218,554 in the ordinary course of business and apart from these guarantees and the guarantees listed above the council has no other guarantees.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

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

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

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

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

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

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

##### (iii) Potential land acquisitions due to planning restrictions imposed by Council (continued)

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 30/6/08.

##### (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.

##### (iii) RMS Land under Dedicated Road

The RMS transferred the Sapphire to Woolgoolga Road to Council control during the year ended 30 June 2016 together with a contribution towards future road maintenance. The land under the road is expected to be transferred during the year ended 30 June 2018 upon finalisation by the RMS of relevant acquisitions, transfer of titles and government gazette.



## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities

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\$ '000

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Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

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##### **Controlled entities (subsidiaries)**

**Note 19(a)**

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

##### **Joint ventures and associates**

**Note 19(b)**

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

##### **Joint operations**

**Note 19(c)**

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

##### **Unconsolidated structured entities**

**Note 19(d)**

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

##### **Subsidiaries, joint arrangements and associates not recognised**

**Note 19(e)**

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities (continued)

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\$ '000

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##### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

##### (b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

##### (c) Joint operations

Council has no interest in any joint operations.

##### (d) Unconsolidated structured entities

Council did not consolidate the following structured entities:

###### 1. Coffs Coast State Park Trust

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

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

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

###### Nature of risks relating to the Unconsolidated Structured Entity

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

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

###### 2. Coffs Coast Regional Parks Trust

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

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

###### Nature of risks relating to the Unconsolidated Structured Entity

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

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

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities (continued)

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\$ '000

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##### (d) Unconsolidated structured entities (continued)

#### 3. Coffs Harbour Technology Park Limited

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

The 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.

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 risks to Council relating to the Coffs Harbour Technology Park Limited.

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

#### 4. Prosper Coffs Harbour Limited

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

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

The 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.

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 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.

##### (e) Subsidiaries, joint arrangements and associates not recognised

None.

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		1,277,084	1,198,151
a. Other movements	20 (c)	–	4,634
c. Other comprehensive income (excl. direct to reserves transactions)		10	(79)
b. Net operating result for the year		53,813	74,308
d. Transfers between equity		–	70
<b>Balance at end of the reporting period</b>		<b><u>1,330,907</u></b>	<b><u>1,277,084</u></b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		705,106	639,253
– ‘Available for sale’ financial investments revaluation reserve		541	551
<b>Total</b>		<b><u>705,647</u></b>	<b><u>639,804</u></b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		639,253	602,414
– Revaluations for the year	9(a)	77,397	36,909
– Transfer to retained earnings for asset disposals		–	(70)
– Transfer of Regional Water Supply infrastructure assets subject to easements		(11,544)	–
<b>– Balance at end of year</b>		<b><u>705,106</u></b>	<b><u>639,253</u></b>
<b>‘Available for sale’ financial investments revaluation reserve</b>			
– Opening balance		551	–
– Unrealised gain (loss) in value for the year		(10)	551
<b>– Balance at end of year</b>		<b><u>541</u></b>	<b><u>551</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>705,647</u></b>	<b><u>639,804</u></b>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
<b>‘Available for sale’ financial investments revaluation reserve</b>			
– The ‘available for sale’ financial investments revaluation reserve is used to account for the fair value movements in all financial assets so classified that remain on hand at year end.			
Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve.			

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>Correction of errors as disclosed in last year's financial statements:</b>			
During the 2016 financial year assets were discovered in the following Note 9 categories (written down values disclosed) as a result of the migration to a new asset management register. The assets were discovered when Council's asset technicians were undertaking the migration of assets to Council's new asset software system.			
– Sewer			144
– Water			54
– Airport Building			725
– Roads & Footpaths			2,363
– Stormwater Drainage			294
– Land			30
– Earthworks			120
– Open Space & Recreational			730
– Plant & Equipment			137
– Other			37
<b>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/15 (relating to adjustments for the 30/6/15 reporting year end and prior periods)		–	4,634
– Adjustments to closing equity – 30/6/16 (relating to adjustments for the 30/6/16 year end)		–	–
<b>Total prior period adjustments – prior period errors</b>		<b>–</b>	<b>4,634</b>

**(d) Voluntary changes in accounting policies**

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

**(e) Changes in accounting estimates**

Council made no changes in accounting estimates during the year.

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	4,127	22,832	64,360
User charges and fees	14,818	3,084	17,287
Interest and investment revenue	1,128	1,780	4,161
Other revenues	82	153	28,992
Grants and contributions provided for operating purposes	261	220	21,582
Grants and contributions provided for capital purposes	10,112	23,335	775
<b>Other income</b>			
Net gains from disposal of assets	–	–	867
<b>Total income from continuing operations</b>	<b>30,528</b>	<b>51,404</b>	<b>138,024</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	3,479	4,009	35,244
Borrowing costs	4,828	5,608	2,291
Materials and contracts	8,356	10,670	25,932
Depreciation and amortisation	5,331	10,689	22,055
Other expenses	1,653	1,634	9,189
Net losses from the disposal of assets	1,851	13,324	–
<b>Total expenses from continuing operations</b>	<b>25,498</b>	<b>45,934</b>	<b>94,711</b>
<b>Operating result from continuing operations</b>	<b>5,030</b>	<b>5,470</b>	<b>43,313</b>
<b>Net operating result for the year</b>	<b>5,030</b>	<b>5,470</b>	<b>43,313</b>
<b>Net operating result attributable to each council fund</b>	<b>5,030</b>	<b>5,470</b>	<b>43,313</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(5,082)</b>	<b>(17,865)</b>	<b>42,538</b>

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

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

## Coffs Harbour City Council

## Notes to the Financial Statements

as at 30 June 2017

## Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	–	–	17,551
Investments	16,500	15,518	25,761
Receivables	3,762	3,696	12,366
Inventories	228	–	1,617
Other	–	–	1,096
Non-current assets classified as 'held for sale'	–	–	505
<b>Total current assets</b>	<b>20,490</b>	<b>19,214</b>	<b>58,896</b>
<b>Non-current assets</b>			
Investments	18,386	31,421	66,963
Receivables	124	503	2,273
Infrastructure, property, plant and equipment	341,358	480,900	1,132,503
Intangible assets	52,441	–	3,790
<b>Total non-current assets</b>	<b>412,309</b>	<b>512,824</b>	<b>1,205,529</b>
<b>TOTAL ASSETS</b>	<b>432,799</b>	<b>532,038</b>	<b>1,264,425</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5,726	786	103
Income received in advance	–	–	1,760
Borrowings	5,257	6,461	2,804
Provisions	740	386	13,063
<b>Total current liabilities</b>	<b>11,723</b>	<b>7,633</b>	<b>17,730</b>
<b>Non-current liabilities</b>			
Borrowings	62,307	71,703	15,486
Provisions	39	15	6,072
<b>Total non-current liabilities</b>	<b>62,346</b>	<b>71,718</b>	<b>21,558</b>
<b>TOTAL LIABILITIES</b>	<b>74,069</b>	<b>79,351</b>	<b>39,288</b>
<b>Net assets</b>	<b>358,730</b>	<b>452,687</b>	<b>1,225,137</b>
<b>EQUITY</b>			
Retained earnings	187,344	288,591	854,972
Revaluation reserves	171,386	164,096	369,624
Other reserves	–	–	541
<b>Total equity</b>	<b>358,730</b>	<b>452,687</b>	<b>1,225,137</b>

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

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

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000	2017	2017	2016	2016
	Current	Non-current	Current	Non-current
<b>(i) Non-current assets and disposal group assets</b>				
<b>Non-current assets 'held for sale'</b>				
Land	505	–	1,492	–
<b>Total non-current assets 'held for sale'</b>	<b>505</b>	<b>–</b>	<b>1,492</b>	<b>–</b>
<b>Disposal group assets 'held for sale'</b>				
None				
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>	<b><u>505</u></b>	<b><u>–</u></b>	<b><u>1,492</u></b>	<b><u>–</u></b>

**(ii) Details of assets and disposal groups**

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

**(iii) Disposal group liabilities****Disposal group related liabilities 'held for sale'**

Nil

\$ '000	Assets 'held for sale'	
	2017	2016
<b>(iv) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations</b>		
<b>Opening balance</b>	1,492	532
<b>Less: carrying value of assets/operations sold</b>	(987)	–
<b>Balance still unsold after 12 months:</b>	<b>505</b>	<b>532</b>
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b><u>505</u></b>	<b><u>1,492</u></b>

Refer to Note 27. Fair value measurement for fair value measurement information.



## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 23. Events occurring after the reporting date

\$ '000

Council is not aware of any material or significant event after balance date that is not disclosed.

#### Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

#### Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	74,983	75,837
Accumulated amortisation (1/7)	(8,930)	(8,730)
<b>Net book value – opening balance</b>	<b>66,053</b>	<b>67,107</b>
<b>Movements for the year</b>		
– Purchases	2,229	92
– Amortisation charges	(1,123)	(853)
– Gross book value written off	(12,756)	(946)
– Accumulated amortisation charges written off	1,828	653
<b>Closing values:</b>		
Gross book value (30/6)	64,456	74,983
Accumulated amortisation (30/6)	(8,225)	(8,930)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b> <sup>1</sup>	<b>56,231</b>	<b>66,053</b>

<sup>1</sup> The net book value of intangible assets represent:

– Software	1,938	118
– Regional Water Supply Scheme (right to receive water from Clarence Valley Council)	52,373	64,015
– Goodwill on purchase of commercial operation	1,920	1,920
	<b>56,231</b>	<b>66,053</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Waste facility	2022	5,418	5,234
<b>Balance at end of the reporting period</b>		<b>5,418</b>	<b>5,234</b>

10(a)

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

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

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

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

- the final land fill capping costs were estimated in July 2012 and have been adjusted annually by reference to the Cost Index provided by the Institute of Public Works Engineering Australasia.
- the life of the waste facility is estimated based upon 42,000 cubic metres of fill being placed annually and a remaining landfill capacity of 240,000 cubic metres assessed at the most recent survey July 2017.

