

Coffs Harbour City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2013

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



Coffs Harbour City Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

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Overview

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

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 13 February 2014. Council has the power to amend and reissue these financial statements.
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Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2013.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

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

Coffs Harbour City Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

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

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

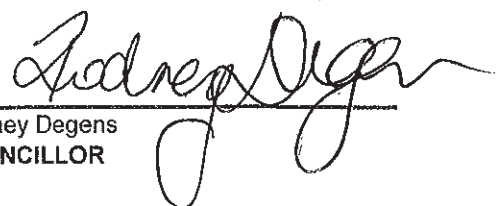
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 13 February 2014.



Denise Knight
MAYOR



Rodney Degens
COUNCILLOR



Steve McGrath
GENERAL MANAGER



Dale Allen
RESPONSIBLE ACCOUNTING OFFICER

Coffs Harbour City Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾ 2013	\$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
<i>Revenue:</i>				
71,889	Rates & Annual Charges	3a	71,430	66,452
26,188	User Charges & Fees	3b	26,493	26,482
5,438	Interest & Investment Revenue	3c	15,419	10,877
4,796	Other Revenues	3d	7,365	6,227
14,729	Grants & Contributions provided for Operating Purposes	3e,f	17,388	18,240
12,683	Grants & Contributions provided for Capital Purposes	3e,f	11,143	16,809
<i>Other Income:</i>				
-	Net gains from the disposal of assets	5	-	17
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
135,723	Total Income from Continuing Operations		149,238	145,104
Expenses from Continuing Operations				
26,073	Employee Benefits & On-Costs	4a	37,716	36,739
16,257	Borrowing Costs	4b	16,355	17,465
56,590	Materials & Contracts	4c	43,314	37,040
44,970	Depreciation & Amortisation	4d	45,479	37,781
-	Impairment	4d	-	-
5,532	Other Expenses	4e	10,781	9,777
-	Net Losses from the Disposal of Assets	5	2,419	-
149,422	Total Expenses from Continuing Operations		156,064	138,802
(13,699)	Operating Result from Continuing Operations		(6,826)	6,302
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(13,699)	Net Operating Result for the Year		(6,826)	6,302
(13,699)	Net Operating Result attributable to Council		(6,826)	6,302
-	Net Operating Result attributable to Non-controlling Interests		-	-
(26,382)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(17,969)	(10,507)

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

Coffs Harbour City Council

Statement of Comprehensive Income

for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		(6,826)	6,302
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	82,009	115,185
Impairment (loss) reversal relating to I,PP&E	20b (ii)	96	(2,689)
Total Items which will not be reclassified subsequently to the Operating Result		82,105	112,496
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	(176)
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	157	488
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		157	312
Total Other Comprehensive Income for the year		82,262	112,808
Total Comprehensive Income for the Year		75,436	119,110
Total Comprehensive Income attributable to Council		75,436	119,110
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Coffs Harbour City Council

Statement of Financial Position
as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	11,827	13,372
Investments	6b	39,578	37,618
Receivables	7	18,979	16,406
Inventories	8	1,512	1,501
Other	8	781	668
Non-current assets classified as "held for sale"	22	77	431
Total Current Assets		72,754	69,996
Non-Current Assets			
Investments	6b	114,423	119,220
Receivables	7	2,227	1,357
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,861,262	1,733,143
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,596	1,433
Intangible Assets	25	66,656	67,282
Total Non-Current Assets		2,046,164	1,922,435
TOTAL ASSETS		2,118,918	1,992,431
LIABILITIES			
Current Liabilities			
Payables	10	10,474	10,535
Borrowings	10	18,618	17,312
Provisions	10	13,195	12,311
Total Current Liabilities		42,287	40,158
Non-Current Liabilities			
Payables	10	644	678
Borrowings	10	208,464	222,352
Provisions	10	5,293	5,435
Total Non-Current Liabilities		214,401	228,465
TOTAL LIABILITIES		256,688	268,623
Net Assets		1,862,230	1,723,808
EQUITY			
Retained Earnings	20	1,196,670	1,140,510
Revaluation Reserves	20	665,560	583,298
Council Equity Interest		1,862,230	1,723,808
Non-controlling Interests		-	-
Total Equity		1,862,230	1,723,808

Coffs Harbour City Council

Statement of Changes in Equity

for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		1,140,510	583,298	1,723,808	-	1,723,808
a. Correction of Prior Period Errors	20 (c)	62,986	-	62,986	-	62,986
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		1,203,496	583,298	1,786,794	-	1,786,794
c. Net Operating Result for the Year		(6,826)	-	(6,826)	-	(6,826)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	82,009	82,009	-	82,009
- Revaluations: Other Reserves	20b (ii)	-	157	157	-	157
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	96	96	-	96
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	82,262	82,262	-	82,262
Total Comprehensive Income (c&d)		(6,826)	82,262	75,436	-	75,436
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,196,670	665,560	1,862,230	-	1,862,230
2012						
Opening Balance (as per Last Year's Audited Accounts)		1,048,891	470,490	1,519,381	-	1,519,381
a. Correction of Prior Period Errors	20 (c)	85,317	-	85,317	-	85,317
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		1,134,208	470,490	1,604,698	-	1,604,698
c. Net Operating Result for the Year		6,302	-	6,302	-	6,302
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	115,185	115,185	-	115,185
- Revaluations: Other Reserves	20b (ii)	-	488	488	-	488
- Transfers to Income Statement	20b (ii)	-	(176)	(176)	-	(176)
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(2,689)	(2,689)	-	(2,689)
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	112,808	112,808	-	112,808
Total Comprehensive Income (c&d)		6,302	112,808	119,110	-	119,110
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,140,510	583,298	1,723,808	-	1,723,808

Coffs Harbour City Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
71,889	Rates & Annual Charges		71,161	66,031
26,188	User Charges & Fees		27,722	27,170
5,438	Investment & Interest Revenue Received		8,568	10,024
27,412	Grants & Contributions		23,263	28,170
-	Bonds, Deposits & Retention amounts received		88	8
4,796	Other		12,807	10,774
Payments:				
(26,073)	Employee Benefits & On-Costs		(37,169)	(35,480)
(56,590)	Materials & Contracts		(47,004)	(42,244)
(16,370)	Borrowing Costs		(17,027)	(17,040)
(5,532)	Other		(14,868)	(12,845)
31,158	Net Cash provided (or used in) Operating Activities	11b	27,541	34,568
Cash Flows from Investing Activities				
Receipts:				
13,644	Sale of Investment Securities		90,188	75,369
1,390	Sale of Infrastructure, Property, Plant & Equipment		796	1,200
30	Deferred Debtors Receipts		35	30
Payments:				
-	Purchase of Investment Securities		(85,144)	(72,842)
(34,771)	Purchase of Infrastructure, Property, Plant & Equipment		(22,212)	(20,323)
(250)	Deferred Debtors & Advances Made		(167)	-
(19,957)	Net Cash provided (or used in) Investing Activities		(16,504)	(16,566)
Cash Flows from Financing Activities				
Receipts:				
7,750	Proceeds from Borrowings & Advances		5,000	-
Payments:				
(17,399)	Repayment of Borrowings & Advances		(17,582)	(16,874)
(9,649)	Net Cash Flow provided (used in) Financing Activities		(12,582)	(16,874)
1,552	Net Increase/(Decrease) in Cash & Cash Equivalents		(1,545)	1,128
3,573	plus: Cash & Cash Equivalents - beginning of year	11a	13,372	12,244
5,125	Cash & Cash Equivalents - end of the year	11a	11,827	13,372
Additional Information:				
	plus: Investments on hand - end of year	6b	154,001	156,838
Total Cash, Cash Equivalents & Investments			165,828	170,210

Please refer to Note 11 for additional cash flow information

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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n/a - not applicable

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Refer to paragraph (ab) relating to a summary of the effects of standards with future operative dates.

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

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

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

(vi) Changes in Accounting Policies

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

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 entity 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 are set out below.

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

Critical judgements in applying the entity'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.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and **(ii)** all the related operating results (for the financial year ended the 30th June 2013).

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

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

(i) The Consolidated Fund

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

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

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

- *General Purpose Operations*
- *Water Supply*
- *Sewerage Service*
- *Airport Operations*

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

Total income from continuing operations	\$363,169
Total expenditure from continuing operations	\$326,714
Total net assets held (i.e. Equity)	\$388,505

Note:

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

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

Jointly Controlled Entities

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

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

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and

- bank overdrafts.

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date or

the term to maturity from the reporting date is less than 12 months.

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

transferred substantially all the risks and rewards of ownership.

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

Council assesses at each reporting date 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 securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as

the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

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

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

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

(g) Fair value estimation

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

(h) Receivables

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

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

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

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

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

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

When a receivable for which an impairment allowance had been recognised becomes

uncollectible in a subsequent period, it is written off against the allowance account.

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Division of Local Government.

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(External Valuation except for Dams which have been valued internally)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

Water and sewerage network assets are indexed annually between full revaluations in accordance with

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

the latest indices provided in the NSW Office of Water - Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

Office Furniture	> \$2,000
Office Equipment (ex IT Hardware)	> \$2,000
Office Equipment - IT Hardware	> \$500
Other Plant & Equipment	> \$2,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$5,000
Other Structures	> \$5,000

Water & Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

Drains & Culverts	> \$5,000
Other	> \$5,000

Transport Assets

Road construction & reconstruction	> \$5,000
Reseal/Re-sheet & major repairs:	> \$5,000
Bridge construction & reconstruction	> \$5,000

Library Assets

Reference Collection in its entirety	> \$1,000,000
Heritage Items	> \$5,000

Note common use library items will be expensed.

Depreciation

Depreciation on Plant and Equipment, Office Equipment, Furniture and Fittings, and Water and Sewer Network Assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life. All other Infrastructure, Property, Plant and Equipment assets have been depreciated on a condition based method.

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

- Buildings	25 to 50 years
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Stormwater Drainage

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

Transportation Assets

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

Water & Sewer Assets

- Dams and reservoirs	80 to 90 years
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Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	50 to 100 years
- Telemetry	15 to 25 years
- Pumping Stations	15 to 80 years

Other Infrastructure Assets

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

IT Development and Software

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

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

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

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

Regional Water Supply

Coffs Harbour City Council and Clarence Valley Council have signed an agreement which provides for Coffs Harbour City Council's entitlement to a non-cumulative permanent right to receive bulk raw water from Clarence Valley Council. This is considered to be a separate intangible asset, being a licence, and will be amortised over 100 years commencing from the date that the infrastructure being provided is operational, being equivalent to the average depreciation of infrastructure provided.

(n) Crown Reserves

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

Investment property is carried at fair value, representing an open-market value determined in 2012/13 by external valuers.

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

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

The last full revaluation for Council's Investment Properties was dated 30/06/2009.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each 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 unwind of the discount which is shown as a borrowing cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(s) Impairment of assets

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

leave expected to be settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

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

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

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

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

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.

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities.

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

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

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

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

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.

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/13.

(y) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

Receivables and payables within the statement of financial position are stated inclusive of any applicable GST.

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

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

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements,

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

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

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in Note 1 (x) (iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Governance	-	-	-	1,298	1,241	1,172	(1,298)	(1,241)	(1,172)	-	-	15,926	-
Civic Management	3	11	1	1,098	983	750	(1,095)	(972)	(749)	(1)	-	8	74
Community Facilities	1,752	1,814	1,691	566	415	469	1,186	1,399	1,222	-	-	9	123
Coffs Coast Marketing	691	995	1,069	1,922	2,191	1,964	(1,231)	(1,196)	(895)	20	81	33	97
Land Use Planning	118	108	106	1,644	1,160	1,059	(1,526)	(1,052)	(953)	35	53	34	46
Land Use Assessment and Management	1,480	1,803	1,906	2,231	2,330	2,134	(751)	(527)	(228)	99	244	52	25
Environmental Management	227	608	424	1,369	2,179	2,423	(1,142)	(1,571)	(1,999)	361	105	689	758
Public Health and Safety	158	192	180	1,125	1,204	1,168	(967)	(1,012)	(988)	-	3	87	111
Ranger Control	417	463	391	815	824	782	(398)	(361)	(391)	-	-	20	23
Domestic Waste Management	13,294	13,671	11,391	13,406	13,906	11,339	(112)	(235)	52	1	9	17,500	20,942
Non Domestic Waste Management	4,956	4,756	4,625	4,771	4,742	4,712	185	14	(87)	441	407	409	482
Property and Commercial Services	112	2,030	5,504	514	478	442	(402)	1,552	5,062	-	-	40,092	40,452
Leasing and Asset Management	1,115	1,376	1,398	2,214	2,301	2,232	(1,099)	(925)	(834)	(100)	26	99,562	100,138
Swimming Pools	-	-	-	534	462	458	(534)	(462)	(458)	-	-	124	70
Airport	4,599	5,791	3,989	3,550	3,595	3,071	1,049	2,196	918	-	-	72,948	54,751
Sports Development	516	536	605	2,283	1,955	1,898	(1,767)	(1,419)	(1,293)	-	-	8,892	11,449
Administration	42	52	53	1,021	1,034	971	(979)	(982)	(918)	-	-	1,305	1,185
Legal and Audit Services	97	223	116	1,730	1,698	1,765	(1,633)	(1,475)	(1,649)	-	-	-	-
Rural Fire Services	2,147	1,528	1,394	1,422	1,436	1,390	725	92	4	1,525	1,390	5,427	5,158
Information Services	41	10	8	3,965	3,348	3,181	(3,924)	(3,338)	(3,173)	-	-	1,230	1,471
Technology Group	1,307	1,587	1,575	1,081	1,582	1,248	226	5	327	-	-	1,237	1,561
Finance	327	460	348	3,863	3,680	3,490	(3,536)	(3,220)	(3,142)	-	-	69,797	70,619

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
Plant	403	1,013	683	5,704	5,713	4,796	(5,301)	(4,700)	(4,113)	-	-	9,820	12,257
Program Support	78	-	1	169	158	159	(91)	(158)	(158)	-	-	-	-
Human Resources & Organisational Development	55	254	168	1,347	1,553	1,379	(1,292)	(1,299)	(1,211)	7	-	557	63
City Services Support	-	-	1	876	565	607	(876)	(565)	(606)	-	-	8	10
Asset Systems	-	-	-	328	448	292	(328)	(448)	(292)	-	-	6	11
Library	220	418	250	1,741	1,798	1,749	(1,521)	(1,380)	(1,499)	381	213	144	112
Community Development	285	591	530	2,645	2,226	2,485	(2,360)	(1,635)	(1,955)	75	121	19,540	12,954
Economic Development	266	391	279	928	1,078	1,000	(662)	(687)	(721)	137	18	18	30
Environmental Laboratory	319	399	438	508	507	452	(189)	(108)	(14)	-	-	184	226
City Services Operational Administration	12	35	51	896	819	848	(884)	(784)	(797)	-	-	2,798	442
Recreational Services	656	2,699	2,246	5,112	8,843	7,743	(4,456)	(6,144)	(5,497)	648	402	44,527	29,428
Regional Roads	1,255	2,476	1,458	2,271	3,266	2,282	(1,016)	(790)	(824)	2,446	1,455	99,013	59,662
Local Roads	896	2,724	2,802	19,300	13,588	11,631	(18,404)	(10,864)	(8,829)	1,439	2,027	417,300	423,749
Bridges	795	896	908	644	1,281	840	151	(385)	68	101	140	59,182	50,868
Footpaths and Cycleways	25	24	(75)	827	843	638	(802)	(819)	(713)	7	12	29,431	24,923
Parking	-	154	23	1,066	1,010	935	(1,066)	(856)	(912)	-	-	24,347	22,545
Quarries	208	(33)	36	208	147	165	-	(180)	(129)	-	-	283	230
Street and Toilet Cleaning	-	-	-	816	668	651	(816)	(668)	(651)	-	-	-	-
Drainage	2,130	3,473	4,362	3,495	3,961	3,662	(1,365)	(488)	700	193	2,136	172,224	171,260
Harbour and Jetty	-	7	-	185	119	128	(185)	(112)	(128)	15	1	7	40
City Works Private Works	276	2,721	3,230	502	1,581	2,599	(226)	1,140	631	-	5	678	1,359

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
Survey and Design	104	362	968	1,839	1,989	2,301	(1,735)	(1,627)	(1,333)	180	762	967	1,644
Street Lighting	147	148	158	768	840	762	(621)	(692)	(604)	148	158	-	37
Contracts and Subdivisions	104	53	70	482	351	442	(378)	(298)	(372)	-	-	4	6
General Fund Untied Funding	43,075	38,801	39,973	90	169	165	42,985	38,632	39,808	7,665	9,551	-	-
Water Supplies	21,832	22,213	20,023	19,248	21,130	18,352	2,584	1,083	1,671	250	245	387,735	375,516
Sewer Services	29,183	31,321	29,635	25,005	29,314	23,929	4,178	2,007	5,706	764	633	514,764	495,524
Oncost Recoveries	-	84	112	-	(645)	(308)	-	729	420	-	110	-	-
Operating Result from Continuing Operations	135,723	149,238	145,104	149,422	156,064	138,802	(13,699)	(6,826)	6,302	16,837	20,307	2,118,918	1,992,431

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

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

GOVERNANCE

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

CIVIC MANAGEMENT

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

COMMUNITY FACILITIES

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

COFFS COAST MARKETING

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

LAND USE PLANNING

Local Environment Plan reviews, heritage programs, planning studies.

