

Coffs Harbour City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

“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 2012

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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 specified in Paragraph 8 of the LGA and includes;

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

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 31/10/12.
Council has the power to amend and reissue the financial statements.
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Coffs Harbour City Council

General Purpose Financial Statements for the financial year ended 30 June 2012

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:

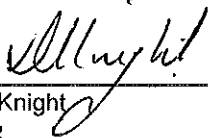
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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 25 October 2012.



Denise Knight
MAYOR



John Atkan
DEPUTY MAYOR



Steve McGrath
GENERAL MANAGER



Dale Allen
RESPONSIBLE ACCOUNTING OFFICER

Coffs Harbour City Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾			Actual	Actual
2012	\$ '000	Notes	2012	2011
Income from Continuing Operations				
<i>Revenue:</i>				
67,098	Rates & Annual Charges	3a	66,452	62,713
26,305	User Charges & Fees	3b	26,482	22,296
6,303	Interest & Investment Revenue	3c	10,877	10,993
4,506	Other Revenues	3d	6,227	5,029
14,170	Grants & Contributions provided for Operating Purposes	3e,f	18,240	19,034
15,545	Grants & Contributions provided for Capital Purposes	3e,f	16,809	27,963
<i>Other Income:</i>				
-	Net gains from the disposal of assets	5	17	328
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<u>133,927</u>	Total Income from Continuing Operations		<u>145,104</u>	<u>148,356</u>
Expenses from Continuing Operations				
25,896	Employee Benefits & On-Costs	4a	36,690	33,947
17,118	Borrowing Costs	4b	17,465	18,433
52,313	Materials & Contracts	4c	37,089	32,750
32,947	Depreciation & Amortisation	4d	37,781	42,007
-	Impairment	4d	-	-
4,773	Other Expenses	4e	9,777	9,240
<u>133,047</u>	Total Expenses from Continuing Operations		<u>138,802</u>	<u>136,377</u>
<u>880</u>	Operating Result from Continuing Operations		<u>6,302</u>	<u>11,979</u>
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>880</u>	Net Operating Result for the Year		<u>6,302</u>	<u>11,979</u>
880	Net Operating Result attributable to Council		6,302	11,979
<u>-</u>	Net Operating Result attributable to Minority Interests		<u>-</u>	<u>-</u>
<u>(14,665)</u>	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		<u>(10,507)</u>	<u>(15,984)</u>

(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 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		6,302	11,979
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	115,185	(25,622)
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	488	935
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	(176)	837
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(2,689)	-
Other Movements in Reserves	20b (ii)	-	-
Total Other Comprehensive Income for the year		112,808	(23,850)
Total Comprehensive Income for the Year		119,110	(11,871)
Total Comprehensive Income attributable to Council		119,110	(11,871)
Total Comprehensive Income attributable to Minority Interests		-	-

Coffs Harbour City Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	13,372	12,244
Investments	6b	38,912	64,089
Receivables	7	15,112	15,679
Inventories	8	1,501	1,436
Other	8	668	2,234
Non-current assets classified as "held for sale"	22	431	431
Total Current Assets		69,996	96,113
Non-Current Assets			
Investments	6b	119,220	95,483
Receivables	7	1,357	1,095
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,733,143	1,542,588
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,433	1,433
Intangible Assets	25	67,282	68,265
Total Non-Current Assets		1,922,435	1,708,864
TOTAL ASSETS		1,992,431	1,804,977
LIABILITIES			
Current Liabilities			
Payables	10	10,535	9,419
Borrowings	10	17,312	17,056
Provisions	10	12,311	11,864
Total Current Liabilities		40,158	38,339
Non-Current Liabilities			
Payables	10	678	750
Borrowings	10	222,352	239,482
Provisions	10	5,435	7,025
Total Non-Current Liabilities		228,465	247,257
TOTAL LIABILITIES		268,623	285,596
Net Assets		1,723,808	1,519,381
EQUITY			
Retained Earnings	20	1,140,510	1,048,891
Revaluation Reserves	20	583,298	470,490
Council Equity Interest		1,723,808	1,519,381
Minority Equity Interest		-	-
Total Equity		1,723,808	1,519,381

Coffs Harbour City Council

Statement of Changes in Equity

for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
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) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,140,510	583,298	1,723,808	-	1,723,808

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		1,032,541	494,340	1,526,881	-	1,526,881
a. Correction of Prior Period Errors	20 (c)	4,371	-	4,371	-	4,371
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		1,036,912	494,340	1,531,252	-	1,531,252
c. Net Operating Result for the Year		11,979	-	11,979	-	11,979
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(25,622)	(25,622)	-	(25,622)
- Revaluations: Other Reserves	20b (ii)	-	935	935	-	935
- Transfers to Income Statement	20b (ii)	-	837	837	-	837
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	(23,850)	(23,850)	-	(23,850)
Total Comprehensive Income (c&d)		11,979	(23,850)	(11,871)	-	(11,871)
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,048,891	470,490	1,519,381	-	1,519,381