**Reconciliation of movement in provision for year:**

Balance at beginning of year	5,234	4,672
Effect of a change in discount rates used in PV calculations	–	323
Effect of a change in other calculation estimates used	(1,086)	–
Amortisation of discount (expensed to borrowing costs)	1,270	239
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>5,418</b>	<b>5,234</b>

**Amount of expected reimbursements**

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

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\$ '000

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##### Provisions for close down and restoration and for 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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

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.

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.

###### **Rehabilitation**

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

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

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

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

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement

\$ '000

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

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

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

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

During a reporting period Council will measure non-current assets classified as held for sale at fair value on a non-recurring basis if their carrying amount is higher than their fair value and therefore the assets need to be written down to fair value. They are measured at the lower of their carrying amount and fair value less costs to sell. During the current reporting period, there were no 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. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

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

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

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

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

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

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

2017	Fair value measurement hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Recurring fair value measurements</b>	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
<b>Financial assets</b>				
Investments				
– 'Designated at fair value on initial recognition'	57,269	12,323	–	69,592
– 'Available for sale'	–	541	–	541
<b>Total financial assets</b>	<b>57,269</b>	<b>12,864</b>	<b>–</b>	<b>70,133</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Plant and equipment	–	–	16,916	16,916
Office equipment	–	–	992	992
Furniture and fittings	–	–	1,642	1,642
Operational land	–	122,007	–	122,007
Community land	–	–	33,790	33,790
Land under roads (post 30/6/08)	–	–	2,196	2,196
Land improvements – depreciable	–	–	4,472	4,472
Buildings – non-specialised	–	48,386	–	48,386
Buildings – specialised	–	–	48,842	48,842
Roads	–	–	435,880	435,880
Bridges	–	–	62,693	62,693
Footpaths	–	–	40,148	40,148
Bulk earthworks (non-depreciable)	–	–	135,621	135,621
Stormwater drainage	–	–	154,683	154,683
Water supply network	–	–	325,019	325,019
Sewerage network	–	–	464,858	464,858
Swimming pools	–	–	2,456	2,456
Other open space/recreational assets	–	–	9,916	9,916
Other assets	–	–	1,282	1,282
Tip asset	–	–	2,284	2,284
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>170,393</b>	<b>1,743,690</b>	<b>1,914,083</b>
<b>Non-recurring fair value measurements</b>				
<b>Non-current assets classified as ‘held for sale’</b>				
Operating Land	–	505	–	505
<b>Total NCA’s classified as ‘held for sale’</b>	<b>–</b>	<b>505</b>	<b>–</b>	<b>505</b>
<b>2016</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– ‘Designated at fair value on initial recognition’	63,177	4,246	–	67,423
– ‘Available for sale’	–	551	–	551
<b>Total financial assets</b>	<b>63,177</b>	<b>4,797</b>	<b>–</b>	<b>67,974</b>
<b>Investment properties</b>				
Buildings	–	284	–	284
Land	–	2,514	–	2,514
<b>Total investment properties</b>	<b>–</b>	<b>2,798</b>	<b>–</b>	<b>2,798</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Plant and equipment	–	–	16,942	16,942
Office equipment	–	–	916	916
Furniture and fittings	–	–	1,614	1,614
Operational land	–	–	119,493	119,493
Community land	–	–	33,303	33,303
Land under roads (post 30/6/08)	–	–	2,746	2,746
Land improvements – depreciable	–	–	3,816	3,816
Buildings – non-specialised	–	–	48,466	48,466
Buildings – specialised	–	–	48,920	48,920
Other structures	–	–	676	676
Roads	–	–	437,960	437,960
Bridges	–	–	64,809	64,809
Footpaths	–	–	39,192	39,192
Bulk earthworks (non-depreciable)	–	–	134,473	134,473
Stormwater drainage	–	–	152,649	152,649
Water supply network	–	–	275,761	275,761
Sewerage network	–	–	440,392	440,392
Swimming pools	–	–	2,396	2,396
Other open space/recreational assets	–	–	5,926	5,926
Other assets	–	–	4,835	4,835
Tip asset	–	–	230	230
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>1,835,515</b>	<b>1,835,515</b>
<b>Non-recurring fair value measurements</b>				
<b>Non-current assets classified as 'held for sale'</b>				
Operating land	–	1,492	–	1,492
<b>Total NCA's classified as 'held for sale'</b>	<b>–</b>	<b>1,492</b>	<b>–</b>	<b>1,492</b>

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

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

## Coffs Harbour City Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are listed as follows.

##### **Infrastructure, Property, Plant & Equipment**

###### **Community Land**

Assets within the "Community Land" class are:

- Council owned land and
- Care Control Management land [Crown] of which Council derives current and future economic benefits arising from the use of the land asset.

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer-General. Currently all Council assets in this asset class are based on UCV. Additional assets are recorded at replacement cost. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. 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 Act1993. The total area of land at the time of the last valuation was 10,319,898 m<sup>2</sup>.

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 June 2013.

Council's operational land was valued at market value (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.

Remaining useful life, condition of asset, future cash flow from the use of asset is 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.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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##### **Land Improvements Depreciable**

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

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

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

##### **Stormwater Drainage**

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

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

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

##### **Open Space & Recreational Assets**

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

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

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

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

Valuation techniques remained the same for this reporting period.



## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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##### **Buildings - Non specialised and Specialised**

Council engaged APV Valuers Pty Ltd. to value all buildings and shelters in 2013. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset. Council's buildings are separated into commercial, community and operational assets.

##### **Specialised Buildings**

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

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

Valuation techniques remained the same for this reporting period.

##### **Non Specialised Buildings**

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

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

Valuation techniques remained the same for this reporting period.

##### **Bulk Earthworks**

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

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

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

Valuation techniques remained the same for this reporting period.

##### **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.

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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

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

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

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

Valuation techniques remained the same for this reporting period.

#### **Bridges**

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

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

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

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

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

Valuation techniques remained the same for this reporting period.

#### **Footpaths**

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

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

Valuation techniques remained the same for this reporting period.

#### **Swimming Pool**

Swimming pools include all assets located within the facility. APV Valuers Pty Ltd valued the building components of the swimming pools in June 2013.

## Coffs Harbour City Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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

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

Valuation techniques remained the same for this reporting period.

#### **Plant & Equipment, Office Equipment and Furniture & Fittings**

This asset category includes:

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

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

Valuation techniques remained the same for this reporting period.

#### **Water Network**

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

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

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

#### **Sewer Network**

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

The valuation of these assets was carried out by APV Valuers & Asset Management with a 1 July 2016 valuation date. The assets were valued based on the gross replacement cost approach. This method is based

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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

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

#### **Tip Asset**

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

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

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

Other landfilling reduction projects are currently under consideration. At current landfilling rates we estimate that the landfill may require rehabilitation by 2019/20 Financial Year.

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

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

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

#### **Others Assets (Artwork & Sculptures)**

Council engaged APV Valuers Pty Ltd to value all artwork, memorabilia and monuments in June 2011.

This information was updated into Council's public art register. The valuation was based on Mark IV advisory ISR insurance policy wording issued by Insurance Council of Australia. The insurable value is the assessment of value which would indemnify the council in the event of a loss.

Where a depth in the market could be identified we have assessed the value was assessed in accordance with AASB 116.

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

Valuation techniques remained the same for this reporting period.

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

**(4). Fair value measurements using inputs other than quoted prices (Level 2) and significant unobservable inputs (Level 3).****a. The following tables present the changes in Level 2 and Level 3 Fair Value Asset Classes.****Infrastructure, Property, Plant & Equipment**

	Community Land	Land Under Roads (post 30/6/08)	Land Improvements Depreciable	Stormwater Drainage	Total
Opening balance 30/06/15	34,415	1,925	3,881	136,050	176,271
Adjustments & Transfer from/(to) another class	-	-	62	13,937	13,999
Purchases/Disposals (GBV)	296	65	371	2,028	2,760
Depreciation and Impairment	-	-	(498)	(1,622)	(2,120)
Revaluation Increments to Equity (ARR)	(1,408)	756	-	2,256	1,604
<b>Closing Balance 30/6/16</b>	<b>33,303</b>	<b>2,746</b>	<b>3,816</b>	<b>152,649</b>	<b>192,514</b>
Adjustments & Transfer from/(to) another class	-	-	-	31	31
Purchases/Disposals (GBV)	487	1,528	940	3,682	6,637
Depreciation and Impairment	-	-	(284)	(1,679)	(1,963)
Revaluation Increments to Equity (ARR)	-	(2,078)	-	-	(2,078)
<b>Closing Balance 30/6/17</b>	<b>33,790</b>	<b>2,196</b>	<b>4,472</b>	<b>154,683</b>	<b>195,141</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

	Other Structure	Buildings Specialised	Buildings Non Specialised	Other Assets	Total
Opening balance 30/06/15	703	46,616	48,380	4,612	100,311
Adjustments & Transfer from/(to) another class	-	1,315	42	51	1,408
Purchases/Disposals (GBV)	-	238	20	420	678
Depreciation and Impairment	(27)	(730)	(1,073)	(248)	(2,078)
Revaluation Increments to Equity (ARR)	-	1,481	1,097	-	2,578
<b>Closing Balance 30/6/16</b>	<b>676</b>	<b>48,920</b>	<b>48,466</b>	<b>4,835</b>	<b>102,897</b>
Adjustments & Transfer from/(to) another class	(676)	-	284	(3,585)	(3,977)
Purchases/Disposals (GBV)	-	431	242	32	705
Depreciation and Impairment	-	(509)	(606)	-	(1,115)
Revaluation Increments to Equity (ARR)	-	-	-	-	-
<b>Closing Balance 30/6/17</b>	<b>-</b>	<b>48,842</b>	<b>48,386</b>	<b>1,282</b>	<b>98,510</b>