LAND USE ASSESSMENT AND MANAGEMENT

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

ENVIRONMENTAL MANAGEMENT

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

PUBLIC HEALTH AND SAFETY

Beach patrols, sullage collection, public pools inspection.

RANGER CONTROL

Rangers, stray animal management, parking inspectors.

DOMESTIC WASTE MANAGEMENT

Recycling, waste collection and processing, tip facilities.

NON DOMESTIC WASTE MANAGEMENT

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

PROPERTY AND COMMERCIAL SERVICES

Valuation Services, land acquisition and development.

LEASING AND ASSET MANAGEMENT

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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:

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 DEVELOPMENT

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

ADMINISTRATION

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

LEGAL AND AUDIT SERVICES

Internal audit, legal advice, insurance services.

RURAL FIRE SERVICES

Hazard reduction, brigade station operations, fire attendances.

INFORMATION SERVICES

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

TECHNOLOGY GROUP

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

FINANCE

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

PLANT

Fleet management, plant hire, mechanical workshop operations.

PROGRAM SUPPORT

Developer Contributions administration, environmental levy administration, budgeting.

HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT

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

CITY SERVICES SUPPORT

Two way radio operations, SES contributions.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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:

ASSET SYSTEMS

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

LIBRARY

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

COMMUNITY DEVELOPMENT

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

ECONOMIC DEVELOPMENT

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

ENVIRONMENTAL LABORATORY

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

CITY SERVICES OPERATIONAL ADMINISTRATION

Works depots operations, development, maintenance and repairs.

RECREATIONAL SERVICES

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

REGIONAL ROADS

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

LOCAL ROADS

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

BRIDGES

Maintenance and repair of concrete and timber bridges.

FOOTPATHS, CYCLEWAYS AND BUS SHELTERS

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

PARKING

Multi level and ground level 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.

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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:

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.

ONCOST RECOVERIES

Employee Leave Entitlements, Workers Compensation Insurance, Superannuation Contributions.

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		23,861	22,762
Farmland		1,144	1,046
Business		6,299	6,221
Total Ordinary Rates		31,304	30,029
Special Rates			
Environmental		1,080	1,034
Total Special Rates		1,080	1,034
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		12,497	10,572
Stormwater Management Services		667	660
Water Supply Services		3,736	3,575
Sewerage Services		20,759	19,387
Waste Management Services (non-domestic)		1,254	1,067
Other		133	128
Total Annual Charges		39,046	35,389
TOTAL RATES & ANNUAL CHARGES		71,430	66,452

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		12,040	11,149
Sewerage Services		2,145	2,223
Waste Management Services (non-domestic)		2,523	2,736
Other		95	83
Total User Charges		16,803	16,191
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Regulation		853	803
Construction Certificates		53	68
Domestic Sewerage System Approval		187	186
Private Works - Section 67		1,108	2,694
Section 149 Certificates (EPA Act)		143	144
Section 603 Certificates		110	102
Town Planning		594	602
Other		219	177
Total Fees & Charges - Statutory/Regulatory		3,267	4,776
(ii) Fees & Charges - Other (incl. General User Charges (per s.608)			
Aerodrome		3,803	3,416
Cemeteries		240	295
Community Village Income		64	69
Laboratory Income		352	438
Sports Stadium		213	213
Trade Waste Application Fee		13	14
Water Supply Recovery Charges		146	115
Watermain Connections		191	279
Back Feed Water Charges - Clarence Valley Council		1,001	348
Other		400	328
Total Fees & Charges - Other		6,423	5,515
TOTAL USER CHARGES & FEES		26,493	26,482

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		393	405
- Interest earned on Investments (interest & coupon payment income)		9,280	9,686
- Interest on Deferred Debtors		16	11
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)*		4,818	599
Available for Sale Revaluation Reserves realised on Investment sale		-	176
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		912	-
TOTAL INTEREST & INVESTMENT REVENUE		<u>15,419</u>	<u>10,877</u>

*** Significant Item**

During 2012-13 Council received insurance payments for some CDO's which were previously written down to fair value. The net total of these payments amounted to \$2,576,000.

Interest Revenue is attributable to:**Unrestricted Investments/Financial Assets:**

Overdue Rates & Annual Charges (General Fund)	393	405
General Council Cash & Investments	1,048	956

Restricted Investments/Funds - External:

Development Contributions		
- Section 94	1,121	626
- Section 64	12	11
Water Fund Operations	3,177	2,539
Sewerage Fund Operations	5,326	4,373
Domestic Waste Management operations	55	67
Local Infrastructure Renewal Scheme - Interest Subsidy	912	-
Other Externally Restricted Assets	1	2

Restricted Investments/Funds - Internal:

Internally Restricted Assets	3,374	1,898
Total Interest & Investment Revenue Recognised	<u>15,419</u>	<u>10,877</u>

(d) Other Revenues

Fair Value Adjustments - Investment Properties	14	163	-
Rental Income - Investment Properties	14	61	66
Rental Income - Other Council Properties		1,668	1,600
Fines - Parking		93	89
Fines - Other		240	217
Banana Sales from Reuse Trial		135	236

(continued on the next page...)

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(d) Other Revenues (continued)			
Commissions & Agency Fees		207	149
Airport Paking		131	112
Conferences		624	502
ICT Projects & Consultancy		412	443
Jetty Theatre Income		233	157
Nursery Sales		226	180
Optical Fibre Lease		81	57
Reimbursements		949	489
Sale of Switchboards		1,093	1,010
Sports Stadium Food & Drink		368	250
Recoverable Rates Legals		133	140
Other		548	530
TOTAL OTHER REVENUE		7,365	6,227

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance	6,828	8,731	-	-
Pensioners' Rates Subsidies - General Component	837	819	-	-
Total General Purpose	7,665	9,550	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	250	245	-	-
- Sewerage	245	240	-	-
- Domestic Waste Management	1	4	-	-
Sewerage Services	-	-	519	393
Bushfire & Emergency Services	609	651	917	739
Community Care	60	101	(100)	50
Cycleways	-	-	-	(2)
Economic Development	137	60	-	-
Employment & Training Programs	-	119	-	-
Environmental Protection	789	492	27	55
Flood Studies & Mitigation Works	45	149	(177)	2,373
Heritage & Cultural	12	65	1	11
Library	136	135	245	78
Natural Disaster	2,266	1,043	192	(81)
Noxious Weeds	131	135	-	-
Orara River Health	30	75	-	-
Street Lighting	148	158	-	-
Transport (Roads to Recovery)	-	-	896	896
Transport (Other Roads & Bridges Funding)	1,020	1,027	543	1,281
Other	173	258	57	7
Total Specific Purpose	6,052	4,957	3,120	5,800
Total Grants	13,717	14,507	3,120	5,800
Grant Revenue is attributable to:				
- Commonwealth Funding	236	305	816	926
- State Funding	13,481	14,192	2,304	4,869
- Other Funding	-	10	-	5
	13,717	14,507	3,120	5,800

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	1,550	1,101
S 64 - Water Supply Contributions	-	-	1,405	1,240
S 64 - Sewerage Service Contributions	-	-	1,342	1,203
Total Developer Contributions	17 -	-	4,297	3,544
Other Contributions:				
Caravan Parks	129	130	-	-
Contributions to Works	2,926	2,838	-	-
Diesel Fuel Rebate	108	221	-	-
Kerb & Gutter	-	-	29	-
RMS Contributions - Pine Creek Handover	-	12	-	(12)
Section 355 Committee - Payroll Processing	18	16	-	-
Subdivider Dedications (other than by S94)	-	-	2,508	6,981
Vehicle Lease Payments	371	349	-	-
Watermain Relocation	-	-	1,046	-
Other	119	167	143	496
Total Other Contributions	3,671	3,733	3,726	7,465
Total Contributions	3,671	3,733	8,023	11,009
TOTAL GRANTS & CONTRIBUTIONS	17,388	18,240	11,143	16,809

\$ '000	Actual 2013	Actual 2012
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(g) Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	25,946	19,657
add: Grants & contributions recognised in the current period but not yet spent:	10,201	14,089
less: Grants & contributions recognised in a previous reporting period now spent:	(13,789)	(7,800)
Net Increase (Decrease) in Restricted Assets during the Period	(3,588)	6,289
Unexpended and held as Restricted Assets	22,358	25,946
Comprising:		
- Specific Purpose Unexpended Grants	5,661	8,521
- Developer Contributions	13,885	14,220
- Other Contributions	2,812	3,205
	22,358	25,946

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		27,846	26,961
Travelling		80	89
Employee Leave Entitlements (ELE)		5,668	5,632
Superannuation - Defined Contribution Plans		2,267	2,095
Superannuation - Defined Benefit Plans		1,531	1,583
Workers' Compensation Insurance		1,433	1,935
Fringe Benefit Tax (FBT)		62	52
Payroll Tax		476	387
Training Costs (other than Salaries & Wages)		903	884
Protective Clothing		162	162
Other		56	51
Total Employee Costs		40,484	39,831
less: Capitalised Costs		(2,768)	(3,092)
TOTAL EMPLOYEE COSTS EXPENSED		37,716	36,739
Number of "Equivalent Full Time" Employees at year end		521	509
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		16,003	16,987
Total Interest Bearing Liability Costs Expensed		16,003	16,987
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	212	339
Interest applicable on Interest Free (& favourable) Loans to Council		140	139
Total Other Borrowing Costs		352	478
TOTAL BORROWING COSTS EXPENSED		16,355	17,465

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		12,523	10,450
Contractor & Consultancy Costs		30,320	25,958
Auditors Remuneration ⁽¹⁾		70	73
Legal Expenses:			
- Legal Expenses: Planning & Development		164	304
- Legal Expenses: Other		194	211
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		43	44
TOTAL MATERIALS & CONTRACTS		43,314	37,040
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		70	73
Remuneration for audit and other assurance services		70	73
Total Auditor Remuneration		70	73
2. Operating Lease Payments are attributable to:			
Buildings		39	36
Other		4	8
		43	44

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	3,921	3,717
Office Equipment		-	-	546	621
Furniture & Fittings		-	-	221	214
Land Improvements (depreciable)		-	-	2,245	2,331
Buildings - Non Specialised		-	-	601	788
Buildings - Specialised		-	96	338	372
Other Structures		-	-	317	277
Infrastructure:					
- Roads, Bridges & Footpaths		-	2,593	14,920	13,491
- Stormwater Drainage		-	-	3,028	2,634
- Water Supply Network		-	-	5,859	4,675
- Sewerage Network		-	-	11,324	6,410
Other Assets					
- Other		-	-	660	574
Asset Reinstatement Costs	9 & 26	-	-	770	784
Intangible Assets	25	-	-	906	1,096
Total Depreciation & Impairment Costs		-	2,689	45,656	37,984
less: Capitalised Costs		-	-	(177)	(203)
less: Impairments (to)/from ARR [Equity]	9a	-	(2,689)	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	45,479	37,781

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		1	-
Bank Charges		250	255
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		426	433
- NSW Rural Fire Service Levy		446	387
- Contributions to State Parks		982	744
- Contributions to Regional Parks		217	127
- Other Contributions/Levies		189	204
Councillor Expenses - Mayoral Fee		37	36
Councillor Expenses - Councillors' Fees		149	150
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		41	32
Donations, Contributions & Assistance to other organisations (Section 356)		952	1,096
Electricity & Heating		3,612	2,974
Insurance		2,111	2,136
Street Lighting		846	764
Telephone & Communications		346	341
Other		176	98
TOTAL OTHER EXPENSES		10,781	9,777

Note 5. Gains or Losses from the Disposal of Assets

Property (excl. Investment Property)			
Proceeds from Disposal - Property		140	98
less: Carrying Amount of Property Assets Sold / Written Off		(143)	(149)
Net Gain/(Loss) on Disposal		(3)	(51)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		656	1,102
less: Carrying Amount of P&E Assets Sold / Written Off		(672)	(1,034)
Net Gain/(Loss) on Disposal		(16)	68
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(2,400)	-
Net Gain/(Loss) on Disposal		(2,400)	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,419)	17

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2013	2013	2012	2012
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		2,651	-	4,077	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,027	-	4,667	-
- Managed Funds		49	-	112	-
- Short Term Deposits		8,100	-	4,516	-
Total Cash & Cash Equivalents		11,827	-	13,372	-
Investments (Note 6b)					
- Managed Funds		-	-	3,138	-
- Long Term Deposits		29,800	66,079	25,667	52,066
- Floating Rate Term Deposits		4,000	3,500	-	4,018
- NCD's, FRN's (with Maturities > 3 months)		3,752	35,999	2,394	52,281
- CDO's		-	-	1,024	-
- Constant Protection Portfolio Notes		995	-	5,395	964
- Other Long Term Financial Assets		1,031	8,845	-	9,891
Total Investments		39,578	114,423	37,618	119,220
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		51,405	114,423	50,990	119,220

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		11,827	-	13,372	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	2,236	-	6,132	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	2,547	44,844	940	62,172
b. "Held to Maturity"	6(b-ii)	33,800	69,579	25,667	56,084
c. "Available for Sale"	6(b-iii)	995	-	4,879	964
Investments		39,578	114,423	37,618	119,220

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6b. Investments (continued)

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	7,072	62,172	27,148	35,374
Revaluations (through the Income Statement)	1	755	719	(120)
Additions	-	29,944	-	38,142
Disposals (sales & redemptions)	(6,469)	(43,848)	(27,082)	(3,642)
Transfers between Current/Non Current	4,179	(4,179)	7,582	(7,582)
Balance at End of Year	4,783	44,844	7,072	62,172
Comprising:				
- Managed Funds	-	-	3,138	-
- NCD's, FRN's (with Maturities > 3 months)	3,752	35,999	1,912	52,281
- CDO's	-	-	1,024	-
- Constant Protection Portfolio Notes	-	-	998	-
- Other Long Term Financial Assets	1,031	8,845	-	9,891
Total	4,783	44,844	7,072	62,172
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	25,667	56,084	34,295	53,218
Additions	23,900	31,300	12,700	22,000
Disposals (sales & redemptions)	(34,866)	-	(40,465)	-
Transfers between Current/Non Current	17,805	(17,805)	19,136	(19,136)
Balance at End of Year	32,506	69,579	25,667	56,084
Comprising:				
- Long Term Deposits	29,800	66,079	25,667	52,066
- Floating Rate Term Deposits	4,000	3,500	-	4,018
Total	33,800	69,579	25,667	56,084
Note 6(b-iii)				
Reconciliation of Investments classified as "Available for Sale"				
Balance at the Beginning of the Year	4,879	964	2,646	6,891
Revaluation - transfer gain (loss) to ARR in Equity	157	-	415	73
Disposals (sales & redemptions)	(5,005)	-	(2,801)	(1,381)
Transfers between Current/Non Current	964	(964)	4,619	(4,619)
Balance at End of Year	995	-	4,879	964
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	-	-	482	-
- Constant Protection Portfolio Notes	995	-	4,397	964
Total	995	-	4,879	964

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	51,405	114,423	50,990	119,220
attributable to:				
External Restrictions (refer below)	45,638	65,055	43,723	74,596
Internal Restrictions (refer below)	5,626	49,368	5,181	44,624
Unrestricted	141	-	2,085	-
	51,405	114,423	50,990	119,220

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-Water (A)	24,283	-	(293)	23,990
Specific Purpose Unexpended Loans-Sewer (A)	42,418	-	(4,830)	37,588
External Restrictions - Included in Liabilities	66,701	-	(5,123)	61,578

External Restrictions - Other

Developer Contributions - General (D)	14,051	2,676	(2,970)	13,757
Developer Contributions - Water Fund (D)	105	1,412	(1,450)	67
Developer Contributions - Sewer Fund (D)	64	1,347	(1,350)	61
Water Supplies (G)	14,265	7,562	(9,625)	12,202
Sewerage Services (G)	21,945	23,739	(23,242)	22,442
Domestic Waste Management (G)	1,141	14,199	(14,813)	527
Other	47	39	(27)	59
External Restrictions - Other	51,618	50,974	(53,477)	49,115
Total External Restrictions	118,319	50,974	(58,600)	110,693

- 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).
- G** Water, Sewerage, Domestic Waste Management (DWM) & 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 financial year ended 30 June 2013

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	4,338	7,851	(6,043)	6,146
Employees Leave Entitlement	4,281	14,151	(14,642)	3,790
General Fund Revotes	2,580	4,489	(2,580)	4,489
EDP Equipment	154	83	(88)	149
Non Domestic Waste Management	1,312	5,730	(5,693)	1,349
Other Contributions	3,205	85	(478)	2,812
Airport	1,714	9,992	(5,959)	5,747
RTA Contributions - Pacific Highway Garden Works	183	14	(46)	151
Unexpended Loans	12,895	-	(2,311)	10,584
Unexpended Grants	8,521	4,680	(7,540)	5,661
Open Space Land	307	192	(39)	460
Jetty M&R	201	17	-	218
Asset Replacement	183	544	(327)	400
Rural Fire Services	14	1	-	15
Future Road Network	1,041	200	-	1,241
Environmental Levy	496	1,397	(1,513)	380
Community Facilities	563	2,076	(1,662)	977
Moonee Beach Road Upgrade	163	14	-	177
Environmental Laboratory	471	729	(557)	643
Car Parking Upgrade	2,144	184	-	2,328
Future Fund	564	662	(264)	962
Business Development	1,065	1,096	(949)	1,212
Project Contingency	955	119	-	1,074
RTA Contributions - Pine Creek Hand Over	303	262	-	565
Projects - Private Works Funding	994	1,813	(1,730)	1,077
Flood Mitigation Works	1,159	1,045	-	2,204
Technology Group	-	1,557	(1,374)	183
Total Internal Restrictions	49,805	58,983	(53,795)	54,993
TOTAL RESTRICTIONS	168,125	109,957	(112,395)	165,687