	Roads	Bridges	Footpaths	Bulk Earthworks	Total
Opening balance 30/06/15	396,854	56,323	35,424	124,532	613,133
Adjustments & Transfer from/(to) another class	39,591	6,829	1,588	5,269	53,277
Purchases/Disposals (GBV)	1,191	323	1,762	629	3,905
Depreciation and Impairment	(12,531)	(736)	(760)	-	(14,027)
Revaluation Increments to Equity (ARR)	12,855	2,070	1,178	4,043	20,146
<b>Closing Balance 30/6/16</b>	<b>437,960</b>	<b>64,809</b>	<b>39,192</b>	<b>134,473</b>	<b>676,434</b>
Adjustments & Transfer from/(to) another class	73	-	48	4	125
Purchases/Disposals (GBV)	8,753	(1,361)	1,719	1,144	10,255
Depreciation and Impairment	(10,906)	(755)	(811)	-	(12,472)
Revaluation Increments to Equity (ARR)	-	-	-	-	-
<b>Closing Balance 30/6/17</b>	<b>435,880</b>	<b>62,693</b>	<b>40,148</b>	<b>135,621</b>	<b>674,342</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

	Water Network	Sewer Network	Swimming Pools	Recreational Assets	Total
Opening balance 30/06/15	276,378	442,717	2,480	5,143	726,718
Adjustments & Transfer from/(to) another class	196	1,958	-	1,372	3,526
Purchases/Disposals (GBV)	849	1,739	-	123	2,711
Depreciation and Impairment	(5,719)	(12,504)	(84)	(712)	(19,019)
Revaluation Increments to Equity (ARR)	4,057	6,482	-	-	10,539
<b>Closing Balance 30/6/16</b>	<b>275,761</b>	<b>440,392</b>	<b>2,396</b>	<b>5,926</b>	<b>724,475</b>
Adjustments & Transfer from/(to) another class	2,725	14,941	-	4,261	21,927
Purchases/Disposals (GBV)	84	(7,910)	146	577	(7,103)
Depreciation and Impairment	(5,094)	(10,645)	(86)	(848)	(16,673)
Revaluation Increments to Equity (ARR)	51,543	28,080	-	-	79,623
<b>Closing Balance 30/6/17</b>	<b>325,019</b>	<b>464,858</b>	<b>2,456</b>	<b>9,916</b>	<b>802,249</b>

	Office Equipment	Plant and Equipment	Furniture and Fittings	Tip Asset	Total
Opening balance 30/06/15	734	17,691	1,749	1,565	21,739
Adjustments & Transfer from/(to) another class	-	137	-	322	459
Purchases/Disposals (GBV)	430	3,055	13	-	3,498
Depreciation and Impairment	(248)	(3,941)	(148)	(1,657)	(5,994)
<b>Closing Balance 30/6/16</b>	<b>916</b>	<b>16,942</b>	<b>1,614</b>	<b>230</b>	<b>19,702</b>
Adjustments & Transfer from/(to) another class	-	104	-	2,501	2,605
Purchases/Disposals (GBV)	456	3,615	185	-	4,256
Depreciation and Impairment	(380)	(3,745)	(157)	(447)	(4,729)
<b>Closing Balance 30/6/17</b>	<b>992</b>	<b>16,916</b>	<b>1,642</b>	<b>2,284</b>	<b>21,834</b>

## Coffs Harbour City Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

		Operating Land	Total
Opening balance 30/06/15		117,598	117,598
Adjustments & Transfer from/(to) another class		-	-
Purchases/Disposals (GBV)		(147)	(147)
Depreciation and Impairment		2,042	2,042
<b>Closing Balance 30/6/16</b>		<b>119,493</b>	<b>119,493</b>
Adjustments & Transfer from/(to) another class		2,514	2,514
Purchases/Disposals (GBV)		-	-
Revaluation Increments to Equity (ARR)		-	-
<b>Closing Balance 30/6/17</b>		<b>122,007</b>	<b>122,007</b>



## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

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

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

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

**I,PP&E**

<b>Class</b>	<b>Fair value (30/6/17) \$'000</b>	<b>Valuation technique/s</b>	<b>Unobservable inputs</b>
Community Land	33,790	Unit Rates	Unimproved Capital Value per square metre provided by Valuer General
Land Under Roads	2,196	Unit rates Discounted	Unimproved Capital Value per square metre provided by Valuer General
Operational Land	122,007	Rate per square metre	Rate per square metre
Furniture and Fittings, Office Equipment and Plant and Equipment.	19,550	Replacement Cost	Gross replacement cost Asset condition Remaining useful life Residual value
Buildings (Specialised & Non Specialised)	97,228	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other Structures	-	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Roads	435,880	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

<b>Class</b>	<b>Fair value</b> (30/6/17) \$'000	<b>Valuation technique/s</b>	<b>Unobservable inputs</b>
Bridges	62,693	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Footpaths	40,148	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Stormwater Drainage	154,683	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Water Supply Network	325,019	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Sewer Network	464,858	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Tip Asset	2,284	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Swimming Pools	2,456	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Recreational Assets	9,916	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Bulk Earthworks	135,621	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Land Improvements - Depreciable	4,472	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other Assets	1,282	Insurance Values (Artworks, Sculptures)  <u>Non artworks/sculptures:</u> Gross replacement cost Asset condition Remaining useful life Residual value	Insurance Values (Artworks, Sculptures)  <u>Non artworks/sculptures:</u> Gross replacement cost Asset condition Remaining useful life Residual value

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

Land	505	Level 2 valuation inputs were used to value land held in freehold title as well as land used for special purposes which is restricted in use under current zoning rules	Replacement cost
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## (5). Highest and best use

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

## Coffs Harbour City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures

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##### 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:

	Actual \$000
<b>Compensation:</b>	<b>2017</b>
Short-term benefits	1,128
Post-employment benefits	99
Other long-term benefits	183
<b>Total</b>	<b>1,410</b>

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 28. Related party disclosures (continued)

\$ '000

**b. Other transactions with KMP and their related parties**

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Note	\$'000	\$'000		\$'000	\$'000
Supply of hire vehicles <sup>1</sup>	4c	66	-	30 day terms on invoices	-	-
Employee expenses relating to close family members of KMP <sup>2</sup>	4a	67	-	Local Government (NSW) Award	-	-
Rates and Annual charges overdue <sup>3</sup>	15b	-	7		-	-

- 1 Council hired vehicles for use during the year from Thrifty Car and Truck Rental, a company which has a member of Council's KMP as a director. Amounts were billed on normal hire rates and were due and payable under normal payment terms following the Council's procurement processes.
- 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.
- 3 A member of Council's KMP had an overdue Rates charge at 30 June 2017 that was submitted to Council's External Recoveries agency for collection during the financial year.

## Coffs Harbour City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 28. Related party disclosures (continued)

\$ '000

## c. Other related party transactions

Nature of the transaction	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
Unconsolidated Structured Entity <sup>1</sup>	3	2,704	–	30 day terms on invoices	–	–
Unconsolidated Structured Entity <sup>2</sup>	3	1,000	–		–	–
Unconsolidated Structured Entity <sup>3</sup>	4	264	–	Memorandum of Understanding	–	–
Unconsolidated Structured Entity <sup>4</sup>	4	982	–	Memorandum of Understanding	–	–

- 1 Revenue from labour hire agreement with Coffs Coast Holiday Parks
- 2 Contribution received from Prosper Coffs Harbour Limited
- 3 Provision of services for maintenance of Regional parks and reserves
- 4 Provision of services for maintenance State parks and reserves

# Coffs Harbour City Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 29. Council information and contact details

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**Principal place of business:**

Corner Coff and Castle Streets  
Coffs Harbour NSW 2450

**Contact details****Mailing address:**

Locked Bag 155  
Coffs Harbour NSW 2450

**Opening hours:**

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

**Telephone:** 02 6648 4000

**Facsimile:** 02 6648 4199

**Internet:** [www.coffsharbour.nsw.gov.au](http://www.coffsharbour.nsw.gov.au)

**Email:** [coffs.council@chcc.nsw.gov.au](mailto:coffs.council@chcc.nsw.gov.au)

**Officers****GENERAL MANAGER**

Steve McGrath

**RESPONSIBLE ACCOUNTING OFFICER**

Mark Griffioen

**PUBLIC OFFICER**

Lisa Garden

**AUDITORS**

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

**Elected members****MAYOR**

Denise Knight

**COUNCILLORS**

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

**Other information**

**ABN:** 79 126 214 487



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Coffs Harbour City Council

To the Councillors of the Coffs Harbour City Council

### Opinion

I have audited the accompanying financial statements of Coffs Harbour City Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, 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 Responsibility for the Audit of the Financial Statements' section of my report.

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

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



I have fulfilled my other ethical responsibilities in accordance with APES 110. Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 28 October 2016.

### **The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

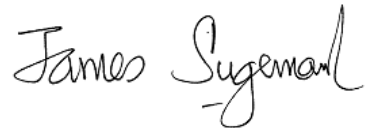
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large, stylized 'S'.

James Sugumar  
Director, Financial Audit Services

26 October 2017  
SYDNEY

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

Contact: James Sugumar  
Phone no: 02 9275 7288  
Our ref: D1726521/1715

26 October 2017

Dear Mayor Knight

**Report on the Conduct of the Audit  
Audit for the year ended 30 June 2017  
Coffs Harbour City Council**

I have audited the general purpose financial statements of the Coffs Harbour City Council (the Council) for the year ended 30 June 2017 as required by Section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

## INCOME STATEMENT

### Operating result

	2017 \$'000	2016 \$'000	Variance %
<b>Rates and annual charges revenue</b>	91,319	85,968	6.2 ↑
<b>User Charges and Fees</b>	35,189	30,012	17.3 ↑
<b>Other revenues</b>	29,227	16,781	12.4 ↑
<b>Grants and contributions revenue</b>	56,285	98,025	(41.7) ↓
<b>Total income</b>	219,089	237,615	(7.8) ↓
<b>Total operating expenses</b>	165,276	163,307	1.2 ↑
<b>Operating result for the year</b>	53,813	74,308	(27.6) ↓

Rates and annual charges revenue increased mainly due to:

- rate rise of three per cent (\$1.2 million)
- special rate rise increase of 4.8 per cent (\$1.8 million)
- domestic waste management service annual charge grew by 6 per cent (\$1.3 million).