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		3,427	782	3,219	721
Interest & Extra Charges		309	433	283	404
User Charges & Fees		1,762	47	1,491	46
Private Works		113	2	1,129	23
Contributions to Works		-	-	81	-
Accrued Revenues					
- Interest on Investments		2,361	-	1,295	-
- User Charges & Fees		1,621	-	1,896	-
- Other Income Accruals		1	-	-	-
Government Grants & Subsidies		4,286	679	2,429	-
Deferred Debtors		37	266	29	142
Net GST Receivable		393	-	217	-
Airport Landing Charges		777	-	605	-
Caravan Parks		615	-	1,062	-
Economic Development Unit		4	1	15	1
Environmental Lab		41	-	78	1
Lease Rentals		235	5	261	5
Tip Charges		399	2	337	2
Watermain Relocation		-	-	40	-
Workers Comp. Premium reduction		509	-	-	-
Switchboard Sales		688	-	555	-
Back Feed Water Charges		377	-	350	-
Other Debtors		1,039	10	1,052	12
Total		18,994	2,227	16,424	1,357
less: Provision for Impairment					
Other Debtors		(15)	-	(18)	-
Total Provision for Impairment - Receivables		(15)	-	(18)	-
TOTAL NET RECEIVABLES		18,979	2,227	16,406	1,357
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		60	-	62	-
- Rates & Availability Charges		176	55	173	53
- Other		3,315	26	3,190	-
Sewerage Services					
- Specific Purpose Grants		989	-	414	-
- Rates & Availability Charges		940	292	905	268
- Other		891	51	674	35
Domestic Waste Management		590	190	517	158
Stormwater Management		22	16	21	15
- Other - Environmental Levy		58	42	55	40
Total External Restrictions		7,041	672	6,011	569
Internally Restricted Receivables - Nil					
Unrestricted Receivables		11,938	1,555	10,395	788
TOTAL NET RECEIVABLES		18,979	2,227	16,406	1,357

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables (continued)

\$ '000

Notes on Debtors from the previous page

- (i) Rates & Annual Charges Outstanding are secured against the property.
(ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
(iii) Interest was charged on overdue rates & charges at 10.00% (2012 11.00%).
Generally all other receivables are non interest bearing.
(iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		1,336	-	1,204	-
Trading Stock		176	-	297	-
Total Inventories		1,512	-	1,501	-
Other Assets					
Prepayments		781	-	668	-
Total Other Assets		781	-	668	-
TOTAL INVENTORIES / OTHER ASSETS		2,293	-	2,169	-

Externally Restricted Inventories and Other Assets

Water					
Stores & Materials		237	-	223	-
Total Water		237	-	223	-
Sewerage					
Prepayments		-	-	9	-
Total Sewerage		-	-	9	-
Domestic Waste Management					
Prepayments		253	-	485	-
Total Domestic Waste Management		253	-	485	-
Total Externally Restricted Assets		490	-	717	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		1,803	-	1,452	-
TOTAL INVENTORIES & OTHER ASSETS		2,293	-	2,169	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period						as at 30/6/2013				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Reversal (via Equity)	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value							Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	10,617	-	-	-	10,617	7,670	-	-	-	(6,165)	-	12,122	-	-	-	12,122
Plant & Equipment	-	33,601	13,845	-	19,756	2,660	(655)	(3,921)	-	287	-	-	35,519	17,392	-	18,127
Office Equipment	-	3,077	1,494	-	1,583	62	-	(546)	-	-	-	-	3,139	2,040	-	1,099
Furniture & Fittings	-	3,487	1,226	-	2,261	-	-	(221)	-	-	-	-	3,487	1,447	-	2,040
Land:																
- Operational Land	-	116,540	-	-	116,540	3,018	(140)	-	-	-	(6,058)	-	113,360	-	-	113,360
- Community Land	-	36,465	-	-	36,465	310	-	-	-	-	-	-	36,775	-	-	36,775
- Land under Roads (post 30/6/08)	-	1,483	-	-	1,483	469	-	-	-	-	(354)	-	1,598	-	-	1,598
Land Improvements - depreciable	-	15,647	8,976	-	6,671	83	-	(2,245)	-	722	-	-	16,452	11,221	-	5,231
Buildings - Non Specialised	-	52,032	10,919	-	41,113	80	-	(601)	-	264	5,542	-	57,182	10,784	-	46,398
Buildings - Specialised	-	30,265	4,793	96	25,376	843	(3)	(338)	96	1,345	18,090	-	50,063	4,654	-	45,409
Other Structures	-	10,477	4,054	-	6,423	190	(14)	(317)	-	520	71	-	11,280	4,407	-	6,873
Infrastructure:																
- Roads, Bridges, Footpaths	-	585,229	153,376	2,593	429,260	6,339	(784)	(14,920)	-	8,654	35,928	-	627,200	160,130	2,593	464,477
- Bulk Earthworks (non-depreciable)	-	194,497	-	-	194,497	129	-	-	-	818	10,873	-	206,317	-	-	206,317
- Stormwater Drainage	-	213,788	43,609	-	170,179	3,879	-	(3,028)	-	14,179	1,318	-	226,921	40,394	-	186,527
- Water Supply Network	-	363,736	106,134	-	257,602	3,170	(1,056)	(5,859)	-	14,283	6,641	-	395,425	120,644	-	274,781
- Sewerage Network	-	545,085	142,970	-	402,115	1,653	(546)	(11,324)	-	27,755	9,958	-	599,814	170,203	-	429,611
Other Assets:																
- Other	-	10,200	3,618	-	6,582	232	(17)	(660)	-	677	-	-	11,057	4,243	-	6,814
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																
- Tip Asset	-	5,404	784	-	4,620	-	-	(770)	-	(147)	-	-	5,257	1,554	-	3,703
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	10,617	2,221,013	495,798	2,689	1,733,143	30,787	(3,215)	(44,750)	96	63,192	82,009	12,122	2,400,846	549,113	2,593	1,861,262

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$7,806,000) and New Assets (\$13,189,000).

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

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

\$ '000	Actual 2013				Actual 2012			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	621	-	-	621	1,933	-	-	1,933
Plant & Equipment	-	3,466	1,798	1,668	-	3,269	1,493	1,776
Office Equipment	-	224	217	7	-	221	179	42
Land								
- Operational Land	-	4,375	-	4,375	-	3,863	-	3,863
Infrastructure	-	395,425	120,644	274,781	-	363,736	106,134	257,602
Total Water Supply	621	403,490	122,659	281,452	1,933	371,089	107,806	265,216
Sewerage Services								
WIP	8,609	-	-	8,609	6,292	-	-	6,292
Plant & Equipment	-	3,268	1,923	1,345	-	2,657	1,376	1,281
Office Equipment	-	42	18	24	-	30	9	21
Furniture & Fittings	-	78	73	5	-	78	68	10
Land								
- Operational Land	-	11,916	-	11,916	-	15,377	-	15,377
Infrastructure	-	599,814	170,203	429,611	-	545,085	142,970	402,115
Total Sewerage Services	8,609	615,118	172,217	451,510	6,292	563,227	144,423	425,096
Domestic Waste Management								
Plant & Equipment	-	314	201	113	-	314	171	143
Land								
- Operational Land'	-	10,253	-	10,253	-	13,111	-	13,111
Buildings	-	1,898	216	1,682	-	2,270	539	1,731
Other Structures	-	5,564	1,701	3,863	-	5,598	881	4,717
Other Assets	-	546	23	523	-	407	6	401
Total DWM	-	18,575	2,141	16,434	-	21,700	1,597	20,103
TOTAL RESTRICTED I,PP&E	9,230	1,037,183	297,017	749,396	8,225	956,016	253,826	710,415

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(i) Impairment Losses recognised direct to Equity (ARR) include:			
- Airport Runway		-	(2,593)
- Amenities buildings		-	(96)
Total Impairment Losses		-	(2,689)
(ii) Reversals of Impairment Losses previously recognised direct to Equity (ARR) include:			
- Amenities buildings		96	-
Total Impairment Reversals		96	-
<u>IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)</u>	20 (ii)	<u>96</u>	<u>(2,689)</u>

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,285	-	4,359	-
Goods & Services - capital expenditure		1,810	-	1,271	-
Payments Received In Advance		1,116	-	1,654	-
Accrued Expenses:					
- Borrowings		2,001	-	2,113	-
- Salaries & Wages		232	-	147	-
- Other Expenditure Accruals		20	551	10	567
Security Bonds, Deposits & Retentions		429	93	323	111
Workers Compensation Premium Adjustme		-	-	86	-
Government Grants and Subsidies		354	-	346	-
Other		227	-	226	-
Total Payables		10,474	644	10,535	678
Borrowings					
Loans - Secured ¹		18,618	208,464	17,312	222,352
Total Borrowings		18,618	208,464	17,312	222,352
Provisions					
Employee Benefits;					
Annual Leave		3,322	-	3,305	-
Sick Leave		283	-	320	-
Long Service Leave		7,603	923	6,669	1,096
Accrued Leave		125	-	185	-
ELE On-Costs		1,862	162	1,832	196
Sub Total - Aggregate Employee Benefits		13,195	1,085	12,311	1,292
Asset Remediation/Restoration (Future Works) ²⁶		-	4,208	-	4,143
Total Provisions		13,195	5,293	12,311	5,435
Total Payables, Borrowings & Provisions		42,287	214,401	40,158	228,465
(i) Liabilities relating to Restricted Assets					
		2013		2012	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		8,291	82,942	8,030	89,973
Sewer		10,242	101,559	9,163	109,628
Domestic Waste Management		67	4,208	-	4,143
Liabilities relating to externally restricted assets		18,600	188,709	17,193	203,744
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		18,600	188,709	17,193	203,744
Total Liabilities relating to Unrestricted Assets		23,687	25,692	22,965	24,721
TOTAL PAYABLES, BORROWINGS & PROVISIONS		42,287	214,401	40,158	228,465

¹ Loans are secured over the General Rating Income of Council

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013	Actual 2012
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	9,171	7,759
	<u>9,171</u>	<u>7,759</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2012		2013			Closing Balance as at 30/6/13
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,305	2,409	(2,392)	-	-	3,322
Sick Leave	320	117	(154)	-	-	283
Long Service Leave	7,765	1,644	(883)	-	-	8,526
Other Leave	185	178	(238)	-	-	125
ELE On-Costs	2,028	(4)	-	-	-	2,024
Asset Remediation	4,143	(147)	-	212	-	4,208
TOTAL	17,746	4,197	(3,667)	212	-	18,488

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	11,827	13,372
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		11,827	13,372
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(6,826)	6,302
Adjust for non cash items:			
Depreciation & Amortisation		45,479	37,781
Net Losses/(Gains) on Disposal of Assets		2,419	(17)
Non Cash Capital Grants and Contributions		(3,539)	(10,602)
Investment Income relating to "Available for Sale" Investments sold		-	(176)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(4,818)	(599)
- Investment Properties		(163)	-
- Favourable Financial Liabilities (ie. Initial Recognition at Fair Value)		(912)	-
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		(772)	139
Unwinding of Discount Rates on Reinstatement Provisions		212	339
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(3,308)	278
Increase/(Decrease) in Provision for Doubtful Debts		(3)	(3)
Decrease/(Increase) in Inventories		(11)	(65)
Decrease/(Increase) in Other Assets		(113)	1,566
Increase/(Decrease) in Payables		(74)	42
Increase/(Decrease) in accrued Interest Payable		(112)	(53)
Increase/(Decrease) in other accrued Expenses Payable		79	131
Increase/(Decrease) in Other Liabilities		(527)	987
Increase/(Decrease) in Employee Leave Entitlements		677	1,320
Increase/(Decrease) in Other Provisions		(147)	(2,802)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		27,541	34,568

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		812	664
Other Dedications (Developer)		2,508	6,981
Future Reinstatement Costs Re-measurement		212	339
Artworks Donated		7	-
Total Non-Cash Investing & Financing Activities		3,539	7,984
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit Cards / Purchase Cards		1,200	800
Loan Facilities		227,082	239,664
Total Financing Arrangements		228,282	240,464
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		226	184
- Loan Facilities		227,082	239,664
Total Financing Arrangements Utilised		227,308	239,848
(ii) Secured Loan Liabilities			
Loans are secured by a mortgage over future years Rate Revenue only.			

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Plant & Equipment		441	101
Water Network		-	285
Storm Water		-	2,696
Sewer Network		455	-
Transport Assets		6,114	-
Other		-	31
Total Commitments		7,010	3,113
These expenditures are payable as follows:			
Within the next year		7,010	3,113
Total Payable		7,010	3,113
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	15
Internally Restricted Reserves		1,555	101
Unexpended Loans		5,455	2,827
Other Funding		-	170
Total Sources of Funding		7,010	3,113

(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 financial year ended 30 June 2013

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

\$ '000	Amounts	Indicator	Prior Periods	
	2013	2013	2012	2011
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>19,585</u>	1.35 : 1	1.29	3.22
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>14,516</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>33,585</u>	26.16%	28.31%	31.03%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	<u>128,372</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>71,430</u>	47.86%	45.80%	42.27%
Income from Continuing Operations	<u>149,238</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>4,951</u>	6.48%	6.52%	6.12%
Rates, Annual & Extra Charges Collectible	<u>76,450</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>7,806</u>	21.64%	23.58%	11.63%
Depreciation, Amortisation & Impairment	<u>36,070</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>2.35</td> </tr> <tr> <td>2011</td> <td>3.22</td> </tr> <tr> <td>2012</td> <td>1.29</td> </tr> <tr> <td>2013</td> <td>1.35</td> </tr> </tbody> </table>	Year	Ratio : 1	2010	2.35	2011	3.22	2012	1.29	2013	1.35	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.35 : 1</p> <p>Unrestricted liabilities decreased by \$2,524,000 since 2011/12 attributable to a \$3,246,000 increase in current liabilities not expected to be settled in the next twelve months.</p>
Year	Ratio : 1											
2010	2.35											
2011	3.22											
2012	1.29											
2013	1.35											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>31.66%</td> </tr> <tr> <td>2011</td> <td>31.03%</td> </tr> <tr> <td>2012</td> <td>28.31%</td> </tr> <tr> <td>2013</td> <td>26.16%</td> </tr> </tbody> </table>	Year	Ratio %	2010	31.66%	2011	31.03%	2012	28.31%	2013	26.16%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 26.16%</p> <p>An increase in income from continuing operations from \$119,605,000 before specific purpose operating and capital amounts in 2011/12 to \$128,372,000 in 2012/13 has improved the ratio. This is largely attributed to a \$4,542,000 increase in investment income.</p>
Year	Ratio %											
2010	31.66%											
2011	31.03%											
2012	28.31%											
2013	26.16%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>38.61%</td> </tr> <tr> <td>2011</td> <td>42.27%</td> </tr> <tr> <td>2012</td> <td>45.80%</td> </tr> <tr> <td>2013</td> <td>47.86%</td> </tr> </tbody> </table>	Year	Ratio %	2010	38.61%	2011	42.27%	2012	45.80%	2013	47.86%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 47.86%</p> <p>This ratio has increased due to an increase in rates and annual charges of \$4,978,000 between 2011/12 and 2012/13 and a decrease in capital grants and contributions of \$5,666,000 between 2011/12 and 2012/13.</p>
Year	Ratio %											
2010	38.61%											
2011	42.27%											
2012	45.80%											
2013	47.86%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>5.65%</td> </tr> <tr> <td>2011</td> <td>6.12%</td> </tr> <tr> <td>2012</td> <td>6.52%</td> </tr> <tr> <td>2013</td> <td>6.48%</td> </tr> </tbody> </table>	Year	Ratio %	2010	5.65%	2011	6.12%	2012	6.52%	2013	6.48%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 6.48%</p> <p>The Rates Outstanding ratio has slightly decreased due to a larger amount of debt being repaid through the proceeds of an increased volume of property sales.</p>
Year	Ratio %											
2010	5.65%											
2011	6.12%											
2012	6.52%											
2013	6.48%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>24.06%</td> </tr> <tr> <td>2011</td> <td>11.63%</td> </tr> <tr> <td>2012</td> <td>23.58%</td> </tr> <tr> <td>2013</td> <td>21.64%</td> </tr> </tbody> </table>	Year	Ratio %	2010	24.06%	2011	11.63%	2012	23.58%	2013	21.64%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 21.64%</p> <p>There has been an increase in infrastructure renewals of \$483,000 from 2011/12 to 2012/13. Sewer infrastructure renewals decreased by \$922,000, water infrastructure renewals increased by \$1,750,000 and Buildings, Roads, Bridges and Footpaths infrastructure renewals decreased by \$345,000 between 2011/12 and 2012/13. There has been increased infrastructure depreciation of \$5,011,000 resulting from council's 2011/12 revaluation process (\$4,914,000 increase for sewer infrastructure depreciation and \$1,184,000 increase for water infrastructure depreciation). There was no impairment expense in 2012/13 (\$2,593,000 in 2011/12 for Airport Runways).</p>
Year	Ratio %											
2010	24.06%											
2011	11.63%											
2012	23.58%											
2013	21.64%											

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2013	Sewer 2013	General ¹ 2013
Local Government Industry Indicators - by Fund			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions ⁽¹⁾</u>	2.08 : 1	2.87 : 1	1.35 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	1.38 : 1	3.50 : 1	1.29 : 1
2. Debt Service Ratio			
<u>Debt Service Cost</u>	63.38%	52.95%	6.47%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)			
prior period:	71.80%	58.47%	7.39%
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	15.41%	65.76%	50.33%
Income from Continuing Operations			
prior period:	17.89%	64.79%	45.72%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	6.07%	5.89%	6.74%
Rates, Annual & Extra Charges Collectible			
prior period:	5.88%	5.70%	6.94%
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals (Building & Infrastructure assets)</u>	37.09%	19.83%	17.94%
Depreciation, Amortisation & Impairment			
prior period:	9.05%	24.24%	26.76%

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 14. Investment Properties

\$ '000	Notes	Actual 2013	Actual 2012
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>1,596</u>	<u>1,433</u>
Reconciliation of Annual Movement:			
Opening Balance		1,433	1,433
- Net Gain/(Loss) from Fair Value Adjustments		163	-
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>1,596</u>	<u>1,433</u>
(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 2013 revaluations were based on Independent Assessments made by: APV Valuers and Asset Management			
(c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		58	57
Later than 1 year but less than 5 years		58	55
Later than 5 years		-	-
Total Minimum Lease Payments Receivable		<u>116</u>	<u>112</u>
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		61	66
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(7)	(7)
Net Revenue Contribution from Investment Properties		<u>54</u>	<u>59</u>
plus:			
Fair Value Movement for year		<u>163</u>	<u>-</u>
Total Income attributable to Investment Properties		<u>217</u>	<u>59</u>

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	11,827	13,372	11,827	13,372
Investments				
- "Held for Trading"	2,236	6,132	2,236	6,132
- "Designated At Fair Value on Initial Recognition"	47,391	63,112	47,391	63,112
- "Held to Maturity"	103,379	81,751	103,379	81,751
- "Available for Sale"	995	5,843	995	5,843
Receivables	21,206	17,763	21,206	16,469
Total Financial Assets	187,034	187,973	187,034	186,679
Financial Liabilities				
Payables	10,002	9,559	10,002	9,559
Loans / Advances	227,082	239,664	240,824	245,662
Total Financial Liabilities	237,084	249,223	250,826	255,221

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated in accordance with Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	2,236	-	-	2,236
- "Designated At Fair Value on Initial Recognition"	45,371	2,020	-	47,391
- "Available for Sale"	-	995	-	995
Total Financial Assets	47,607	3,015	-	50,622

2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	5,051	347	734	6,132
- "Designated At Fair Value on Initial Recognition"	56,667	6,445	-	63,112
- "Available for Sale"	-	5,843	-	5,843
Total Financial Assets	61,718	12,635	734	75,087

The following table presents the movement in Level 3 financial instruments

	Assets 2013	Assets 2012
Opening Balance (of Level 3 fair values)	734	677
Gains/(Losses) recognised in the Income Statement	2,576	57
Disposals	(3,310)	-
Closing Balance	-	734

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is 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 major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

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

A further risk associated with Cash & Investments is credit risk - the risk that the 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 & Investments.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2013				
Possible impact of a 10% movement in Market Values	-	5,062	-	(5,062)
Possible impact of a 1% movement in Interest Rates	1,530	-	(1,530)	-
2012				
Possible impact of a 10% movement in Market Values	-	7,509	-	(7,509)
Possible impact of a 1% movement in Interest Rates	1,604	-	(1,604)	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

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:

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	0%	71%	0%	85%
Overdue	100%	29%	100%	15%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Movement in Provision for Impairment of Receivables			2013	2012
Balance at the beginning of the year			18	21
- amounts provided for but recovered during the year			(3)	(3)
Balance at the end of the year			<u>15</u>	<u>18</u>

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2013									
Trade/Other Payables	522	10,045	551	-	-	-	-	11,118	10,002
Loans & Advances	-	33,673	32,094	29,871	25,219	24,321	196,827	342,005	227,082
Total Financial Liabilities	522	43,718	32,645	29,871	25,219	24,321	196,827	353,123	237,084
2012									
Trade/Other Payables	434	10,212	567	-	-	-	-	11,213	9,559
Loans & Advances	-	33,253	32,982	31,404	29,182	24,528	217,535	368,884	239,664
Total Financial Liabilities	434	43,465	33,549	31,404	29,182	24,528	217,535	380,097	249,223

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

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

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	10,002	0.0%	9,559	0.0%
Loans & Advances - Fixed Interest Rate	227,082	6.8%	239,664	6.8%
	<u>237,084</u>		<u>249,223</u>	

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 24 May 2012.

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

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

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	2013 Budget	2013 Actual	2013 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	71,889	71,430	(459)	(1%)	U
User Charges & Fees	26,188	26,493	305	1%	F
Interest & Investment Revenue	5,438	15,419	9,981	184%	F
Increases in market values of investment securities, insurance payments for Dante Series CDOs of \$2,576,000, and major sewerage project expenditures deferred to 2013/14 are attributable to this out performance.					
Other Revenues	4,796	7,365	2,569	54%	F
Increased sales of switchboards, CCTV systems, ICT projects, consultancy services, and reimbursement of costs associated with waste contract.					
Operating Grants & Contributions	14,729	17,388	2,659	18%	F
\$2.2M in natural disaster grants not included in original budget as they are only budgeted for once approved by funders.					
Capital Grants & Contributions	12,683	11,143	(1,540)	(12%)	U
Subdivision Dedications \$2,508,000 received not budgeted for. Bushfire Station grant budgeted but not received \$274,000. Grants received less than budgeted included; regional roads repair program \$143,000, detention basin \$298,000, and bushfire vehicles \$106,000. Developer contributions \$3,097,000 less than budgeted.					

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	26,073	37,716	(11,643)	(45%)	U
During the year Council employees are engaged in both maintenance and capital works, the proportions of which may vary from year to year. Costs in relation to the capital works are excluded from the income statement, and it is not Council's practice to make detailed calculations for this as part of its budgeting procedures.					
Borrowing Costs	16,257	16,355	(98)	(1%)	U
Materials & Contracts	56,590	43,314	13,276	23%	F
During the year Council employees are engaged in both maintenance and capital works, the proportions of which may vary from year to year. Costs in relation to the capital works are excluded from the income statement, and it is not Council's practice to make detailed calculations for this as part of its budgeting procedures. The variance to budget has also resulted from items for operational projects largely being budgeted as Material and Contracts rather than Other Expenses.					
Depreciation & Amortisation	44,970	45,479	(509)	(1%)	U
Budgeted figures were based on 2011/12 actual costs and therefore do not take into account new assets purchased in 2011/12 and depreciated for the first time in 2012/13 nor does it include depreciation based on revalued assets as at 30 June 2012.					
Other Expenses	5,532	10,781	(5,249)	(95%)	U
The variance to budget in other expenses has resulted from items for operational projects largely being budgeted as Materials and Contracts rather than Other Expenses. There were also increases in expenditure compared to budget attributable to private works.					
Net Losses from Disposal of Assets	-	2,419	(2,419)	0%	U
Council does not budget for losses from disposal of assets					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	31,158	27,541	(3,617)	(11.6%)	U
Bushfire Station grant budgeted but not received \$274,000. Grants received less than budgeted included; regional roads repair program \$143,000, detention basin \$298,000, and bushfire vehicles \$106,000. Developer contributions \$3,097,000 less than budgeted. There were also increases in expenditure compared to budget attributable to private works.					
Cash Flows from Investing Activities	(19,957)	(16,504)	3,453	(17.3%)	F
Purchases and sales of investment securities are not budgeted for.					
Cash Flows from Financing Activities	(9,649)	(12,582)	(2,933)	30.4%	U
\$2,500,000 Borrowings for compulsory acquisition of open space land scheduled for 2012/13, deferred until 2013/14.					

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Income earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1,618	130	80	136	(213)	-	1,671	2,718	(3,447)	942	-
Roads	3,905	635	(155)	302	(724)	(180)	3,938	31,406	(35,275)	69	(180)
Parking	280	127	-	28	-	-	435	6,372	(6,692)	115	-
Open Space	5,165	417	75	414	(1,239)	180	4,937	22,825	(26,538)	1,224	180
Community Facilities	1,198	78	-	101	(37)	-	1,340	2,673	(3,379)	634	-
Other	1,101	163	-	78	(529)	-	813	1,869	(2,538)	144	-
S94 Contributions - under a Plan	13,267	1,550	-	1,059	(2,742)	-	13,134	67,863	(77,869)	3,128	-
Total S94 Revenue Under Plans	13,267	1,550	-	1,059	(2,742)	-	13,134				-
S94 not under Plans	783	-	-	46	(207)	-	622	-	(497)	90	-
S93F Planning Agreements	1	-	-	-	-	-	1				
S64 Contributions	169	2,747	-	12	(2,800)	-	128				
Total Contributions	14,220	4,297	-	1,117	(5,749)	-	13,885	67,863	(78,366)	3,218	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Income earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1,618	130	80	136	(213)	-	1,671	2,718	(3,447)	942	-
Roads	3,905	635	(155)	302	(724)	(180)	3,938	31,406	(35,275)	69	(180)
Parking	280	127	-	28	-	-	435	6,372	(6,692)	115	-
Open Space	5,165	417	75	414	(1,239)	180	4,937	22,825	(26,538)	1,224	180
Community Facilities	1,198	78	-	101	(37)	-	1,340	2,673	(3,379)	634	-
Other	1,101	163	-	78	(529)	-	813	1,869	(2,538)	144	-
Total	13,267	1,550	-	1,059	(2,742)	-	13,134	67,863	(77,869)	3,128	-

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

- | | |
|--|---|
| <ul style="list-style-type: none"> a. Regional, District & Neighbourhood Facilities & Services b. Local Roads, Trunk Drainage & Mines and Extractive Industries c. West Coffs Harbour d. North Boambee Valley e. Moonee f. City Centre Car Parking g. Woolgoolga Town Centre Car Parking h. Coffs Harbour Road Network i. North Bonville j. Korora Rural Residential | <ul style="list-style-type: none"> k. Water Supply Developer Services Plan l. Waste Water Treatment & Carrier System Developer Services Plan m. Surf Rescue Equipment n. West Woolgoolga o. Hearn's Lake/Sandy Beach p. Corindi q. Park Beach Area r. South Coffs. s. Jetty Area Car Parking |
|--|---|

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Income earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	121	-	-	10	-	-	131	-	(131)	-	-
Roads	5	-	-	-	-	-	5	-	(5)	-	-
Open Space	205	-	-	9	(205)	-	9	-	(9)	-	-
Community Facilities	164	-	-	14	-	-	178	-	(178)	-	-
Other	253	-	-	13	(2)	-	264	-	(174)	90	-
Total	748	-	-	46	(207)	-	587	-	(497)	90	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies & 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 & 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 was able to provide Council with a broadly attributable share of the net deficit estimated to be in the order of \$2,916,540 as at June 2013. This deficit does not qualify for recognition as a liability under AASB 119 as it is not a reliable estimate.

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

(ii) Statewide Limited

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

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects 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) State Cover Limited

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent 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.

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

(iv) Legal Issues

Council can defend actions in Land & Environment Court. It is not practical to estimate the amount, if any, for which the Council could be liable thereof.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,140,510	1,048,891
a. Correction of Prior Period Errors	20 (c)	62,986	85,317
b. Net Operating Result for the Year		(6,826)	6,302
Balance at End of the Reporting Period		<u>1,196,670</u>	<u>1,140,510</u>
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		665,297	583,192
- "Available for Sale" Financial Investments Revaluation Reserve		263	106
Total		<u>665,560</u>	<u>583,298</u>
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		583,192	470,696
- Revaluations for the year	9(a)	82,009	115,185
- Impairment of revalued assets (incl. impairment reversals)	9(a),(c)	96	(2,689)
- Balance at End of Year		<u>665,297</u>	<u>583,192</u>
"Available for Sale" Financial Investments Revaluation Reserve			
- Opening Balance		106	(206)
- Unrealised Gain (Loss) in value for the year		157	488
- Transfer of "Available for Sale" values to the P&L for disposals		-	(176)
- Balance at End of Year		<u>263</u>	<u>106</u>
TOTAL VALUE OF RESERVES		<u>665,560</u>	<u>583,298</u>

(iii) Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

"Available for Sale" Financial Investments Revaluation Reserve

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

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 financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
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(c) Correction of Error/s relating to a Previous Reporting Period

Correction of errors made in 2013 for 11/12 errors:

Council had revalued the following asset classes as at 30 June 2013:

- Buildings
- Operational Land

As part of the 2013 Buildings revaluation process, it has been discovered that some buildings were omitted in the previous valuation. The impact of recognising these additional assets is an increase to Opening Equity and an adjustment to Note 9 written down values, for the following asset categories:

Buildings:

- Specialised	1,318
- Non Specialised	265

During 2012/13 assets were discovered in the following Note 9 categories (written down values disclosed) as a result of migrating relevant data to Council's corporate asset register:

- Bulk Earthworks	818
- Depreciable Land Improvements	627
- Other Structures	165
- Other Assets	697
- Roads, Bridges and Footpaths	8,146
- Water Network (for more detail see below)	12,409
- Sewer Network (for more detail see below)	25,328

The impact of these changes is an increase to Opening Equity.

During the migration of data from the 2011/12 Water Network revaluation process to Council's corporate asset register, it was discovered that Water Service Mains assets have been omitted from the 2011/12 Valuation. These assets had a fair value at 30 June 2012 of \$18,388,000 and Accumulated Depreciation of of \$5,979,000.

During the reconciliation process of the 2011/12 Sewer Network valuation data to Council's separate Sewer Network asset register it was discovered that Sewer Rising mains were omitted from the data provided to the valuers in 2011/12. These assets had a fair value at 30 June 2012 of \$37,991,000 and Accumulated Depreciation of of \$12,663,000.

(continued on the next page...)

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(c) Correction of Error/s relating to a Previous Reporting Period			
<p>During 2012/13 inspections and collection of updated GIS data was undertaken for selected Stormwater Drainage assets which resulted in improved attributes information (i.e. lengths, diameters etc). In addition there were also a number of discovered assets.</p>		13,567	
<p>Council deems it impracticable to restate comparative information. Adjustments have been made to the opening balances in the current financial year.</p>			
<p>As at 30 June 2012 Council recorded land as Non-current assets classified as "held for sale" in Note 22 of the Annual Financial Statements. A subsequent review of this land stock has discovered that 2 land parcels were sold in the 2010/2011 financial year. To correct this error a decrease to Opening Equity is required of:</p>		(354)	
Correction of errors made in 2012 for 10/11 errors:			
Council had revalued the following asset classes as at 30 June 2012:			
<ul style="list-style-type: none"> - Water Supply Network - Sewerage Network 			
<p>As part of the Water Network revaluation process, it was discovered Water Mains assets had been disposed of in the period between the last valuation period (i.e. 30 June 2007) and the current valuation period (i.e. 30 June 2012). To correct this error a reduction to Opening Equity was required. The written down value of these assets indexed from 30 June 2007 to 30 June 2011 were:</p>		(12,602)	
<p>As part of the Sewer Network revaluation process, it was discovered that Sewer Treatment Plants were being carried at indexed replacement costs based on outdated construction costs (i.e. Woolgoolga 2004, Moonee and Corindi 2001). Additionally, Sawtell Treatment Plant had replacement cost calculated on construction costs for years between 1977 & 1986, indexed through to 30 June 2011. The outdated construction costs for Sawtell were not considered an issue for the 2007 valuation process as it was expected that the treatment plant would soon be decommissioned. However, this has not been the case and Sawtell Treatment Plant is still active. To correct this error an increase to Opening Equity was required to reflect the most recent construction costs for all of Council's Treatment Plants based on construction costs for Coffs Harbour Treatment Plant (construction period between 2008 and 2010). The increase required in replacement value of these assets as at 30 June 2011 was:</p>		61,522	

(continued on the next page...)