The increase in User Charges is largely attributed to a \$2.6 million rise in Private Works (Section 67) charges and \$1.3 million growth in planning and building regulation fees for the year ended 30 June 2017.

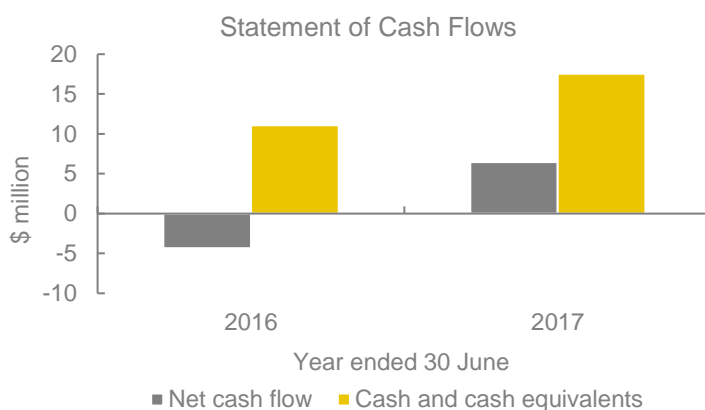
First time recognition of water and sewer assets uncovered during the year of \$17.8 million largely contribute to the growth in other revenues in 2016-17.

Total operating expenses remained stable between 2016-17 and 2015-16.

Transfer of a major road at a value of \$58.2 million in previous year with no similar transfers this year largely contributed to the decrease in the grants and contribution revenue and the operating result for the year. The decrease was offset by increased government grants of \$9.4 million.

## STATEMENT OF CASH FLOWS

Net cash flow for the year is greater than \$10.8 million in comparison to previous year mainly due to increased receipts of government grants of \$9.4 million.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	119,278	100,615	<ul style="list-style-type: none"> <li>• Cash and investments increased by \$24.3 million, mainly due to increased receipts of government grants of \$9.4 million, increased in rates and annual charges of \$5.4 million.</li> </ul>
Internal restrictions	68,848	66,417	
Unrestricted	3,974	780	
<b>Total Cash and investments</b>	<b>192,100</b>	<b>167,812</b>	<ul style="list-style-type: none"> <li>• The ratios of unrestricted to restricted cash and investments increased mainly due to early receipt of Commonwealth Financial Assistance Grant of \$3.6 million.</li> </ul>
<b>Unrestricted / Restricted Ratio (%)</b>	<b>2.1</b>	<b>0.5</b>	<ul style="list-style-type: none"> <li>• Significant externally restricted funds include unspent specific purpose funds for water and sewer of \$46.2 million and Infrastructure Assets Renewal for water and sewer of \$34.9 million.</li> </ul>

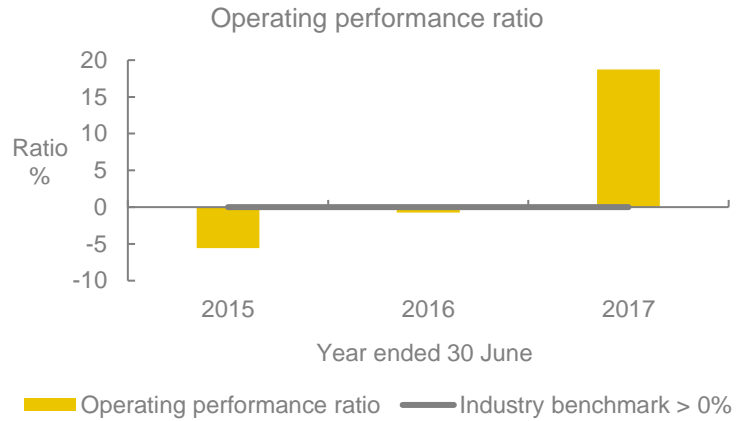
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

### Operating performance ratio

- Council exceeded the benchmark of greater than zero per cent in 2016-17.
- This ratio significantly improved over previous year in line with the increased revenue from rates and annual charges and reduction in depreciation and amortisation expenses.

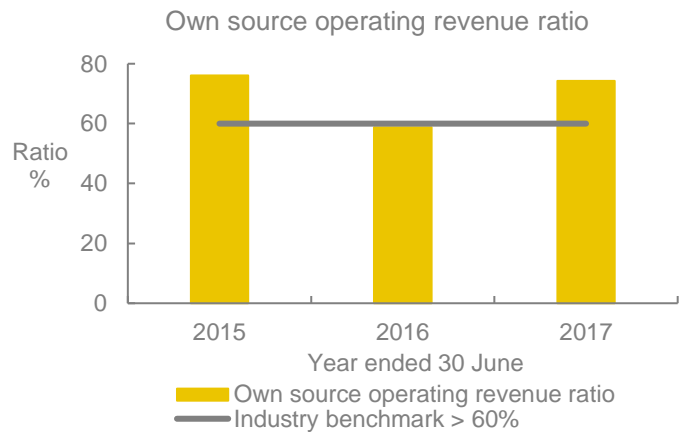
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



### Own source operating revenue ratio

- Council exceeded the benchmark of greater than 60 per cent in 2016-17.
- The decrease in 2015-16 was due to transfer of a one-off road dedication.

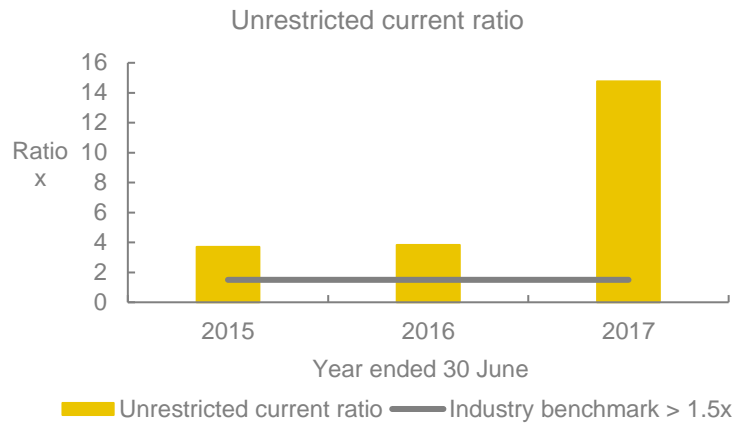
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

- Council exceeded the benchmark of 1.5 times.
- Council has sufficient liquid assets to meet its creditors payments as and when they fall due.

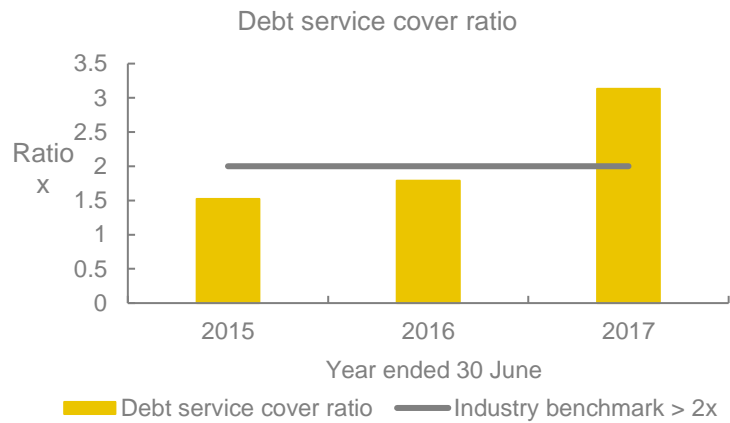
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

- Council exceeded the benchmark of greater than two times in 2016-17.
- The ratio increased from previous year mainly due to the increase in own sourced revenue.

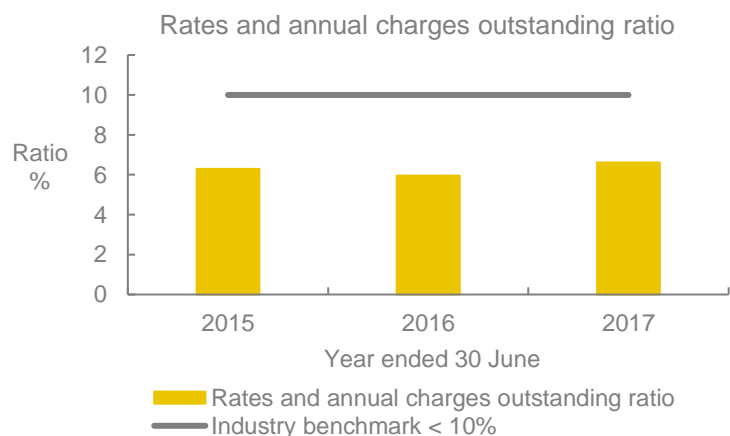
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding ratio

Council continues to achieve the benchmark for outstanding rates and annual charges.

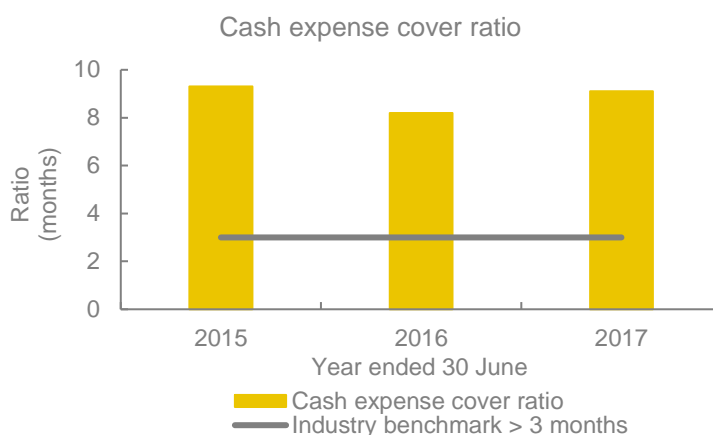
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



## Cash expense cover ratio

- Council exceeded the benchmark of greater than three months.
- This has increased slightly from prior year due to higher levels of cash from operations.

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

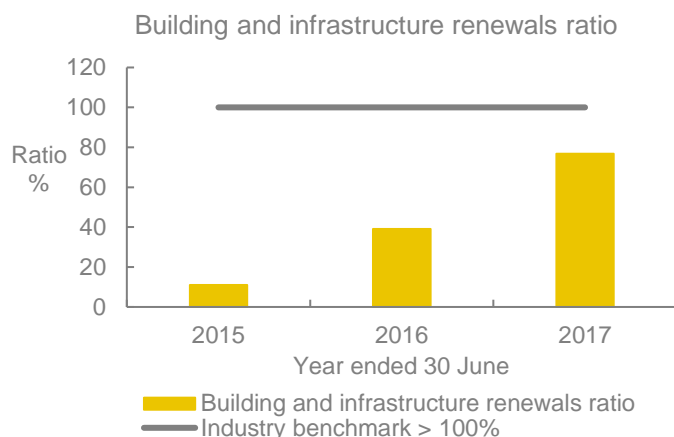


## Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio was below the benchmark.
- This ratio has improved from previous year due to \$24.3 million increase in asset renewals.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



## OTHER MATTERS

### Council Entities

I did not audit the following council entities:

- Coffs Coast State Park Trust
- Coffs Harbour Technology Park Ltd
- Coffs Coast Regional Park Trust
- Prosper Coffs Harbour Limited
- Mid-North Coast Regional Organisation of Councils
- Mid-North Coast Weight of Loads Group
- Southern Phone Company Ltd.

The arrangements for the audit of the above entities will be explored as part of the Audit Office's transition strategy to deliver our new mandate.



## New accounting standards implemented

### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or after 1 July 2016


AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

## 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 reports. The Council's:

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



James Sugumar  
Director, Financial Audit Services

cc: Mr Steve McGrath, General Manager  
Mr Barry Ford, Chair of Audit and Risk Committee  
Mr Andrew Beswick, Director Business Services  
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

# Coffs Harbour City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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Connected  
Sustainable  
Thriving



# Coffs Harbour City Council

## Special Purpose Financial Statements

for the year ended 30 June 2017

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## Coffs Harbour City Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

### Statement by Councillors and Management

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

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

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

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

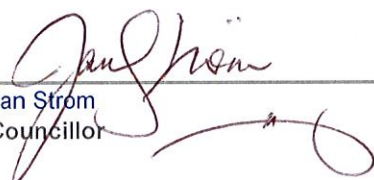
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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


Signed in accordance with a resolution of Council made on 26 October 2017.




Michael Adendorff  
Councillor



Jan Strom  
Councillor



Steve McGrath  
General manager



Mark Griffioen  
Responsible accounting officer

## Coffs Harbour City Council

## Income Statement of Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	4,127	4,095
User charges	14,408	14,076
Fees	410	437
Interest	1,128	1,070
Grants and contributions provided for non-capital purposes	261	382
Other income	82	88
<b>Total income from continuing operations</b>	<b>20,416</b>	<b>20,148</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,479	3,154
Borrowing costs	4,828	5,153
Materials and contracts	8,356	3,595
Depreciation, amortisation and impairment	5,331	6,618
Water purchase charges	–	–
Loss on sale of assets	1,851	67
Calculated taxation equivalents	31	29
Debt guarantee fee (if applicable)	676	725
Other National Competition Policy imputation payments	6	6
Other expenses	1,653	3,084
<b>Total expenses from continuing operations</b>	<b>26,211</b>	<b>22,431</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(5,795)</b>	<b>(2,283)</b>
Grants and contributions provided for capital purposes	10,112	4,058
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>4,317</b>	<b>1,775</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>4,317</b>	<b>1,775</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,317</b>	<b>1,775</b>
<b>Plus opening retained profits</b>	182,737	180,179
<b>Plus/less: prior period adjustments</b>	(442)	54
<b>Plus/less: other adjustments</b> (Special Schedule Additional Expenses)	50	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	31	29
– Debt guarantee fees	676	725
– Other National Competition Policy imputation payments	6	6
<b>Less:</b>		
– Tax equivalent dividend paid	(31)	(31)
<b>Closing retained profits</b>	<b>187,344</b>	<b>182,737</b>
<b>Return on capital %</b>	<b>-0.3%</b>	<b>1.0%</b>
<b>Subsidy from Council</b>	<b>9,091</b>	<b>3,452</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	4,317	1,775
Less: capital grants and contributions (excluding developer contributions)	(6,602)	(240)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>1,535</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>768</b>

## Coffs Harbour City Council

## Income Statement of Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	22,832	22,817
User charges	2,498	2,223
Liquid trade waste charges	564	498
Fees	22	19
Interest	1,780	1,787
Grants and contributions provided for non-capital purposes	220	348
Other income	153	156
<b>Total income from continuing operations</b>	<b>28,069</b>	<b>27,848</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	4,009	4,184
Borrowing costs	5,608	6,131
Materials and contracts	10,670	5,102
Depreciation, amortisation and impairment	10,689	12,811
Loss on sale of assets	13,324	150
Calculated taxation equivalents	182	170
Debt guarantee fee (if applicable)	782	842
Other National Competition Policy imputation payments	10	10
Other expenses	1,634	4,799
<b>Total expenses from continuing operations</b>	<b>46,908</b>	<b>34,199</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(18,839)</b>	<b>(6,351)</b>
Grants and contributions provided for capital purposes	23,335	4,343
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>4,496</b>	<b>(2,008)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>4,496</b>	<b>(2,008)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,496</b>	<b>(2,008)</b>
<b>Plus opening retained profits</b>	284,368	285,288
<b>Plus/less: prior period adjustments</b>	(1,154)	144
<b>Plus/less: other adjustments</b> (Special Schedule Expenses)	(14)	-
<b>Plus adjustments for amounts unpaid:</b>		
- Taxation equivalent payments	182	170
- Debt guarantee fees	782	842
- Other National Competition Policy imputation payments	10	10
<b>Less:</b>		
- Tax equivalent dividend paid	(79)	(78)
<b>Closing retained profits</b>	<b>288,591</b>	<b>284,368</b>
<b>Return on capital %</b>	<b>-2.8%</b>	<b>0.0%</b>
<b>Subsidy from Council</b>	<b>24,676</b>	<b>10,153</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	4,496	(2,008)
Less: capital grants and contributions (excluding developer contributions)	(20,253)	(791)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>
<b>Potential dividend calculated from surplus</b>	<b>-</b>	<b>-</b>

## Coffs Harbour City Council

## Income Statement of Other Business Activities

for the year ended 30 June 2017

\$ '000	CitySmart Solutions		Airport	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
User charges	–	–	5,576	5,313
Interest	–	17	23	55
Grants and contributions provided for non-capital purposes	–	430	–	–
Other income	1,942	2,063	1,668	1,615
<b>Total income from continuing operations</b>	<b>1,942</b>	<b>2,510</b>	<b>7,267</b>	<b>6,983</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	601	554	763	733
Borrowing costs	19	–	477	586
Materials and contracts	1,689	1,826	2,611	2,686
Depreciation, amortisation and impairment	–	–	1,362	1,609
Loss on sale of assets	–	–	296	–
Calculated taxation equivalents	–	–	286	264
Debt guarantee fee (if applicable)	–	–	68	84
Other National Competition Policy imputation payments	–	–	6	6
Other expenses	57	29	978	533
<b>Total expenses from continuing operations</b>	<b>2,366</b>	<b>2,409</b>	<b>6,847</b>	<b>6,501</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(424)</b>	<b>101</b>	<b>420</b>	<b>482</b>
Grants and contributions provided for capital purposes	–	14	4,525	104
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(424)</b>	<b>115</b>	<b>4,945</b>	<b>586</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(424)</b>	<b>115</b>	<b>4,945</b>	<b>586</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(30)	(126)	(145)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(424)</b>	<b>85</b>	<b>4,819</b>	<b>441</b>
Plus opening retained profits	1,759	1,722	43,618	42,337
Plus/less: prior period adjustments	–	–	–	725
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	–	286	264
– Debt guarantee fees	–	–	68	84
– Other National Competition Policy imputation payments	–	–	6	6
– Corporate taxation equivalent	–	30	126	145
Less:				
– Dividend paid	–	(78)	–	(384)
<b>Closing retained profits</b>	<b>1,335</b>	<b>1,759</b>	<b>48,923</b>	<b>43,618</b>
Return on capital %	-20250.0%	124.7%	1.0%	1.2%
Subsidy from Council	405	–	1,174	788

## Coffs Harbour City Council

Income Statement of Other Business Activities  
for the year ended 30 June 2017

\$ '000	Environmental Laboratory		Coastal Works	
	Category 2		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
User charges	–	–	–	244
Fees	–	–	4	–
Interest	51	–	–	48
Grants and contributions provided for non-capital purposes	–	–	444	2,146
Other income	844	–	3,079	707
<b>Total income from continuing operations</b>	<b>895</b>	<b>–</b>	<b>3,527</b>	<b>3,145</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	349	–	645	391
Borrowing costs	2	–	–	–
Materials and contracts	181	–	2,093	2,421
Depreciation, amortisation and impairment	17	–	–	–
Other expenses	90	–	612	8
<b>Total expenses from continuing operations</b>	<b>639</b>	<b>–</b>	<b>3,350</b>	<b>2,820</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>256</b>	<b>–</b>	<b>177</b>	<b>325</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>256</b>	<b>–</b>	<b>177</b>	<b>325</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>256</b>	<b>–</b>	<b>177</b>	<b>325</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(77)	–	(53)	(98)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>179</b>	<b>–</b>	<b>124</b>	<b>228</b>
<b>Plus opening retained profits</b>	–	–	1,000	995
<b>Plus/less: prior period adjustments</b>	1,363	–	–	–
<b>Plus/less: other adjustments</b>	–	–	–	(210)
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	–	–	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	77	–	53	98
<b>Less:</b>				
– Dividend paid	–	–	–	(110)
<b>Closing retained profits</b>	<b>1,619</b>	<b>–</b>	<b>1,177</b>	<b>1,000</b>
<b>Return on capital %</b>	<b>17.7%</b>	<b>n/a</b>	<b>n/a</b>	<b>4642.9%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>