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(c) Correction of Error/s relating to a Previous Reporting Period			
As a result of engaging a consultant in 2011/12 to reassess the costs to restore the England's Road Landfill site (previously determined by Council) it has been calculated that restoration costs have decreased materially due to a reduced area required for restoration and reduced material costs, thereby impacting the carrying value of Council's provision. To correct the error of the overvalued restoration provision at 30 June 2011, Opening Equity was increased by:			
			5,759
During 2011/12 assets were discovered in the following Note 9 categories as a result of migrating relevant data to Council's corporate asset register:			
- Bulk Earthworks			1,536
- Other Structures			130
- Other Assets			379
The impact of these changes was an increase to Opening Equity.			
During 2011/12 inspections and collection of updated GIS data was undertaken for selected assets which resulted in improved attributes information (i.e. lengths, diameters etc). Subsequently the old asset data was amended for this improved information. As a result, it was determined by Council that written down values of these assets were understated as at 30 June 2011. To correct this error an increase to Opening Equity was required. The Note 9 categories effected are as follows:			
- Roads, Bridges and Footpaths			5,955
- Stormwater Drainage			22,638
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively to the extent described above.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/11 (relating to adjustments for the 30/6/11 reporting year end and prior periods)		-	85,317
- Adjustments to Closing Equity - 30/6/12 (relating to adjustments for the 30/6/12 year end)		62,986	-
Total Prior Period Adjustments - Prior Period Errors		62,986	85,317

(d) Voluntary Changes in Accounting Policies

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	3,789	20,913	46,947
User Charges & Fees	13,494	2,482	13,970
Interest & Investment Revenue	3,184	5,331	6,904
Other Revenues	61	171	6,804
Grants & Contributions provided for Operating Purposes	290	451	21,558
Grants & Contributions provided for Capital Purposes	3,768	2,456	7,218
Total Income from Continuing Operations	24,586	31,804	103,401
Expenses from Continuing Operations			
Employee Benefits & on-costs	2,999	4,499	30,218
Borrowing Costs	6,448	7,795	2,112
Materials & Contracts	3,588	4,406	38,994
Depreciation & Amortisation	6,873	11,676	26,930
Other Expenses	3,129	4,904	10,442
Net Losses from the Disposal of Assets	1,056	545	3
Total Expenses from Continuing Operations	24,093	33,825	108,699
Operating Result from Continuing Operations	493	(2,021)	(5,298)
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	493	(2,021)	(5,298)
Net Operating Result attributable to each Council Fund	493	(2,021)	(5,298)
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(3,275)	(4,477)	(12,516)

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

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Coffs Harbour City Council

Notes to the Financial Statements

as at 30 June 2013

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	824	792	10,211
Investments	12,721	25,819	1,038
Receivables	3,551	2,820	12,608
Inventories	237	-	1,275
Other	-	-	781
Non-current assets classified as 'held for sale'	-	-	77
Total Current Assets	17,333	29,431	25,990
Non-Current Assets			
Investments	22,714	33,480	58,229
Receivables	81	343	1,803
Infrastructure, Property, Plant & Equipment	281,452	451,510	1,128,300
Intangible Assets	66,155	-	501
Total Non-Current Assets	370,402	485,333	1,190,429
TOTAL ASSETS	387,735	514,764	1,216,419
LIABILITIES			
Current Liabilities			
Payables	1,261	2,174	7,039
Borrowings	7,030	8,068	3,520
Provisions	-	-	13,195
Total Current Liabilities	8,291	10,242	23,754
Non-Current Liabilities			
Payables	-	-	644
Borrowings	82,942	101,559	23,963
Provisions	-	-	5,293
Total Non-Current Liabilities	82,942	101,559	29,900
TOTAL LIABILITIES	91,233	111,801	53,654
Net Assets	296,502	402,963	1,162,765
EQUITY			
Retained Earnings	179,827	290,709	726,134
Revaluation Reserves	116,675	112,254	436,631
Council Equity Interest	-	296,502	402,963
Non-controlling Interests	-	-	-
Total Equity	296,502	402,963	1,162,765

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

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000	2013	2013	2012	2012
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	77	-	431	-
Total Non Current Assets "Held for Sale"	77	-	431	-
Disposal Group Assets "Held for Sale"				
None				
TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"	77	-	431	-

(ii) Details of Assets & Disposal Groups

All land parcels currently classified as held for sale are expected to be sold during the 2013/14 financial year.

(iii) Disposal Group Liabilities

Nil

\$ '000	Assets "Held for Sale"	
	2013	2012
(iv) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations		
Opening Balance	431	431
Balance still unsold after 12 months:	431	431
Adjustment for Prior Period Error (see Note 20 (c))	(354)	-
Closing Balance of "Held for Sale"	77	431
Non Current Assets & Operations	77	431

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 23. Events occurring after the Reporting Period

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 13/02/14.

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

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

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

Note 24. Discontinued Operations

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 25. Intangible Assets

\$ '000

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

	Actual 2013 Carrying Amount	Actual 2012 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/12)	73,399	73,286
Accumulated Amortisation (1/7/12)	(6,117)	(5,021)
Accumulated Impairment (1/7/12)	-	-
Net Book Value - Opening Balance	67,282	68,265
Movements for the year		
- Purchases	280	113
- Amortisation charges	(906)	(1,096)
Closing Values:		
Gross Book Value (30/6/13)	73,679	73,399
Accumulated Amortisation (30/6/13)	(7,023)	(6,117)
Accumulated Impairment (30/6/13)	-	-
TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹	66,656	67,282

¹ The Net Book Value of Intangible Assets represent:

- Software	501	413
- Regional Water Supply Scheme (right to receive water from Clarence Valley Council)	66,155	66,869
	66,656	67,282

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2013	2012
Waste Facility	2019	4,208	4,143
Balance at End of the Reporting Period	10(a)	<u>4,208</u>	<u>4,143</u>

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

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	4,143	6,606
Amounts capitalised to new or existing assets:		
Effect of a change in other calculation estimates used	(147)	(2,802)
Amortisation of discount (expensed to borrowing costs)	212	339
Total - Reinstatement, rehabilitation and restoration provision	<u>4,208</u>	<u>4,143</u>

Amount of Expected Reimbursements

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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 27. Council Information & Contact Details

Principal Place of Business:

Corner Coff & Castle Streets
Coffs Harbour NSW 2450

Contact Details**Mailing Address:**

Locked Bag 155
Coffs Harbour NSW 2450

Opening Hours:

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

Telephone: 02 6648 4000

Facsimile: 02 6648 4199

Internet: www.coffsharbour.nsw.gov.au

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

Officers**GENERAL MANAGER**

Steve McGrath

RESPONSIBLE ACCOUNTING OFFICER

Dale Allen

PUBLIC OFFICER

Lisa Garden

AUDITORS

Thomas Noble Russell
31 Keen Street
Lismore NSW 2480

Elected Members**MAYOR**

Denise Knight

COUNCILLORS

Garry Innes
John Arkan
Bob Palmer
Sally Townley
Rodney Degens
Keith Rhoades
Mark Sultana
Nan Cowling

Other Information

ABN: 79 126 214 487



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

We have audited the accompanying financial statements of Coffs Harbour City Council (the Council) which comprises the statement of financial position as at 30 June 2013, the income statement, the statement of comprehensive income, statement of changes in equity and the 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.

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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



Independence

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

Audit Opinion

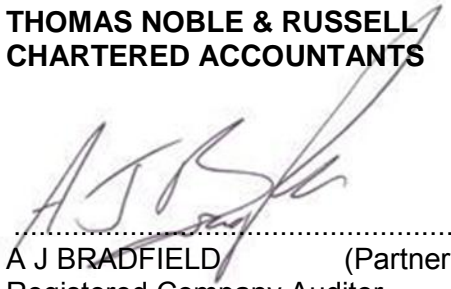
In our opinion:

- a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- b) the Council's financial statements:
 - i) have been prepared in accordance with the requirements of this Division;
 - ii) are consistent with the Council's accounting records;
 - iii) present fairly the Council's financial position as at 30 June 2013, the results of its operations and its cash flows for the year then ended; and
 - iv) are in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations).
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

Application of the requirements of section 416 of the Local Government Act 1993

Without qualification to the opinion expressed above, we draw your attention to the date of issue of the financial statements. We note that the financial statements have not been completed within four months of the end of the financial year, as required by section 416 (5). Accordingly, this aspect of the financial statements does not comply with the Local Government Act 1993, Chapter 13, part 3 Division 2 and Regulation 215 of the Local Government (General) Regulation 2005.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS



.....

A J BRADFIELD (Partner)
Registered Company Auditor

Dated at Lismore this 13th day of February 2014.

Coffs Harbour City Council

**Report to Council under s417 of
the Local Government Act 1993
for the year ended
30 June 2013**



COFFS HARBOUR CITY COUNCIL



Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers



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1. COUNCIL'S FINANCIAL REPORTING REQUIREMENTS

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

General Purpose Financial Statements

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

Special Purpose Financial Statements

These financial statements provide an understanding of the financial position and performance of Council's declared business activities as required under the National Competition Policy. Council's declared business activities for the 2013 financial year are:

- Water Fund operations
- Sewer Fund operations
- Airport operations

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

2. AUDITOR'S RESPONSIBILITIES

Council's annual financial audit engagement has been conducted in accordance with Australian Auditing Standards as well as Australian Professional and Ethical Standards. We advise that we have completed our audit of the Council's general purpose and special purpose financial statements for the year ended 30 June 2013. In accordance with section 417 of the Local Government Act 1993 we now report on the conduct of the audit.

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

3. OPERATING RESULT

Council's deficit from all activities for 2013 totalled \$6,826,000. This compares to a surplus in 2012 of \$6,302,000. This result can be summarised as follows:

	2011 \$'000	2012 \$'000	2013 \$'000
Income from continuing operations	118,161	127,679	132,365
Expenses from continuing operations	(94,191)	(100,882)	(108,026)
Result from continuing operations before depreciation	23,970	26,797	24,339
Less Depreciation expense	(42,007)	(37,781)	(45,479)
Operating result before capital amounts	(18,037)	(10,984)	(21,140)
Capital Revenue & Other Non-Operating Items			
Capital grants and contributions	27,963	16,809	11,143
Fair value gains and losses on financial instruments	1,725	460	5,590
Gain / (loss) on disposal of assets	328	17	(2,419)
Surplus from all activities	11,979	6,302	(6,826)

3.1. Analysis of Result From Continuing Operations Before Capital Amounts

The result from continuing operations before capital amounts, gain/(loss) on disposal of property, plant and equipment and movements in fair value of financial instruments, has deteriorated from a deficit of \$10,984,000 for the 2012 year to a deficit of \$21,140,000 in the 2013 financial year. Significant changes in this result include:

Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
REVENUE		
Ordinary Rates	1,275	Ordinary rates have largely increased due to a rate-pegged increment of 3.6%.
Annual Charges	3,657	Annual charges in relation to Domestic Waste Services increased from \$400 per assessment in 2011/12 to \$460 per assessment in 2012/13. Sewer annual charges have increased by \$1,372,000 due to an increment in the annual charge per assessment from \$496 in 2011/12 to \$524 in 2012/13.



Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Water User Charges	891	Water user charges increased due to changes in Council's pricing schedule. Charges for both residential and non-residential assessments consuming <1K/L per day increased from \$2.36 K/L to \$2.48 K/L and residential assessments consuming >1K/L per day increased from \$3.54 K/L to \$3.72 K/L.
Other User Charges & Fees	(1,509)	Revenue from other user charges and fees decreased by \$1,509,000. The prior year included additional private works conducted by Council on Bellingen Shire Council infrastructure and for private sector firms for works in Graham Drive and Mackays Road.
EXPENSES		
Employee Costs	977	Employee costs increased by \$977,000. This is largely attributable to the increase in the number of full time equivalent employees during the year from 509 to 521.
Borrowing Costs	(1,110)	Principal repayments on existing loans have decreased Council borrowing costs during the year.
Materials & Contracts	6,274	Raw materials and consumables expenses have increased by \$2,073,000, largely driven by the increases in the cost of State Government Landfill Levy. Contractors & Consultancy Costs have increased by \$4,362,000. This is largely attributable to the fees charged for Biomass waste processing, which were not incurred in the prior year. Also contributing to the increase is the operational clean-up expense on regional and local roads under Natural Disaster Relief Arrangement (NDRA)
Depreciation	7,698	The increase in depreciation expense is largely attributable to Council's comprehensive revaluation of water and sewer infrastructure assets in 2012.

REVENUES AND EXPENSES IMPACTING THE CONSOLIDATED OPERATING RESULT

Council's consolidated operating result can be influenced by transactions that may be unique or unrelated to core service delivery. The 2013 consolidated operating surplus has largely been impacted by the following revenue and expense items.

Account	\$'000	Reason for Increase / Decrease
Fair value movements of financial instruments	5,590	Council's has a number of financial instruments (investments and below-market interest borrowings) which are recorded at their fair value. The majority of fair value movements related to Council's investments which increased by \$4,818,000. This included insurance payments of \$2,576,000 in relation to CDO's which had been previously written down to their fair value (below cost).

3.2. Capital Grants & Contributions

Council receives capital grants and contributions from various sources. The extent of revenue received each year is influenced by the nature and extent of Council's capital improvements program and general economic activity.

Capital Grants

Capital grants received during the year amounted to \$3,120,000 and were largely attributable to:

- Funding of \$917,000 for bushfire & emergency services;
- Roads to Recovery funding of \$896,000; and
- Funding of \$543,000 for transport (other roads & bridges funding)

Capital Contributions

Capital contributions received during the period amounted to \$8,023,000. Capital contributions largely comprise section 94 and 64 developer contributions and dedications of infrastructure assets to Council upon the completion of residential and other developments.

	2011 \$'000	2012 \$'000	2013 \$'000
Non-cash developer infrastructure dedications	6,136	6,981	2,508
Section 94 contributions - cash	2,302	1,101	1,550
Section 64 contributions - cash	2,168	2,443	2,747
Watermain relocation	-	-	1,046
Other contributions	8,256	484	172
Total	18,862	11,009	8,023

The use of cash contributions received during each year is restricted and accordingly they are not available for use in Council's general operations.

4. SPECIAL PURPOSE FINANCIAL STATEMENTS

DECLARED BUSINESS ACTIVITIES UNDER THE NATIONAL COMPETITION GUIDELINES

Under the National Competition Guidelines, Council is required to apply taxation equivalent principles to each business similar to those that would apply if they were operating in the commercial sector. Council declared business activities have been reported with operating details and assets disclosed on a gross basis in Council's special purpose financial statements. Each non-core activity (commercial activities other than water and sewer) have a rate of return on their activities that is calculated as the operating result before capital income plus borrowing costs divided by the written down value of property, plant and equipment. Where the return on investment is below the required rate of return, the difference is disclosed as a notional subsidy from Council's General Fund activities. Dividends represent funds used from the relevant business activity for other functions of Council.

Water and Sewer Services

Council's water and sewer activities have returned deficits before capital grants and contributions for at least the last four years. One of the main reasons for the deficit is the impact of borrowing costs due to the significant infrastructure works undertaken by these funds in recent years. Depreciation expense also remains significant and likely to increase over time in conjunction with the revaluation of water and sewer infrastructure assets. Council has recognised the need to ensure revenue sources are sufficient to fund both short and long term infrastructure requirements.

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

Airport

The surplus before capital was \$1,239,000 for the financial year ended 30 June 2013.

The notional subsidy from Council's General Fund has decreased by \$398,000 to \$684,000 for 2013. The subsidy is calculated as a return on capital and has decreased largely due to the recognition of fair value adjustments associated with financial instruments.

5. STATEMENT OF FINANCIAL POSITION

5.1. Cash and Investments

At balance date Council had \$165.8million in cash and investments. Council's cash and investments consist of:

	2012 \$'000	2013 \$'000
Cash on hand and at bank	4,077	2,651
Deposits at Call	4,667	1,027
Term Deposits	82,249	103,979
Floating Rate Term Deposits	4,018	7,500
Negotiable Certificate of Deposits / Floating Rate Notes	54,675	39,751
Managed Funds	3,250	49
Collateralised Debt Obligations	1,024	-
Constant Protection Portfolio Notes	6,359	995
Other Long Term Maturity Financial Instruments	9,891	9,876
	<u>170,210</u>	<u>165,828</u>

	2012 \$'000	2013 \$'000
Council's cash and investments are largely restricted in their use:		
Externally restricted	118,319	110,693
Internally restricted	49,805	54,994
Unrestricted	2,085	141
	<u>170,209</u>	<u>165,828</u>

Unrestricted Cash

The above table illustrates that Council has \$141,000 in unrestricted cash at balance date. This money is used to conduct Council's day-to-day operations.

Externally Restricted Cash

Externally restricted cash consists of unspent monies such as developer contributions, grants and special rates as well as water and sewer funds. These funds are limited in their use under legislation or specific funding agreements and are not available for general Council operations.

Internally Restricted Cash

Internally restricted cash reserves are tied to specific Council projects under Council resolution and are generally not available to fund day-to-day operations.

Section 6 of this report comments on Council's performance indicator's which benchmark Council's overall short-term position taking into account external, internal and unrestricted cash, amongst other considerations.

5.2. Infrastructure, Property, Plant and Equipment

Asset Revaluations 2013

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

Council comprehensively revalues asset classes on a 5 year cycle, with appropriate indexation being applied between each revaluation cycle for specific asset categories.

Operational Land and Buildings Revaluation

As part of the fair value reporting programme introduced by the Division of Local Government, Council has comprehensively revalued its operational land and building assets as at 30 June 2013. This revaluation process has resulted in the asset revaluation reserve increasing by \$17,574,000.

Water and Sewer Infrastructure Revaluation

Water and sewer infrastructure assets were indexed by 2.5% in accordance with the NSW Office of Water guidelines, resulting in an increase in fair value of \$6,641,000 for water infrastructure and \$9,958,000 for sewer infrastructure assets.

Transport Infrastructure Revaluation

Council is required to annually reassess the fair value of all infrastructure assets. As a result, a 2012/2013 increment of \$35,928,000 for roads, bridges and footpaths was recognised. Fair value adjustments were also made to bulk earthworks and stormwater drainage assets, resulting in increments of \$10,873,000 and \$1,318,000 respectively.

Prior Period Error

In addition, Council has recognised a prior period error of \$62,896,000 as disclosed and described at Note 20c of the general purpose financial statements. The overall adjustment impacted retained earnings and has been made against the opening balance in the statement of changes in equity and is also reflected as an adjustment in Note 9a of the general purpose financial statements.

Asset Management

As at 30 June 2013 Council controls infrastructure, property, plant and equipment with a written down replacement cost of \$1.861 billion. Infrastructure, property, plant and equipment represent the largest asset group on the organisation's statement of financial position. To ensure Council is able to manage its large infrastructure portfolio it is important that it continues to develop asset management systems and associated resources so that revenue is utilised effectively and efficiently and integrated strategic planning goals are achieved.