## Coffs Harbour City Council

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	874
Investments	16,500	7,820
Receivables	3,762	4,162
Inventories	228	204
<b>Total current assets</b>	<b>20,490</b>	<b>13,060</b>
<b>Non-current assets</b>		
Investments	18,386	20,018
Receivables	124	–
Infrastructure, property, plant and equipment	341,358	291,341
Intangible assets	52,441	64,015
<b>Total non-current assets</b>	<b>412,309</b>	<b>375,374</b>
<b>TOTAL ASSETS</b>	<b>432,799</b>	<b>388,434</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	5,726	1,200
Borrowings	5,257	4,914
Provisions	740	–
<b>Total current liabilities</b>	<b>11,723</b>	<b>6,114</b>
<b>Non-current liabilities</b>		
Borrowings	62,307	67,564
Provisions	39	–
<b>Total non-current liabilities</b>	<b>62,346</b>	<b>67,564</b>
<b>TOTAL LIABILITIES</b>	<b>74,069</b>	<b>73,678</b>
<b>NET ASSETS</b>	<b>358,730</b>	<b>314,756</b>
<b>EQUITY</b>		
Retained earnings	187,344	182,737
Revaluation reserves	171,386	132,019
Council equity interest	358,730	314,756
<b>TOTAL EQUITY</b>	<b>358,730</b>	<b>314,756</b>

## Coffs Harbour City Council

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	1,002
Investments	15,518	12,333
Receivables	3,696	2,549
<b>Total current Assets</b>	<b>19,214</b>	<b>15,884</b>
<b>Non-current assets</b>		
Investments	31,421	32,734
Receivables	503	–
Infrastructure, property, plant and equipment	480,900	457,719
<b>Total non-current assets</b>	<b>512,824</b>	<b>490,453</b>
<b>TOTAL ASSETS</b>	<b>532,038</b>	<b>506,337</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	786	1,181
Borrowings	6,461	6,037
Provisions	386	–
<b>Total current liabilities</b>	<b>7,633</b>	<b>7,218</b>
<b>Non-current liabilities</b>		
Borrowings	71,703	78,164
Provisions	15	–
<b>Total non-current liabilities</b>	<b>71,718</b>	<b>78,164</b>
<b>TOTAL LIABILITIES</b>	<b>79,351</b>	<b>85,382</b>
<b>NET ASSETS</b>	<b>452,687</b>	<b>420,955</b>
<b>EQUITY</b>		
Retained earnings	288,591	284,368
Revaluation reserves	164,096	136,587
Council equity interest	452,687	420,955
<b>TOTAL EQUITY</b>	<b>452,687</b>	<b>420,955</b>

## Coffs Harbour City Council

## Statement of Financial Position – Other Business Activities

as at 30 June 2017

\$ '000	CitySmart Solutions		Airport	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	699	6	–
Receivables	694	476	1,713	1,467
Inventories	901	551	–	–
<b>Total Current Assets</b>	<b>1,595</b>	<b>1,726</b>	<b>1,719</b>	<b>1,467</b>
<b>Non-current assets</b>				
Receivables	–	–	232	329
Infrastructure, property, plant and equipment	2	81	87,036	85,511
Other	–	–	1,920	1,920
<b>Total non-current assets</b>	<b>2</b>	<b>81</b>	<b>89,188</b>	<b>87,760</b>
<b>TOTAL ASSETS</b>	<b>1,597</b>	<b>1,807</b>	<b>90,907</b>	<b>89,227</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	2,604
Payables	4	48	388	116
Borrowings	–	–	1,302	1,631
Provisions	258	–	338	–
<b>Total current liabilities</b>	<b>262</b>	<b>48</b>	<b>2,028</b>	<b>4,351</b>
<b>Non-current liabilities</b>				
Borrowings	–	–	5,470	6,772
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>5,470</b>	<b>6,772</b>
<b>TOTAL LIABILITIES</b>	<b>262</b>	<b>48</b>	<b>7,498</b>	<b>11,123</b>
<b>NET ASSETS</b>	<b>1,335</b>	<b>1,759</b>	<b>83,409</b>	<b>78,104</b>
<b>EQUITY</b>				
Retained earnings	1,335	1,759	48,923	43,618
Revaluation reserves	–	–	34,486	34,486
Council equity interest	<b>1,335</b>	<b>1,759</b>	<b>83,409</b>	<b>78,104</b>
<b>TOTAL EQUITY</b>	<b>1,335</b>	<b>1,759</b>	<b>83,409</b>	<b>78,104</b>

## Coffs Harbour City Council

## Statement of Financial Position – Other Business Activities

as at 30 June 2017

\$ '000	Environmental Laboratory		Coastal Works	
	Category 2		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	–	–	722
Receivables	281	–	1,219	394
Inventories	32	–	–	–
<b>Total Current Assets</b>	<b>313</b>	<b>–</b>	<b>1,219</b>	<b>1,116</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	1,455	–	–	7
<b>Total non-current assets</b>	<b>1,455</b>	<b>–</b>	<b>–</b>	<b>7</b>
<b>TOTAL ASSETS</b>	<b>1,768</b>	<b>–</b>	<b>1,219</b>	<b>1,123</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	1	–	42	123
Provisions	148	–	–	–
<b>Total current liabilities</b>	<b>149</b>	<b>–</b>	<b>42</b>	<b>123</b>
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>149</b>	<b>–</b>	<b>42</b>	<b>123</b>
<b>NET ASSETS</b>	<b>1,619</b>	<b>–</b>	<b>1,177</b>	<b>1,000</b>
<b>EQUITY</b>				
Retained earnings	1,619	–	1,177	1,000
Council equity interest	1,619	–	1,177	1,000
<b>TOTAL EQUITY</b>	<b>1,619</b>	<b>–</b>	<b>1,177</b>	<b>1,000</b>

## Coffs Harbour City Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### Contents of the notes accompanying the financial statements

Note	Details	Page
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3	Sewerage Business Best-Practice Management disclosure requirements	17

## Coffs Harbour City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies

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

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

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

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

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

#### 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 (previously Coffs Harbour Telecommunications and New Technology)

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

##### e. Coffs Harbour Coastal Works

*Infrastructure construction, maintenance and consultancy*

#### Category 2

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

##### a. Coffs Harbour Environmental Laboratory

*Environmental testing, analysis and consultancy*

## Coffs Harbour City Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

##### Monetary amounts

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

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

##### (i) Taxation-equivalent charges

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

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

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

##### Notional rate applied (%)

###### Corporate income tax rate – 30%

Land tax – the first **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a

'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

##### Income tax

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

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

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

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

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

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

##### Local government rates and charges

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

##### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial

## Coffs Harbour City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

borrowing costs in line with private sector competitors.

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

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

#### (iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 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.



## Coffs Harbour City Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 2. Water supply business  
best-practice management disclosure requirements

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

2017

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	707,000
(ii)	Number of assessments multiplied by \$3/assessment	82,161
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	82,161
(iv)	Amounts actually paid for tax equivalents	30,818

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	739,449
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(1,369,000)

2017 Surplus	(2,285,000)	2016 Surplus	1,535,000	2015 Surplus	(619,000)
		2016 Dividend	–	2015 Dividend	–

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

**3. Required outcomes for 6 criteria**

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

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

## Coffs Harbour City Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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## National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	26,199
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	75.13%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	341,027
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	10,294
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,253
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	3.14%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

## Coffs Harbour City Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements

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

2017

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	964,000
(ii)	Number of assessments multiplied by \$3/assessment	78,657
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	78,657
(iv)	Amounts actually paid for tax equivalents	78,786

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	707,913
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(24,652,000)

2017 Surplus	(15,757,000)	2016 Surplus	(2,799,000)	2015 Surplus	(6,096,000)
		2016 Dividend	–	2015 Dividend	–

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

**3. Required outcomes for 4 criteria**

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

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

## Coffs Harbour City Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	46,611
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	480,876
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	13,331
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	4,138
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	4.70%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	10

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

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	57,640
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.89%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	5,391
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	4.05%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Coffs Harbour City Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2017

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	7.88%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		4
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	10,270
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	511

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



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statement**

#### **Coffs Harbour City Council**

To the Councillors of the Coffs Harbour City Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Coffs Harbour City Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

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

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 2017, 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 (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 28 October 2016.

### **The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

### **Auditor's Responsibility 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:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large, looped 'S'.

James Sugumar  
Director, Financial Audit Services

26 October 2017  
SYDNEY



# Coffs Harbour City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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Connected  
Sustainable  
Thriving



# Coffs Harbour City Council

## Special Schedules

for the year ended 30 June 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

#### Background

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

## Coffs Harbour City Council

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	–	–	–	–
<b>Administration</b>	37,058	10,179	125	(26,754)
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,338	394	1,296	352
Beach control	662	12	–	(650)
Enforcement of local government regulations	1,288	376	–	(912)
Animal control	142	108	–	(34)
Other	–	286	–	286
<b>Total public order and safety</b>	<b>3,430</b>	<b>1,176</b>	<b>1,296</b>	<b>(958)</b>
<b>Health</b>	–	–	–	–
<b>Environment</b>				
Noxious plants and insect/vermin control	–	12	–	12
Other environmental protection	1,221	554	11	(656)
Solid waste management	15,356	27,163	–	11,807
Street cleaning	315	–	–	(315)
Drainage	2,571	197	120	(2,254)
Stormwater management	–	698	–	698
<b>Total environment</b>	<b>19,463</b>	<b>28,624</b>	<b>131</b>	<b>9,292</b>
<b>Community services and education</b>				
Administration and education	586	108	140	(338)
Social protection (welfare)	902	140	31	(731)
Aged persons and disabled	–	–	–	–
Children's services	7	2	–	(5)
<b>Total community services and education</b>	<b>1,495</b>	<b>250</b>	<b>171</b>	<b>(1,074)</b>
<b>Housing and community amenities</b>				
Public cemeteries	255	252	–	(3)
Public conveniences	1,037	120	280	(637)
Street lighting	858	148	–	(710)
Town planning	1,687	128	350	(1,209)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>3,837</b>	<b>648</b>	<b>630</b>	<b>(2,559)</b>
<b>Water supplies</b>	<b>18,161</b>	<b>22,866</b>	<b>4,188</b>	<b>8,893</b>
<b>Sewerage services</b>	<b>37,867</b>	<b>42,967</b>	<b>5,394</b>	<b>10,494</b>

## Coffs Harbour City Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	2,198	207	104	(1,887)
Museums	52	8	–	(44)
Art galleries	113	22	–	(91)
Community centres and halls	253	341	145	233
Performing arts venues	598	359	–	(239)
Other performing arts	–	–	–	–
Other cultural services	73	5	–	(68)
Sporting grounds and venues	2,628	1,123	100	(1,405)
Swimming pools	493	86	–	(407)
Parks and gardens (lakes)	5,255	1,780	4,000	525
Other sport and recreation	194	89	15	(90)
<b>Total recreation and culture</b>	<b>11,857</b>	<b>4,020</b>	<b>4,364</b>	<b>(3,473)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	1,439	2,167	91	819
Other mining, manufacturing and construction	57	–	–	(57)
<b>Total mining, manufacturing and const.</b>	<b>1,496</b>	<b>2,167</b>	<b>91</b>	<b>762</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	2,770	2,154	40	(576)
Urban roads – regional	11,203	155	10,607	(441)
Sealed rural roads (SRR) – local	–	–	198	198
Sealed rural roads (SRR) – regional	300	1,008	205	913
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	62	–	–	(62)
Bridges on UR – local	128	–	–	(128)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	515	515
Bridges on regional roads	–	–	–	–
Parking areas	364	–	33	(331)
Footpaths	1,003	53	182	(768)
Aerodromes	4,954	7,243	4,526	6,815
Other transport and communication	4,119	366	1,269	(2,484)
<b>Total transport and communication</b>	<b>24,903</b>	<b>10,979</b>	<b>17,575</b>	<b>3,651</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	4,702	3,841	257	(604)
Other economic affairs	1,007	154	–	(853)
<b>Total economic affairs</b>	<b>5,709</b>	<b>3,995</b>	<b>257</b>	<b>(1,457)</b>
<b>Totals – functions</b>	<b>165,276</b>	<b>127,871</b>	<b>34,222</b>	<b>(3,183)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>56,996</b>		<b>56,996</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	–		–
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>165,276</b>	<b>184,867</b>	<b>34,222</b>	<b>53,813</b>

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

## Coffs Harbour City Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	305	1,060	<b>1,365</b>	–	305	–	–	93	329	731	<b>1,060</b>
Public subscription	–	–	–							–	–
Financial institutions	14,143	162,957	<b>177,100</b>	–	14,142	–	–	11,364	14,193	148,765	<b>162,958</b>
Other	–	–	–							–	–
<b>Total loans</b>	<b>14,448</b>	<b>164,017</b>	<b>178,465</b>	–	<b>14,447</b>	–	–	<b>11,457</b>	<b>14,522</b>	<b>149,496</b>	<b>164,018</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	–	–	–	–	–	–	–	–	–	–	–
<b>Total debt</b>	<b>14,448</b>	<b>164,017</b>	<b>178,465</b>	–	<b>14,447</b>	–	–	<b>11,457</b>	<b>14,522</b>	<b>149,496</b>	<b>164,018</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

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

## Coffs Harbour City Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	2,720	2,707
b. Engineering and supervision	1,090	1,013
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	528	318
b. Maintenance expenses	38	61
– <b>Mains</b>		
c. Operation expenses	319	552
d. Maintenance expenses	1,495	2,076
– <b>Reservoirs</b>		
e. Operation expenses	384	247
f. Maintenance expenses	–	279
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	–	49
h. Energy costs	122	127
i. Maintenance expenses	30	17
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	1,473	983
k. Chemical costs	167	329
l. Maintenance expenses	115	388
– <b>Other</b>		
m. Operation expenses	621	401
n. Maintenance expenses	1,136	113
o. Purchase of water	56	66
<b>3. Depreciation expenses</b>		
a. System assets	5,094	6,432
b. Plant and equipment	106	286
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	4,828	5,153
b. Revaluation decrements	–	–
c. Other expenses	124	6
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	4
g. Tax equivalents dividends (actually paid)	31	31
<b>5. Total expenses</b>	<b>20,477</b>	<b>21,638</b>

## Coffs Harbour City Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	3,476	3,434
b. Usage charges	10,499	10,309
<b>7. Non-residential charges</b>		
a. Access (including rates)	654	654
b. Usage charges	3,883	3,769
<b>8. Extra charges</b>	–	11
<b>9. Interest income</b>	1,128	1,070
<b>10. Other income</b>	530	515
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	6
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	259	258
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	3,473	3,818
b. Developer provided assets	3,402	216
c. Other contributions	23	149
<b>13. Total income</b>	<b>27,327</b>	<b>24,209</b>
<b>14. Gain (or loss) on disposal of assets</b>	(1,851)	(67)
<b>15. Operating result</b>	<b>4,999</b>	<b>2,504</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	4,999	2,504

## Coffs Harbour City Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	245	91
b. New assets for growth	677	488
c. Renewals	331	531
d. Plant and equipment	–	99
<b>17. Repayment of debt</b>	4,913	4,591
<b>18. Totals</b>	<b>6,166</b>	<b>5,800</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	74
<b>20. Borrowing utilised</b>	31	1,928
<b>21. Totals</b>	<b>31</b>	<b>2,002</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	24,864	24,461
b. Residential (unoccupied, ie. vacant lot)	775	744
c. Non-residential (occupied)	1,673	1,638
d. Non-residential (unoccupied, ie. vacant lot)	75	85
<b>23. Number of ETs for which developer charges were received</b>	346 ET	381 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 258,522	\$ 258,464



## Coffs Harbour City Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	16,500	18,386	34,886
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	158	86	244
c. User charges	3,537	38	3,575
d. Other	67	–	67
<b>27. Inventories</b>	228	–	228
<b>28. Property, plant and equipment</b>			
a. System assets	–	341,027	341,027
b. Plant and equipment	–	331	331
<b>29. Other assets</b>	–	52,441	52,441
<b>30. Total assets</b>	<u>20,490</u>	<u>412,309</u>	<u>432,799</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	5,726	–	5,726
<b>33. Borrowings</b>	5,257	62,307	67,564
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	740	39	779
<b>35. Total liabilities</b>	<u>11,723</u>	<u>62,346</u>	<u>74,069</u>
<b>36. NET ASSETS COMMITTED</b>	<u>8,767</u>	<u>349,963</u>	<u>358,730</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			187,344
<b>38. Asset revaluation reserve</b>			171,386
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<u>358,730</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			448,923
<b>42. Accumulated current cost</b> depreciation of system assets			(107,896)
<b>43. Written down current cost</b> of system assets			<u>341,027</u>

## Coffs Harbour City Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	3,007	3,234
b. Engineering and supervision	1,158	1,305
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	1	390
b. Maintenance expenses	1,423	1,441
– Pumping stations		
c. Operation expenses (excluding energy costs)	1,454	1,142
d. Energy costs	447	439
e. Maintenance expenses	577	981
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	2,327	1,101
g. Chemical costs	188	362
h. Energy costs	883	856
i. Effluent management	28	261
j. Biosolids management	645	1,005
k. Maintenance expenses	800	972
– Other		
l. Operation expenses	328	301
m. Maintenance expenses	65	33
<b>3. Depreciation expenses</b>		
a. System assets	10,645	12,504
b. Plant and equipment	28	307
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	5,608	6,131
b. Revaluation decrements	–	–
c. Other expenses	–	261
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	79	78
<b>5. Total expenses</b>	<b>29,691</b>	<b>33,104</b>

## Coffs Harbour City Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	20,312	20,065
<b>7. Non-residential charges</b>		
a. Access (including rates)	2,679	2,638
b. Usage charges	2,372	2,240
<b>8. Trade waste charges</b>		
a. Annual fees	128	111
b. Usage charges	372	390
c. Excess mass charges	–	5
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	1,780	1,787
<b>11. Other income</b>	111	264
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	10	70
b. Grants for pensioner rebates	252	251
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	3,050	3,552
b. Developer provided assets	17,255	499
c. Other contributions	80	318
<b>14. Total income</b>	<b>48,401</b>	<b>32,190</b>
<b>15. Gain (or loss) on disposal of assets</b>	(13,319)	(150)
<b>16. Operating result</b>	<b>5,391</b>	<b>(1,064)</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	5,381	(1,134)

## Coffs Harbour City Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	2,328	1,531
b. New assets for growth	1,542	1,563
c. Renewals	268	753
d. Plant and equipment	–	403
<b>18. Repayment of debt</b>	6,037	8,686
<b>19. Totals</b>	<b>10,175</b>	<b>12,936</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	181
<b>21. Borrowing utilised</b>	470	1,012
<b>22. Totals</b>	<b>470</b>	<b>1,193</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	23,870	23,471
b. Residential (unoccupied, ie. vacant lot)	733	700
c. Non-residential (occupied)	1,533	1,499
d. Non-residential (unoccupied, ie. vacant lot)	83	94
<b>24. Number of ETs for which developer charges were received</b>	318 ET	370 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 251,746	\$ 251,469