Asset Management Systems

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

- Operational Land & Buildings
- Water and Sewer
- Roads, bridges, footpaths and bulk earthworks
- Stormwater drainage
- Community land and Land under roads
- Other Structures & Other Assets

As Council auditors, we have provided advice and assistance to management in relation to the land and buildings revaluation process for 2013. Council needs to ensure that adequate resources are allocated to asset information systems to facilitate best practice processes for asset management (including asset revaluations) being adopted and adhered to into the future.

As reported in the prior year, we noted that Council management needed to significantly improve the level of quality control and review of infrastructure revaluations and related asset management processes to ensure compliance with Australian Accounting Standards and the accuracy and integrity of such information required under the Integrated Planning and Reporting Framework. Whilst asset data continues to improve, this area still remains a significant issue for Council as prior period errors continue to occur and Council was not able to accurately reconcile and finalise infrastructure asset information to allow accurate and timely preparation and Council certification of financial statements in accordance with the timeframes required by section 416 (5) of the Local Government Act 1993, Chapter 13, part 3 Division 2 and Regulation 215 of the Local Government (General) Regulation 2005.

In accordance with Australian Auditing Standards, we have obtained sufficient appropriate audit evidence that Council's infrastructure, property, plant and equipment balances are not materially misstated. Amongst other audit procedures in relation to these balances, we have also obtained written representation from Council management with respect to the completeness and accuracy of underlying asset records as well as a commitment to improve the internal control and related governance processes within the assets area during the 2014 financial year.

5.3. Loans Liability

Council has total borrowings as at 30 June 2013 of \$227,082,000. This loan liability comprises:

	\$'000
General Fund	27,482
Water Fund	89,973
Sewer Fund	109,627
	227,082

Council has entered into a new borrowing of \$5,000,000 in order to fund the project, Coffs Harbour Regional Airport Runway renewal. The funds were obtained under the Local Government Infrastructure Renewal Scheme (LIRS).

6. PERFORMANCE INDICATORS

Council's performance can be measured using selected financial indicators. The local government sector utilises certain key performance indicators to measure some aspects of its financial position and performance. Note 13 to the general purpose financial statements provides detail of local government sector key performance indicators. We provide an analysis of some of these key performance indicators on a fund-by-fund basis.

When interpreting the ratios below it is important to recognise that they represent a measure of certain aspects of Council's operations at a particular point in time and do not provide a complete assessment of Council's financial performance or position nor do they consider the plans Council has in place to manage its operations into the future.

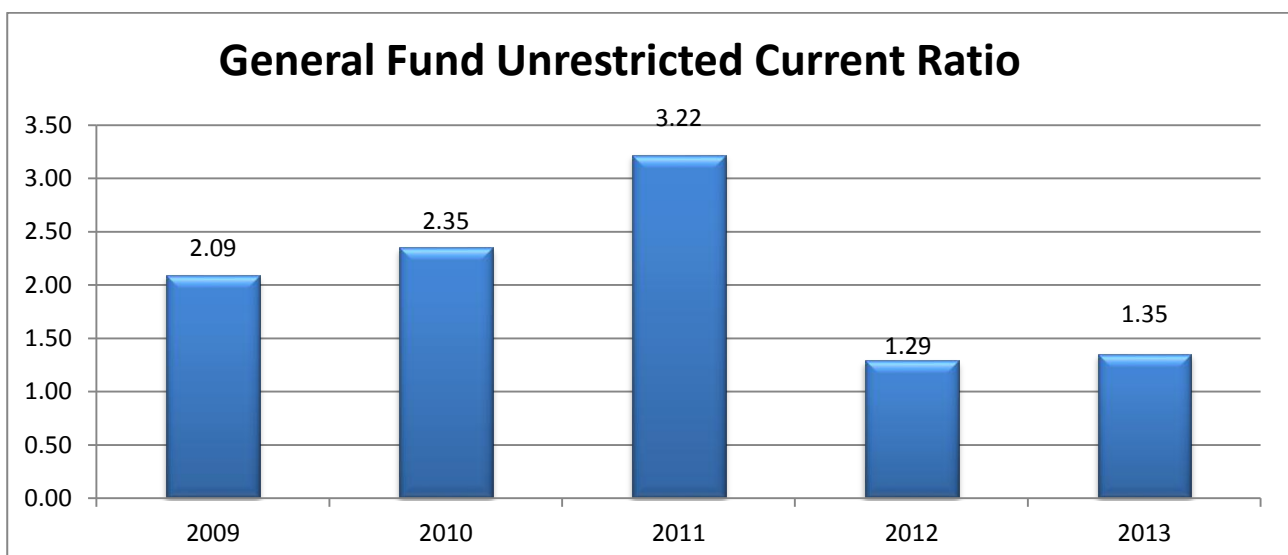
Unrestricted Current Ratio

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

Factors influencing Council's unrestricted current assets ratio include:

- planning and budgetary controls
- cash management and the timing of cash flows
- the level of internally restricted assets
- credit management policies and economic circumstances

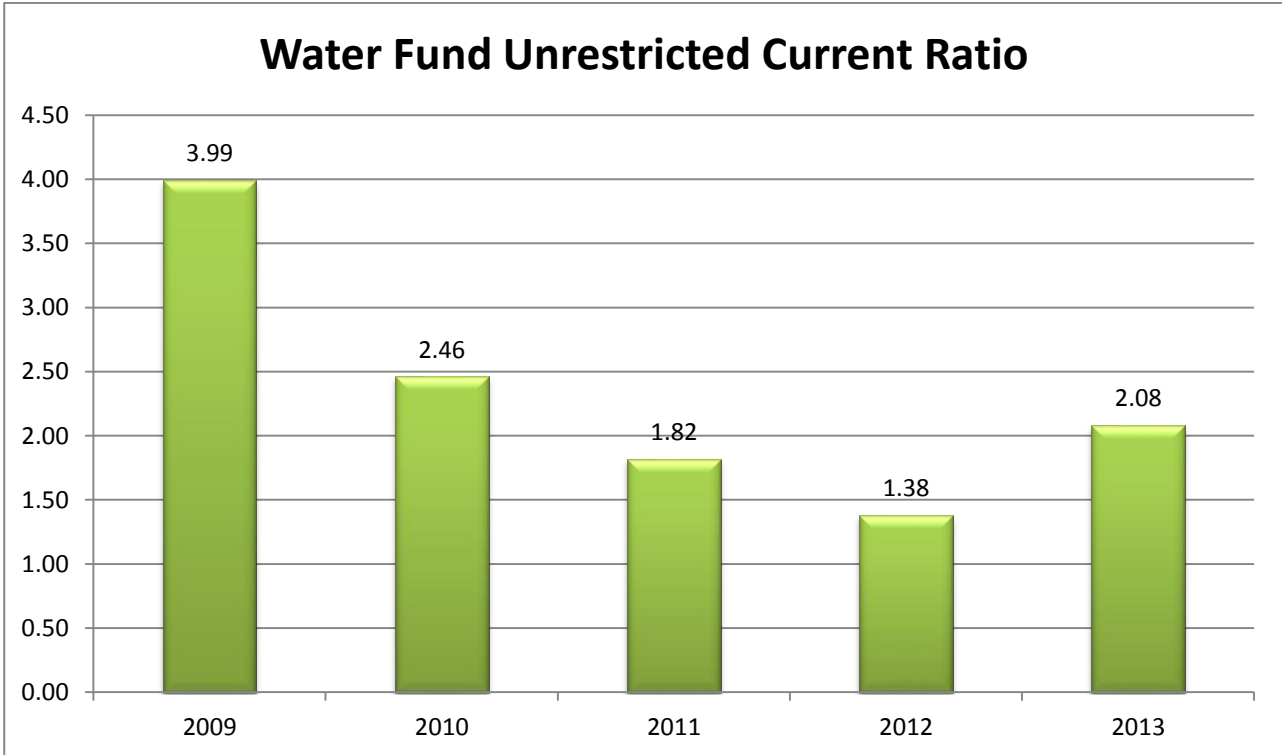
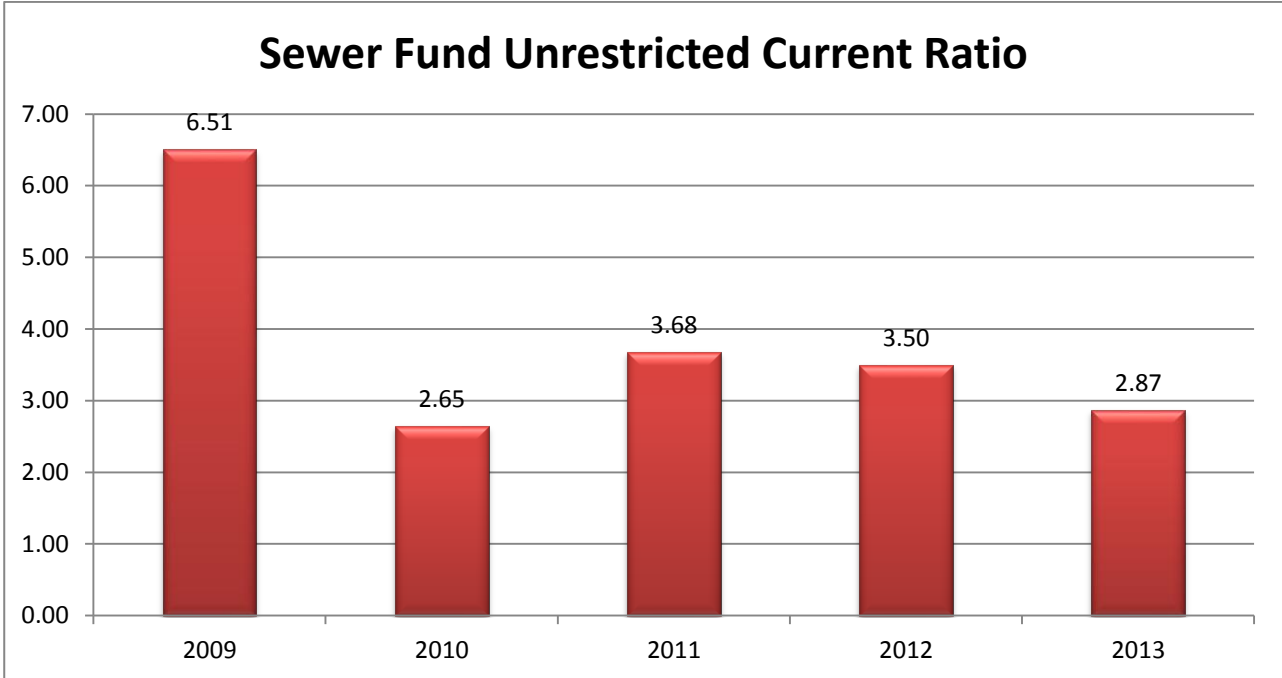
General Fund Unrestricted Current Ratio



Council's general fund unrestricted current ratio at balance date is 1.35. This means that Council has \$1.35 in liquid assets for every \$1 in current liabilities. An unrestricted current ratio of at least 1.5 is considered to be an appropriate level to allow Council to satisfy its day-to-day commitments and absorb any unforeseen expenses or reductions in revenue.



Sewer and Water Funds Unrestricted Current Ratio



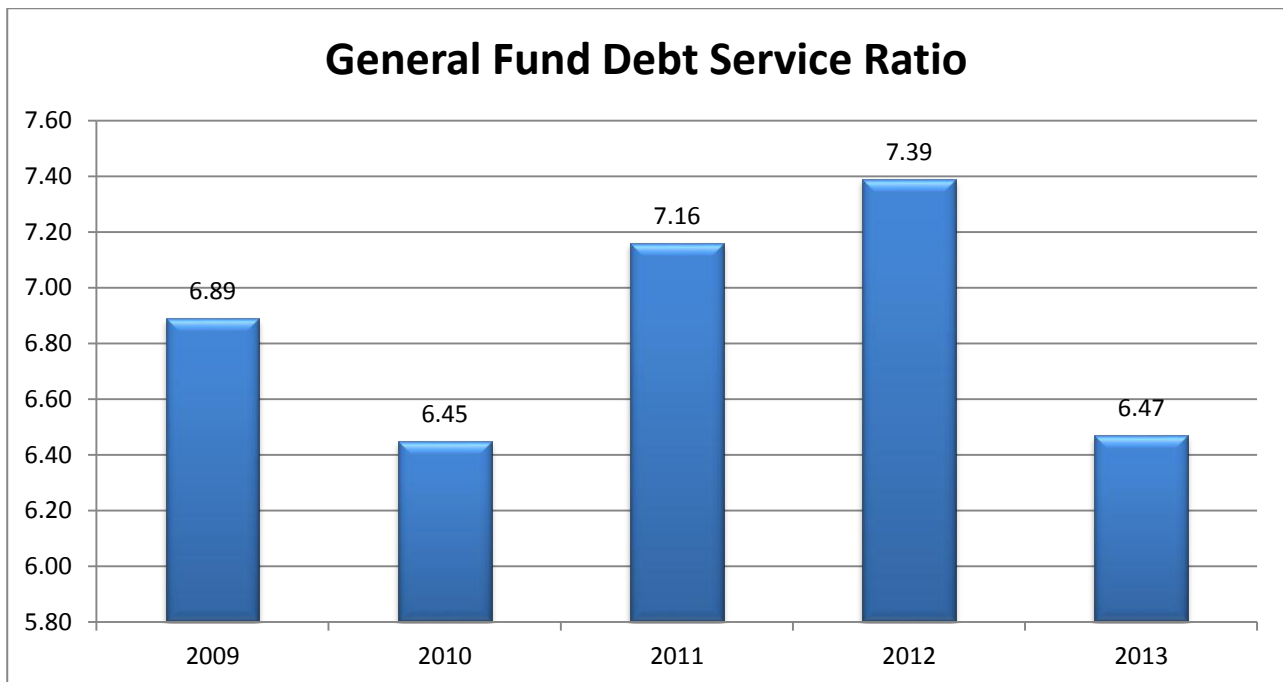
The unrestricted current ratio for water and sewer activities may fluctuate significantly. Yearly variations in the ratio may result from the build-up of internal reserves and the impact of lower debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements.

Debt Service Ratio

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

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

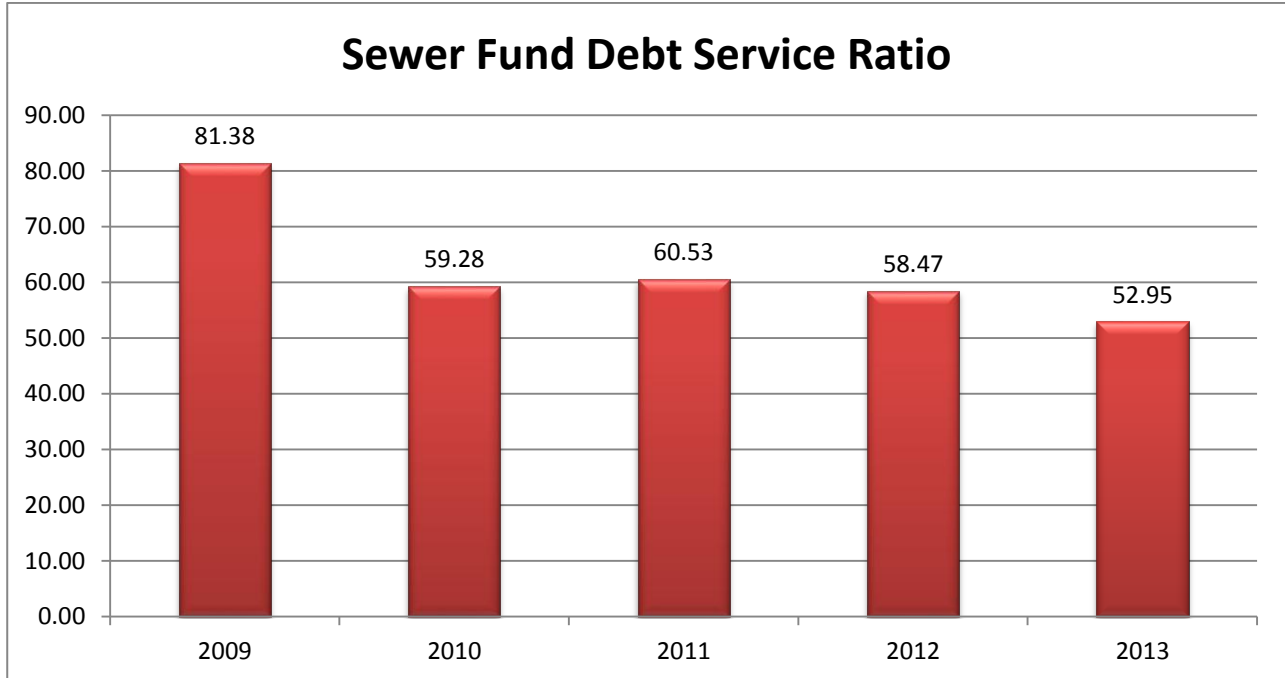
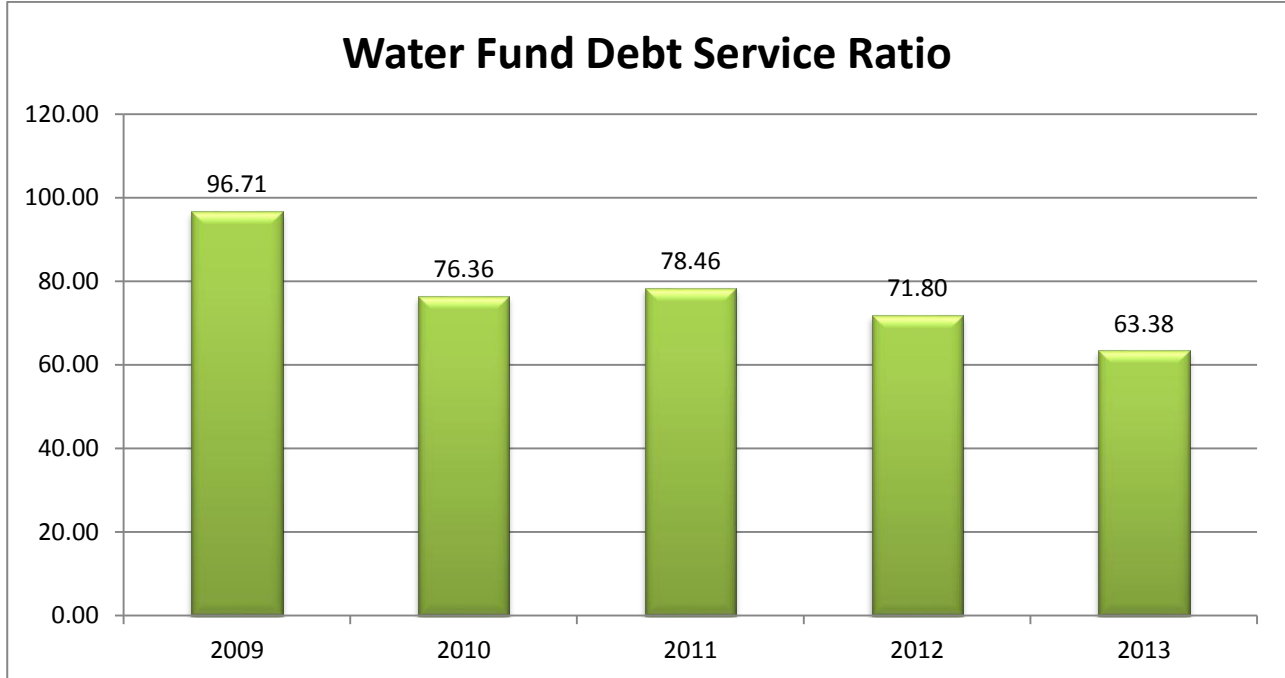
General Fund Debt Service Ratio



Council's debt service ratio represents total debt service costs as a percentage of revenues (excluding specific purpose grants and contributions as well as capital revenue) and has reduced to 6.47% for general fund at reporting date.

The NSW Division of Local Government suggested benchmark for the debt service ratio is <10 satisfactory, 10-20 is fair and >20 could be of concern when considered with other financial indicators. High growth coastal Council's often have a higher debt service ratio. Use of loan funds for infrastructure improvements and other capital purposes is considered to be a prudent financial strategy allowing for the contribution to the cost of the asset through its useful life by the community.

Water and Sewer Funds Debt Service Ratios

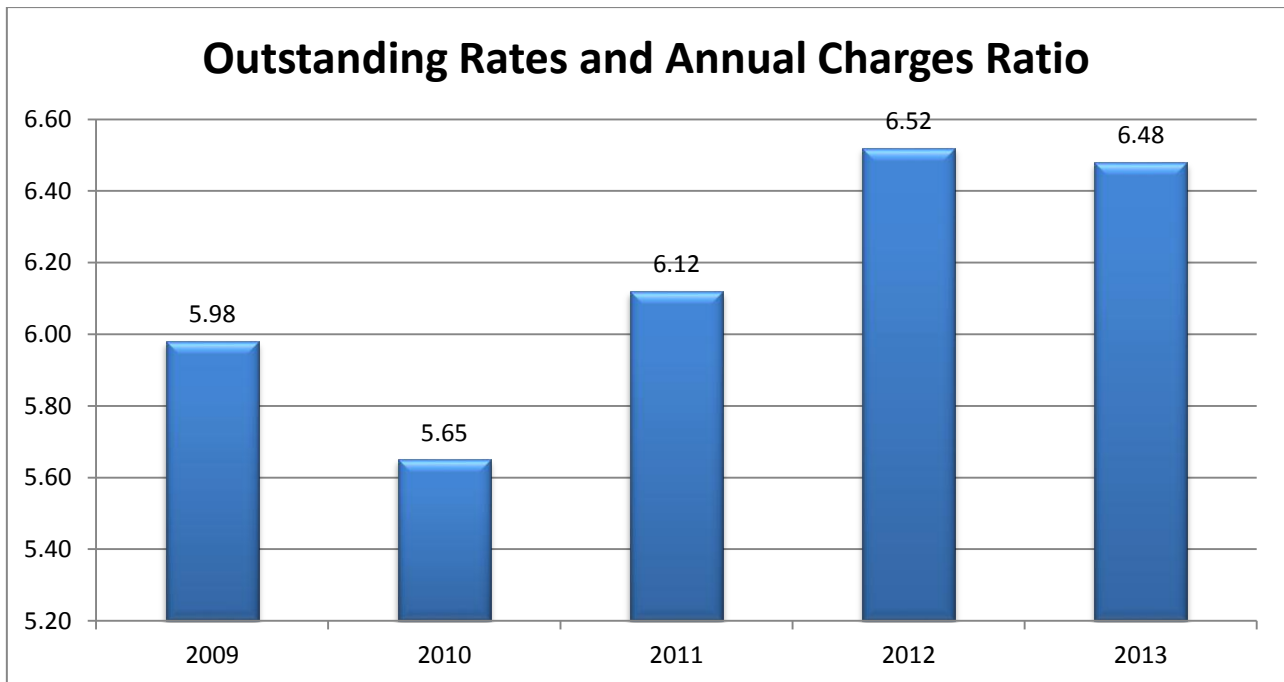


The above graphs illustrate the periodic borrowings to fund capital works programmes for water and sewer funds. Water and sewer fund's debt service ratio have decreased due to a reduction in borrowing costs associated with Council's debt reduction of these funds however they do exceed the suggested industry benchmarks.

Rates and Annual Charges Outstanding Percentage

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

- Council's rating policy
- credit management policies
- the socioeconomic characteristics of the area
- environmental factors influencing ratepayer's ability to satisfy their obligations.

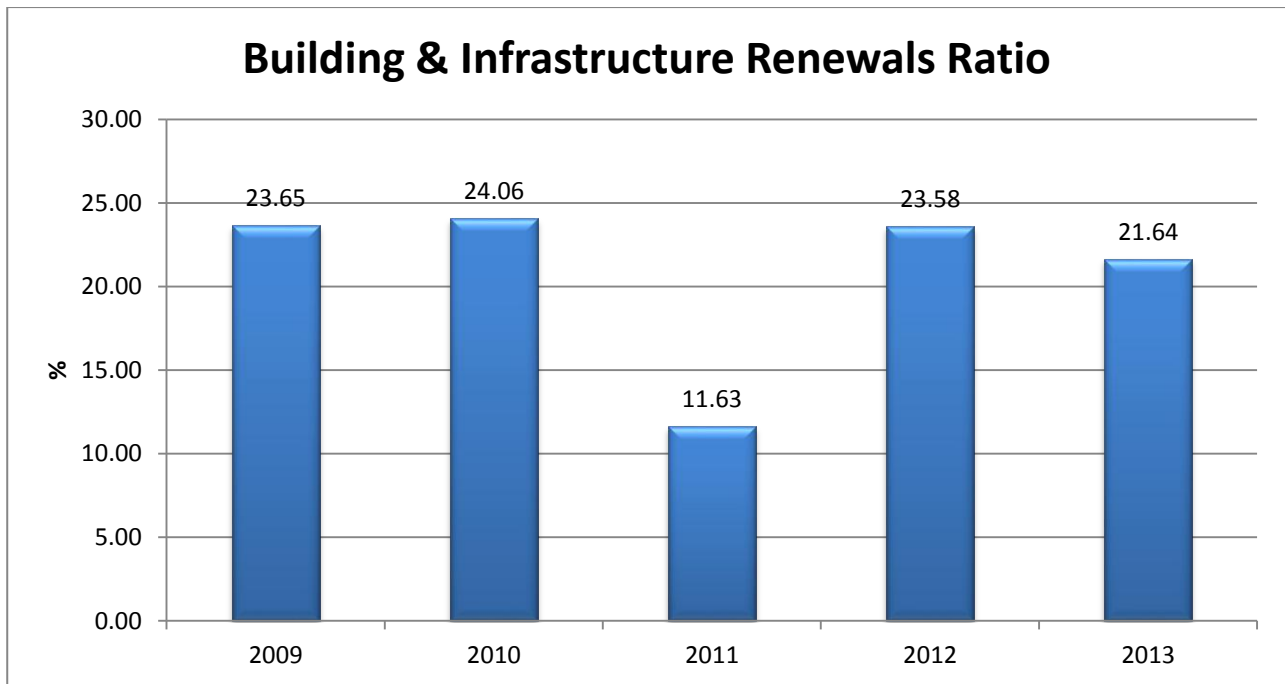


Council's rates and annual charges outstanding percentage has improved and stands at 6.48% as at 30 June 2013.

The NSW Division of Local Government benchmark is <5% for urban and coastal Council's and <10% for rural Council's. We recommend that Council continue to review and monitor its collection procedures to determine whether this ratio can be further reduced so that cash flow can be improved.

Buildings & Infrastructure Renewals Ratio

The purpose of this ratio is to assess the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating. Renewal is defined as the replacement of existing assets of equivalent capacity or performance as opposed to the acquisition of new assets with additional capacity or performance. This performance indicator has only recently been introduced by the NSW Division of Local Government and has been mandatory for the last three years. The graph below has been prepared on a consolidated basis.



The graph above indicates that Council's asset renewal expenditure is not keeping pace with the rate at which these assets are depreciating. The asset renewal ratio for General, Water and Sewer funds for the 2013 financial year are 17.94%, 37.09% and 19.83% respectively.

This ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance. It should be noted that Council has incurred expenditure during the year to increase the capacity of existing assets. By definition, this type of expenditure is not included in the asset renewal ratio to the extent of the increased capacity.

Industry benchmarking recommends that asset renewals equate to the related depreciation expense, or be in the range of 90-100%. We recommend that Council review its asset information systems to ensure all asset renewal expenditure is captured as well as the organisation's capacity to achieve a higher asset renewal ratio as part of its asset management planning.

7. INTERNAL CONTROL ENVIRONMENT

Results of Testing Council's Financial Reporting Systems

We draw your attention to our comments in relation to the weaknesses in Council's internal controls of infrastructure, property, plant and equipment and the related non-compliance with the Local Government Act 1993 as noted in the *Asset Management* section of this report. Our audit reports on the general purpose and special purpose financial statements contain an emphasis of matter in relation to Council not certifying their financial statements on a timely basis. We, as auditors, have also received correspondence from the NSW Division of Local Government indicating their concerns with Council governance processes in relation to this matter. We have previously included this issue as a High Risk item along with recommendations for improvement, in our audit management letters and will continue to do so until the matter is satisfactorily resolved by Council management.


We did not become aware of the existence of items comprising material error, sufficient to cause us to issue a qualified audit opinion.

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

Yours faithfully

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per:



.....
A J BRADFELD (Partner)

Coffs Harbour City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2013

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



Coffs Harbour City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Coffs Harbour City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 13 February 2014.

Denise Knight
MAYOR



Rodney Degens
COUNCILLOR



Steve McGrath
GENERAL MANAGER



Dale Allen
RESPONSIBLE ACCOUNTING OFFICER



Coffs Harbour City Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	3,789	3,625
User charges	12,239	11,308
Fees	1,255	655
Interest	3,184	2,547
Grants and contributions provided for non capital purposes	290	276
Other income	61	75
Total income from continuing operations	20,818	18,486
Expenses from continuing operations		
Employee benefits and on-costs	2,999	2,773
Borrowing costs	6,448	6,892
Materials and contracts	3,588	2,780
Depreciation and impairment	6,873	5,885
Loss on sale of assets	1,056	-
Calculated taxation equivalents	33	32
Debt guarantee fee (if applicable)	900	965
Other NCP Imputation Payments	6	5
Other expenses	3,096	2,830
Total expenses from continuing operations	24,999	22,162
Surplus (deficit) from Continuing Operations before capital amounts	(4,181)	(3,676)
Grants and contributions provided for capital purposes	3,768	1,772
Surplus (deficit) from Continuing Operations after capital amounts	(413)	(1,904)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(413)	(1,904)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(413)	(1,904)
plus Opening Retained Profits	166,925	180,461
plus/less: Prior Period Adjustments	12,409	(12,602)
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	33	32
- Debt guarantee fees	900	965
- Other NCP Imputation Payments	6	5
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	(33)	(32)
- Surplus dividend paid	-	-
Closing Retained Profits	179,827	166,925
Return on Capital %	0.8%	1.2%
Subsidy from Council	n/a	n/a
Calculation of dividend payable:		
Surplus (deficit) after tax	(413)	(1,904)
less: Capital grants and contributions (excluding developer contributions)	(2,363)	(532)
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Coffs Harbour City Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	20,913	19,528
User charges	2,047	2,075
Liquid Trade Waste charges	422	470
Fees	13	14
Interest	5,331	4,376
Grants and contributions provided for non capital purposes	451	356
Other income	171	286
Total income from continuing operations	29,348	27,105
Expenses from continuing operations		
Employee benefits and on-costs	4,499	4,295
Borrowing costs	7,795	8,297
Materials and contracts	4,406	3,496
Depreciation and impairment	11,676	6,764
Loss on sale of assets	545	-
Calculated taxation equivalents	189	189
Debt guarantee fee (if applicable)	1,096	1,171
Other NCP Imputation Payments	9	9
Other expenses	4,829	4,338
Total expenses from continuing operations	35,044	28,559
Surplus (deficit) from Continuing Operations before capital amounts	(5,696)	(1,454)
Grants and contributions provided for capital purposes	2,456	3,035
Surplus (deficit) from Continuing Operations after capital amounts	(3,240)	1,581
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(3,240)	1,581
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(3,240)	1,581
plus Opening Retained Profits	267,402	203,005
plus/less: Prior Period Adjustments	25,328	61,522
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	189	189
- Debt guarantee fees	1,096	1,171
- Other NCP Imputation Payments	9	9
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	(75)	(75)
- Surplus dividend paid	-	-
Closing Retained Profits	290,709	267,402
Return on Capital %	0.5%	1.6%
Subsidy from Council	n/a	n/a
Calculation of dividend payable:		
Surplus (deficit) after tax	(3,240)	1,581
less: Capital grants and contributions (excluding developer contributions)	(1,114)	(1,832)
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Coffs Harbour City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

\$ '000	Airport Category 1	
	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	-	-
User charges	3,807	3,416
Fees	-	-
Interest	1,380	85
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	604	573
Total income from continuing operations	5,791	4,074
Expenses from continuing operations		
Employee benefits and on-costs	604	590
Borrowing costs	551	296
Materials and contracts	1,262	918
Depreciation and impairment	1,271	1,254
Calculated taxation equivalents	253	256
Debt guarantee fee (if applicable)	79	38
Other NCP Imputation Payments	5	4
Other expenses	527	424
Total expenses from continuing operations	4,552	3,780
Surplus (deficit) from Continuing Operations before capital amounts	1,239	294
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,239	294
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,239	294
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(372)	(88)
SURPLUS (DEFICIT) AFTER TAX	867	206
plus Opening Retained Profits	19,400	19,388
plus/less: Prior Period Adjustments	2,821	(350)
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	253	256
- Debt guarantee fees	79	38
- Other NCP Imputation Payments	5	4
- Corporate taxation equivalent	372	88
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(265)	(230)
Closing Retained Profits	23,532	19,400
Return on Capital %	2.7%	1.1%
Subsidy from Council	684	1,082

Coffs Harbour City Council

Statement of Financial Position - Council's Water Supply Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	824	2,087
Investments	12,721	5,425
Receivables	3,551	3,425
Inventories	237	223
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	17,333	11,160
Non-Current Assets		
Investments	22,714	31,141
Receivables	81	53
Inventories	-	-
Infrastructure, property, plant and equipment	281,452	265,216
Investments accounted for using equity method	-	-
Investment property	-	-
Other	66,155	66,869
Total non-Current Assets	370,402	363,279
TOTAL ASSETS	387,735	374,439
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1,261	1,467
Interest bearing liabilities	7,030	6,563
Provisions	-	-
Total Current Liabilities	8,291	8,030
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	82,942	89,973
Provisions	-	-
Total Non-Current Liabilities	82,942	89,973
TOTAL LIABILITIES	91,233	98,003
NET ASSETS	296,502	276,436
EQUITY		
Retained earnings	179,827	166,925
Revaluation reserves	116,675	109,511
Council equity interest	296,502	276,436
Non-controlling interest	-	-
TOTAL EQUITY	296,502	276,436

Coffs Harbour City Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	792	2,194
Investments	25,819	27,956
Receivables	2,820	1,993
Inventories	-	-
Other	-	9
Non-current assets classified as held for sale	-	-
Total Current Assets	29,431	32,152
Non-Current Assets		
Investments	33,480	34,277
Receivables	343	303
Inventories	-	-
Infrastructure, property, plant and equipment	451,510	425,096
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	485,333	459,676
TOTAL ASSETS	514,764	491,828
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	2,174	1,658
Interest bearing liabilities	8,068	7,505
Provisions	-	-
Total Current Liabilities	10,242	9,163
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	101,559	109,628
Provisions	-	-
Total Non-Current Liabilities	101,559	109,628
TOTAL LIABILITIES	111,801	118,791
NET ASSETS	402,963	373,037
EQUITY		
Retained earnings	290,709	267,402
Revaluation reserves	112,254	105,635
Council equity interest	402,963	373,037
Non-controlling equity interest	-	-
TOTAL EQUITY	402,963	373,037

Coffs Harbour City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

Airport
Category 1

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	5,747	1,714
Investments	-	-
Receivables	910	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	6,657	1,714
Non-Current Assets		
Investments	-	-
Receivables	679	-
Inventories	-	-
Infrastructure, property, plant and equipment	65,612	55,185
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	66,291	55,185
TOTAL ASSETS	72,948	56,899
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	99	55
Interest bearing liabilities	1,037	613
Provisions	-	-
Total Current Liabilities	1,136	668
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	6,897	3,204
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	6,897	3,204
TOTAL LIABILITIES	8,033	3,872
NET ASSETS	64,915	53,027
EQUITY		
Retained earnings	23,532	19,400
Revaluation reserves	41,383	33,627
Council equity interest	64,915	53,027
Non-controlling equity interest	-	-
TOTAL EQUITY	64,915	53,027

Coffs Harbour City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, 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) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Coffs Harbour City Council Water Supplies

Water supply activity servicing the Coffs Harbour local government area

b. Coffs Harbour City Council Sewerage Service

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

c. Coffs Harbour Regional Airport

Airport activities carried out by Council in its own name

Category 2

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

Nil

Monetary Amounts

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

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

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

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

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

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

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date.