## Coffs Harbour City Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	15,518	31,421	46,939
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	860	495	1,355
c. User charges	749	8	757
d. Other	2,087	–	2,087
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	480,876	480,876
b. Plant and equipment	–	24	24
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>19,214</b>	<b>512,824</b>	<b>532,038</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	786	–	786
<b>34. Borrowings</b>	6,461	71,703	78,164
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	386	15	401
<b>36. Total liabilities</b>	<b>7,633</b>	<b>71,718</b>	<b>79,351</b>
<b>37. NET ASSETS COMMITTED</b>	<b>11,581</b>	<b>441,106</b>	<b>452,687</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			288,591
<b>39. Asset revaluation reserve</b>			164,096
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>452,687</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			655,001
<b>43. Accumulated current cost</b> depreciation of system assets			(174,125)
<b>44. Written down current cost</b> of system assets			<b>480,876</b>

## Coffs Harbour City Council

### Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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

## Coffs Harbour City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings			1,658	1,412	97,228	110,771	45%	48%	7%	0%	0%
	<b>Sub-total</b>	–	–	<b>1,658</b>	<b>1,412</b>	<b>97,228</b>	<b>110,771</b>	<b>45.0%</b>	<b>48.0%</b>	<b>7.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Roads	Sealed roads			5,185	5,280	379,675	511,828	28%	44%	16%	9%	3%
	Unsealed roads			200	203	4,827	11,724	14%	9%	34%	29%	14%
	Bridges			206	211	62,693	70,410	95%	2%	2%	1%	0%
	Footpaths			218	196	40,148	49,193	63%	13%	18%	6%	0%
	Other road assets			280	285	16,051	18,173	74%	11%	11%	3%	1%
	Bulk earthworks			26	26	135,621	135,621	100%				0%
	Kerb & Gutter			53	53	35,327	47,467	26%	18%	44%	12%	0%
<b>Sub-total</b>	–	–	<b>6,168</b>	<b>6,254</b>	<b>674,342</b>	<b>844,416</b>	<b>47.9%</b>	<b>29.0%</b>	<b>14.1%</b>	<b>7.0%</b>	<b>2.0%</b>	
Water supply network	Water supply network			2,818	2,814	325,019	432,915	35%	55%	10%		0%
	<b>Sub-total</b>	–	–	<b>2,818</b>	<b>2,814</b>	<b>325,019</b>	<b>432,915</b>	<b>35.0%</b>	<b>55.0%</b>	<b>10.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Sewerage network	Sewerage network			2,059	2,065	464,858	638,983	43%	53%	4%		0%
	<b>Sub-total</b>	–	–	<b>2,059</b>	<b>2,065</b>	<b>464,858</b>	<b>638,983</b>	<b>43.0%</b>	<b>53.0%</b>	<b>4.0%</b>	<b>0.0%</b>	<b>0.0%</b>

## Coffs Harbour City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage			168	209	154,683	199,562	41%	42%	16%	1%	0%
	<b>Sub-total</b>	–	–	<b>168</b>	<b>209</b>	<b>154,683</b>	<b>199,562</b>	<b>41.0%</b>	<b>42.0%</b>	<b>16.0%</b>	<b>1.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools			73	39	2,455	4,356	0%	69%	31%	0%	0%
	Other Open Space			592	811	9,917	22,503	30%	23%	28%	10%	9%
	<b>Sub-total</b>	–	–	<b>665</b>	<b>850</b>	<b>12,372</b>	<b>26,859</b>	<b>25.1%</b>	<b>30.5%</b>	<b>28.5%</b>	<b>8.4%</b>	<b>7.5%</b>
	<b>TOTAL – ALL ASSETS</b>	–	–	<b>13,536</b>	<b>13,604</b>	<b>1,728,502</b>	<b>2,253,506</b>	<b>43.0%</b>	<b>42.9%</b>	<b>10.4%</b>	<b>2.8%</b>	<b>0.9%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required



## Coffs Harbour City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>24,531</u>	<b>76.81%</b>	>= 100%	39.04%	11.01%
Depreciation, amortisation and impairment	<u>31,939</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>–</u>	<b>0.00%</b>	< 2.00%	0.00%	0.00%
Net carrying amount of infrastructure assets	<u>1,597,353</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>13,604</u>	<b>1.01</b>	> 1.00	1.02	0.94
Required asset maintenance	<u>13,536</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>–</u>	<b>0.00%</b>		0.00%	
Gross replacement cost	<u>2,253,506</u>				

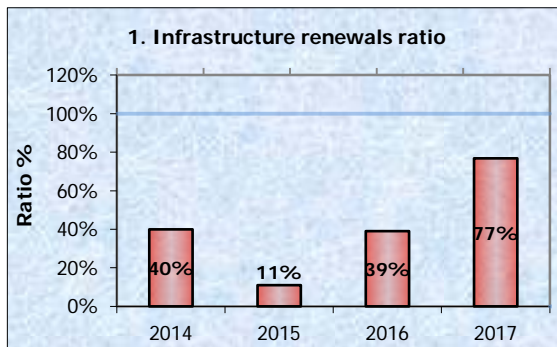
## Notes

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

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

# Coffs Harbour City Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



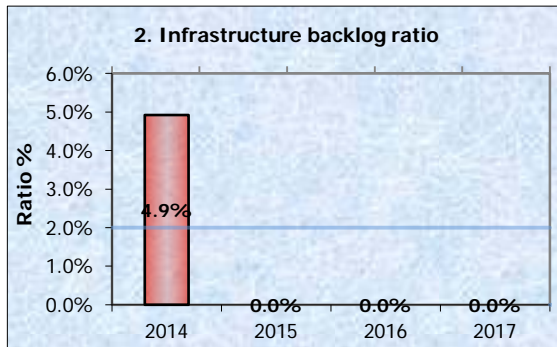
Benchmark: ——— 100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**Purpose of asset renewals ratio**

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

Commentary on 2016/17 result	
<b>2016/17 Ratio</b>	<b>76.81%</b>
Council continues to improve the infrastructure renewals ratio.	

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



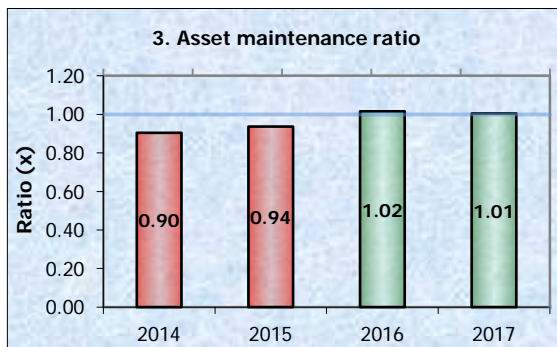
Benchmark: ——— 2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**Purpose of infrastructure backlog ratio**

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

Commentary on 2016/17 result	
<b>2016/17 Ratio</b>	<b>0.00%</b>
The Council has again recorded no backlog for the 2016/17 financial year, consistent with the consultation and service levels determined as part of the Special Rates Variation Consultation in 2014/15.	

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



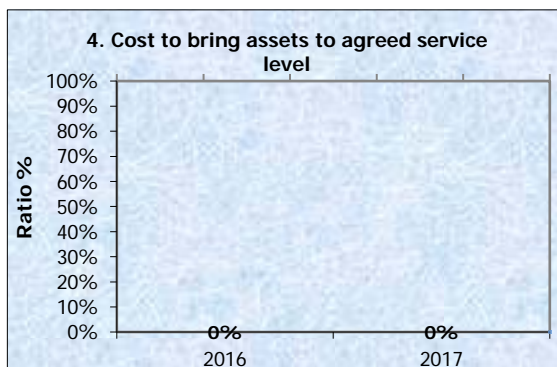
Benchmark: ——— 1.00  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**Purpose of 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 2016/17 result	
<b>2016/17 Ratio</b>	<b>1.01 x</b>
The Asset Maintenance Ratio demonstrates the effort that Council has put into ensuring that Council is investing the required funds to stop the infrastructure back log.	

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of agreed service level ratio**

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.

<b>2016/17 Ratio</b>	<b>0.00%</b>
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## Coffs Harbour City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>				
<b>1. Infrastructure renewals ratio</b>				
<u>Asset renewals <sup>(2)</sup></u>	>= 100%	<b>6.50%</b>	<b>8.67%</b>	<b>143.69%</b>
Depreciation, amortisation and impairment	prior period:	7.99%	0.00%	75.42%
<b>2. Infrastructure backlog ratio</b>				
<u>Estimated cost to bring assets to a satisfactory standard</u>	< 2.00%	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Net carrying amount of infrastructure assets	prior period:	0.00%	0.00%	0.00%
<b>3. Asset maintenance ratio</b>				
<u>Actual asset maintenance</u>	> 1.00	<b>1.00</b>	<b>1.00</b>	<b>1.01</b>
Required asset maintenance	prior period:	1.20	1.03	0.96
<b>4. Cost to bring assets to agreed service level</b>				
<u>Estimated cost to bring assets to an agreed service level set by Council</u>		<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Gross replacement cost				

## Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Coffs Harbour City Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	42,340	45,858
Plus or minus adjustments <sup>(2)</sup>	b	199	365
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>42,539</b>	<b>46,223</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	7.75%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	3,297	–
Or plus rate peg amount	i = c x e	–	693
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>45,836</b>	<b>46,916</b>
Plus (or minus) last year's carry forward total	l	101	79
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>101</b>	<b>79</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>45,937</b>	<b>46,995</b>
Less notional general income yield	p	45,858	47,001
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>79</b>	<b>(6)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	113
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>79</b>	<b>107</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Coffs Harbour City Council

To the Councillors of Coffs Harbour City Council

#### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Coffs Harbour City Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Coffs Harbour City Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

#### 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 Special Schedule No.8' section of my report.

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Other Matter**

Special Schedule No.8 of the Council for the year ended 30 June 2016 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 28 October 2016.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 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 Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

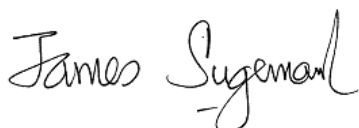
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



James Sugumar  
Director, Financial Audit Services

26 October 2017  
SYDNEY