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.77% at 30/6/13.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2013 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

2013

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	933,000
(ii)	No of assessments multiplied by \$3/assessment	78,993
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	78,993
(iv)	Amounts actually paid for Tax Equivalents	33,316

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	710,937
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	(8,500,000)

2013 Surplus	(2,776,000)	2012 Surplus	(2,436,000)	2011 Surplus	(3,288,000)
		2012 Dividend	-	2011 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 6 Criteria

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 2. Water Supply Business

Best Practice Management disclosure requirements (continued)

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

2013

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	21,396
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	74.14%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	279,777
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	9,599
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	3,393
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	1.75%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2013

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	12,221,000
(ii)	No of assessments multiplied by \$3/assessment	75,468
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	75,468
(iv)	Amounts actually paid for Tax Equivalents	75,468

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	679,212
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	(4,246,000)

2013 Surplus	(4,354,000)	2012 Surplus	(251,000)	2011 Surplus	359,000
		2012 Dividend	-	2011 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 4 Criteria

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges	
	(a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2013

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	25,954
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	450,136
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	13,656
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	5,089
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	0.14%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	519

National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	45,755
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.08%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	8,482
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	0.76%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2013

National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	14.76%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 5,551 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: 5,728 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		1
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(2,156)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	495

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.



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

We have audited the accompanying financial statements, being special purpose financial statements, of Coffs Harbour City Council (the Council), which comprises the statement of financial position as at 30 June 2013, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation of the financial statements and has determined that the basis of preparation described in Note 1 to the financial statements is appropriate to satisfy the requirements of the *Local Government Act 1993* and meet the needs of the NSW Division of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3 to the financial statements, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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

- i -



Independence

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

Auditor's Opinion

In our opinion;

- a) the special purpose financial statements of Coffs Harbour City Council have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in note 1 and the Local Government Code of Accounting Practice and Financial Reporting:
 - i) are consistent with the Council's accounting records;
 - ii) present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2013 and the results of their operations for the year then ended;
- b) all information relevant to the conduct of the audit has been obtained; and
- c) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

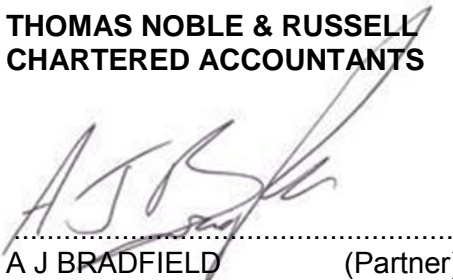
Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the requirements of the NSW Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

Application of the requirements of section 416 of the Local Government Act 1993

Without qualification to the opinion expressed above, we draw your attention to the date of issue of the financial statements. We note that the financial statements have not been completed within four months of the end of the financial year, as required by section 416 (5). Accordingly, this aspect of the financial statements does not comply with the Local Government Act 1993, Chapter 13, part 3 Division 2 and Regulation 215 of the Local Government (General) Regulation 2005.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS



.....
A J BRADFIELD (Partner)
Registered Company Auditor

Dated at Lismore this 13th February 2014

Coffs Harbour City Council

SPECIAL SCHEDULES

for the year ended 30 June 2013

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



Coffs Harbour City Council

Special Schedules

for the financial year ended 30 June 2013

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- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	5
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¹ Special Purpose Schedules are not audited.

Background

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

Coffs Harbour City Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from Continuing Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	1,241	-	-	(1,241)
Administration	25,816	6,121	973	(18,722)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,613	610	918	(85)
Beach Control	618	29	-	(589)
Enforcement of Local Govt. Regulations	1,037	121	-	(916)
Animal Control	407	342	-	(65)
Other	5	158	-	153
Total Public Order & Safety	3,680	1,260	918	(1,502)
Health	-	-	-	-
Environment				
Noxious Plants and Insect/Vermin Control	221	215	-	(6)
Other Environmental Protection	1,194	1,694	-	500
Solid Waste Management	19,090	18,342	-	(748)
Street Cleaning	376	-	-	(376)
Drainage	4,672	181	366	(4,125)
Stormwater Management	-	667	-	667
Total Environment	25,553	21,099	366	(4,088)
Community Services and Education				
Administration & Education	777	57	-	(720)
Social Protection (Welfare)	861	132	78	(651)
Aged Persons and Disabled	-	1	-	1
Children's Services	31	2	-	(29)
Total Community Services & Education	1,669	192	78	(1,399)
Housing and Community Amenities				
Public Cemeteries	221	249	-	28
Public Conveniences	400	-	-	(400)
Street Lighting	-	-	-	-
Town Planning	1,291	319	46	(926)
Other Community Amenities	10	-	-	(10)
Total Housing and Community Amenities	1,922	568	46	(1,308)
Water Supplies	21,130	20,572	1,640	1,082
Sewerage Services	29,314	29,007	2,314	2,007

Coffs Harbour City Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from Continuing Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	1,961	173	245	(1,543)
Museums	30	-	-	(30)
Art Galleries	91	38	-	(53)
Community Centres and Halls	672	292	-	(380)
Performing Arts Venues	493	249	-	(244)
Other Performing Arts	-	-	-	-
Other Cultural Services	89	103	(34)	(20)
Sporting Grounds and Venues	3,968	538	-	(3,430)
Swimming Pools	469	-	-	(469)
Parks & Gardens (Lakes)	5,758	2,084	417	(3,257)
Other Sport and Recreation	1,253	2	3	(1,248)
Total Recreation and Culture	14,784	3,479	631	(10,674)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,990	1,690	-	(300)
Other Mining, Manufacturing & Construction	256	(31)	-	(287)
Total Mining, Manufacturing and Const.	2,246	1,659	-	(587)
Transport and Communication				
Urban Roads (UR) - Local	8,285	216	1,020	(7,049)
Urban Roads - Regional	1,905	1,094	376	(435)
Sealed Rural Roads (SRR) - Local	4,404	424	765	(3,215)
Sealed Rural Roads (SRR) - Regional	666	934	-	268
Unsealed Rural Roads (URR) - Local	1,488	2	-	(1,486)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	687	-	-	(687)
Bridges on SRR - Local	275	-	-	(275)
Bridges on URR - Local	158	100	-	(58)
Bridges on Regional Roads	160	-	-	(160)
Parking Areas	1,010	28	126	(856)
Footpaths	833	48	29	(756)
Aerodromes	3,600	5,324	-	1,724
Other Transport & Communication	1,118	617	21	(480)
Total Transport and Communication	24,589	8,787	2,337	(13,465)
Economic Affairs				
Camping Areas & Caravan Parks	1,879	354	-	(1,525)
Other Economic Affairs	2,241	1,213	1,840	812
Total Economic Affairs	4,120	1,567	1,840	(713)
Totals – Functions	156,064	94,311	11,143	(50,610)
General Purpose Revenues⁽²⁾		43,784		43,784
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	156,064	138,095	11,143	(6,826)

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Coffs Harbour City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2013

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Other State Government	9	1,824	1,833	-	9	-	-	-	60	1,764	1,824
Financial Institutions	17,303	220,528	237,831	5,000	17,573	-	-	16,003	18,558	206,700	225,258
Total Debt	17,312	222,352	239,664	5,000	17,582	-	-	16,003	18,618	208,464	227,082

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Coffs Harbour City Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	2,299	2,101
b. Engineering and Supervision	1,133	1,103
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	410	506
b. Maintenance expenses	280	379
- Mains		
c. Operation expenses	698	310
d. Maintenance expenses	1,590	1,179
- Reservoirs		
e. Operation expenses	197	184
f. Maintenance expenses	297	232
- Pumping Stations		
g. Operation expenses (excluding energy costs)	51	54
h. Energy costs	272	234
i. Maintenance expenses	31	33
- Treatment		
j. Operation expenses (excluding chemical costs)	1,050	971
k. Chemical costs	404	325
l. Maintenance expenses	281	254
- Other		
m. Operation expenses	345	335
n. Maintenance expenses	205	77
o. Purchase of water	56	43
3. Depreciation expenses		
a. System assets	6,572	5,579
b. Plant and equipment	301	306
4. Miscellaneous expenses		
a. Interest expenses	6,448	6,891
b. Revaluation Decrements	-	-
c. Other expenses	83	64
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	1	-
g. Tax Equivalents Dividends (actually paid)	33	32
5. Total expenses	23,037	21,192

Coffs Harbour City Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges		
a. Access (including rates)	3,187	3,055
b. Usage charges	9,137	8,305
7. Non-residential charges		
a. Access (including rates)	602	571
b. Usage charges	3,102	2,999
8. Extra charges	14	14
9. Interest income	3,184	2,547
10. Other income	1,296	750
10a. Aboriginal Communities Water and Sewerage Program	6	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	250	245
c. Other grants	-	-
12. Contributions		
a. Developer charges	1,405	1,240
b. Developer provided assets	235	501
c. Other contributions	2,168	31
13. Total income	24,586	20,258
14. Gain (or loss) on disposal of assets	(1,056)	-
15. Operating Result	493	(934)
15a. Operating Result (less grants for acquisition of assets)	493	(934)

Coffs Harbour City Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	488	142
b. New Assets for Growth	509	972
c. Renewals	2,173	423
d. Plant and equipment	223	61
17. Repayment of debt		
a. Loans	6,563	6,183
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	9,956	7,781
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	294	1,245
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	294	1,245
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	23,646	23,513
b. Residential (unoccupied, ie. vacant lot)	981	1,056
c. Non-residential (occupied)	1,608	1,593
d. Non-residential (unoccupied, ie. vacant lot)	96	90
25. Number of ETs for which developer charges were received	150 ET	137 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 249,993	\$ 244,890

Coffs Harbour City Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

Coffs Harbour City Council

Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	67	-	67
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	8,887	15,103	23,990
e. Sinking fund	-	-	-
f. Other	4,591	7,611	12,202
31. Receivables			
a. Specific purpose grants	60	-	60
b. Rates and Availability Charges	176	55	231
c. User Charges	2,787	26	2,813
d. Other	528	-	528
32. Inventories	237	-	237
33. Property, plant and equipment			
a. System assets	-	279,777	279,777
b. Plant and equipment	-	1,675	1,675
34. Other assets	-	66,155	66,155
35. Total assets	<u>17,333</u>	<u>370,402</u>	<u>387,735</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	1,261	-	1,261
38. Borrowings			
a. Loans	7,030	82,942	89,972
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	<u>8,291</u>	<u>82,942</u>	<u>91,233</u>
41. NET ASSETS COMMITTED	<u>9,042</u>	<u>287,460</u>	<u>296,502</u>
EQUITY			
42. Accumulated surplus			179,827
43. Asset revaluation reserve			116,675
44. TOTAL EQUITY			<u>296,502</u>
Note to system assets:			
45. Current replacement cost of system assets			400,421
46. Accumulated current cost depreciation of system assets			(120,644)
47. Written down current cost of system assets			<u>279,777</u>

Coffs Harbour City Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	2,903	2,680
b. Engineering and Supervision	1,384	1,434
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	365	346
b. Maintenance expenses	928	402
- Pumping Stations		
c. Operation expenses (excluding energy costs)	1,096	1,002
d. Energy costs	578	482
e. Maintenance expenses	1,056	865
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,212	1,208
g. Chemical costs	227	243
h. Energy costs	1,310	1,093
i. Effluent Management	330	334
j. Biosolids Management	871	745
k. Maintenance expenses	1,072	825
- Other		
l. Operation expenses	280	347
m. Maintenance expenses	44	19
3. Depreciation expenses		
a. System assets	11,324	6,410
b. Plant and equipment	352	354
4. Miscellaneous expenses		
a. Interest expenses	7,795	8,297
b. Revaluation Decrements	-	-
c. Other expenses	78	104
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
d. Tax Equivalent Dividends (actually paid)	75	75
5. Total expenses	33,280	27,265

Coffs Harbour City Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
Income		
6. Residential charges (including rates)	18,467	17,239
7. Non-residential charges		
a. Access (including rates)	2,446	2,289
b. Usage charges	1,937	1,987
8. Trade Waste Charges		
a. Annual Fees	95	91
b. Usage charges	327	379
c. Excess mass charges	14	5
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	5,331	4,376
11. Other income	280	663
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	519	393
b. Grants for pensioner rebates	245	240
c. Other grants	-	-
13. Contributions		
a. Developer charges	1,342	1,203
b. Developer provided assets	452	1,237
c. Other contributions	349	38
14. Total income	<u>31,804</u>	<u>30,140</u>
15. Gain (or loss) on disposal of assets	(545)	-
16. Operating Result	<u>(2,021)</u>	<u>2,875</u>
16a. Operating Result (less grants for acquisition of assets)	(2,540)	2,482

Coffs Harbour City Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

\$'000	Actuals 2013	Actuals 2012
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	612	176
b. New Assets for Growth	1,450	3,204
c. Renewals	2,245	1,554
d. Plant and equipment	782	67
18. Repayment of debt		
a. Loans	7,505	7,344
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	12,594	12,345
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	4,831	8,237
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	4,831	8,237
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	22,649	22,507
b. Residential (unoccupied, ie. vacant lot)	934	965
c. Non-residential (occupied)	1,469	1,462
d. Non-residential (unoccupied, ie. vacant lot)	104	101
26. Number of ETs for which developer charges were received	149 ET	137 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 244,715	\$ 239,585

Coffs Harbour City Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2013

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Coffs Harbour City Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	61	-	61
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	23,349	14,239	37,588
e. Sinking fund	-	-	-
f. Other	3,201	19,241	22,442
32. Receivables			
a. Specific purpose grants	989	-	989
b. Rates and Availability Charges	940	292	1,232
c. User Charges	584	16	600
d. Other	307	35	342
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	450,136	450,136
b. Plant and equipment	-	1,374	1,374
35. Other assets	-	-	-
36. Total Assets	<u>29,431</u>	<u>485,333</u>	<u>514,764</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	2,174	-	2,174
39. Borrowings			
a. Loans	8,068	101,559	109,627
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	<u>10,242</u>	<u>101,559</u>	<u>111,801</u>
42. NET ASSETS COMMITTED	<u>19,189</u>	<u>383,774</u>	<u>402,963</u>
EQUITY			
42. Accumulated surplus			290,709
44. Asset revaluation reserve			112,254
45. TOTAL EQUITY			<u>402,963</u>
Note to system assets:			
46. Current replacement cost of system assets			620,339
47. Accumulated current cost depreciation of system assets			(170,203)
48. Written down current cost of system assets			<u>450,136</u>

Coffs Harbour City Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2013

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

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

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

Notes:

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

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

Coffs Harbour City Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23
(i) OPERATING BUDGET											
Income from continuing operations	149,238	133,146	135,734	140,600	144,925	149,899	155,089	160,600	164,903	170,843	177,095
Expenses from continuing operations	156,064	130,687	133,951	137,615	141,747	146,090	150,698	155,587	160,642	166,097	171,969
Operating Result from Continuing Operations	(6,826)	2,459	1,783	2,985	3,178	3,809	4,391	5,013	4,261	4,746	5,126
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	13,189	43,229	27,202	24,570	18,158	15,390	14,747	25,167	16,007	16,639	15,748
Replacement/Refurbishment of Existing Assets	17,598	12,512	9,050	9,245	9,220	9,287	8,996	10,120	9,791	9,478	10,286
Total Capital Budget	30,787	55,741	36,252	33,815	27,378	24,677	23,743	35,287	25,798	26,117	26,034
Funded by:											
– Loans	7,434	19,888	5,699	2,541	246	251	260	265	271	278	285
– Asset sales	796	1,707	2,271	1,832	1,522	1,177	1,300	2,477	1,369	1,362	1,141
– Reserves	6,270	9,163	5,957	6,256	4,245	3,736	3,092	9,164	4,259	3,892	3,593
– Grants/Contributions	11,405	20,021	16,717	17,874	15,824	14,161	13,719	18,159	15,379	15,998	16,373
– Recurrent revenue	4,882	4,962	5,608	5,312	5,541	5,352	5,372	5,222	4,520	4,587	4,642
	30,787	55,741	36,252	33,815	27,378	24,677	23,743	35,287	25,798	26,117	26,034

Notes:

(1) From 12/13 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.