Coffs Harbour City Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
67,098	Rates & Annual Charges		66,031	62,247
26,633	User Charges & Fees		27,170	23,001
6,303	Investment & Interest Revenue Received		10,024	9,860
29,715	Grants & Contributions		28,170	43,409
-	Bonds, Deposits & Retention amounts received		8	202
4,178	Other		10,774	9,559
Payments:				
(25,896)	Employee Benefits & On-Costs		(35,480)	(35,076)
(52,313)	Materials & Contracts		(42,244)	(36,873)
(17,066)	Borrowing Costs		(17,040)	(17,882)
-	Bonds, Deposits & Retention amounts refunded		-	(165)
(4,773)	Other		(12,845)	(9,051)
33,879	Net Cash provided (or used in) Operating Activities	11b	34,568	49,231
Cash Flows from Investing Activities				
Receipts:				
31,654	Sale of Investment Securities		75,369	133,226
958	Sale of Infrastructure, Property, Plant & Equipment		1,200	2,276
30	Deferred Debtors Receipts		30	49
Payments:				
-	Purchase of Investment Securities		(72,842)	(163,847)
(59,930)	Purchase of Infrastructure, Property, Plant & Equipment		(20,323)	(35,349)
(27,288)	Net Cash provided (or used in) Investing Activities		(16,566)	(63,645)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		-	18,430
Payments:				
(17,056)	Repayment of Borrowings & Advances		(16,874)	(15,860)
(17,056)	Net Cash Flow provided (used in) Financing Activities		(16,874)	2,570
(10,465)	Net Increase/(Decrease) in Cash & Cash Equivalents		1,128	(11,844)
14,038	plus: Cash & Cash Equivalents - beginning of year	11a	12,244	24,088
3,573	Cash & Cash Equivalents - end of the year	11a	13,372	12,244
Additional Information:				
	plus: Investments on hand - end of year	6b	158,132	159,572
	Total Cash, Cash Equivalents & Investments		171,504	171,816

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 2012

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n/a - not applicable

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 (AASB's), 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
- Other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and 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 Australian Accounting Standards (AASB's) are sector neutral, some standards either:

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

Examples include;

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

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

(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 2011 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

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

Refer further 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,

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(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)].

(vii) Critical Accounting Estimates

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 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 (excluding 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 30/6/12) and **(ii)** all the related operating results (for the financial year ended 30 June 2012).

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.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Due to their immaterial value and nature, the following Committees, Entities & Operations not been audited and are 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	\$383,299
Total expenditure from continuing operations	\$348,097
Total net assets held (ie Equity)	\$384,243

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.

(iv) Associated Entities

Associates are all entities over which the Council has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 are 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 balance sheet date.

(ii) Loans and receivables

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-

for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Impairment

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

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.

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

(g) Fair value estimation

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

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

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

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(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**
(Internal valuation where replacement costs are available, where not available, as approximated by depreciated historical cost)
- **Other Assets**
(External valuation was undertaken for artworks. For the remainder of this category internal valuation was used where replacement costs were available, where not available, values were 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 carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$2,000

Other Structures	> \$2,000
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Water & Sewer Assets

Reticulation extensions	> \$2,000
Other	> \$2,000

Stormwater Assets

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

Transport Assets

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

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, Water and Sewer Network Assets and Buildings (both specialised and non specialised) 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 & Equipment assets have depreciation calculated 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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Water & Sewer Assets

- Dams and reservoirs	80 to 90 years
- 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 balance sheet date.

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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 basis 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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

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

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

Full revaluations are carried out every 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 30/06/09.

(q) Provisions for close down, restoration and for environmental clean up costs for Tips.

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.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement.

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

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

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

The expected timing of expenditure can also change, for example in response to changes in legislative requirements.

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.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(s) Impairment of assets

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

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

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

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

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income

Statement over the period of the borrowings using the effective interest method.

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

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

(v) Borrowing costs

Borrowing costs are expensed.

(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.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

(x) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be settled within the 12 months after the end of 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 balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

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

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

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

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

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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 30/6/12.

(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 Balance Sheet are stated inclusive of any applicable GST.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

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:

(i) AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013*)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

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

When adopted, the standard will affect in particular the 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.

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 derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(ii) 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)

In August 2011, the AASB issued a suite of five new and amended standards which 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.

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

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 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 if Council is participating in a joint venture, joint operation or has interest in an Associated Entity at that time

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

AASB 13 was released in September 2011.

It 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;

None

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

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)

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements 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.

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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;

None

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.

(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 2012

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 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Governance	-	-	-	1,247	1,172	1,453	(1,247)	(1,172)	(1,453)	-	-	132,411	-
Civic Management	4	1	(5)	683	750	693	(679)	(749)	(698)	-	(5)	74	12
Community Facilities	1,691	1,691	1,645	1,133	469	788	558	1,222	857	-	-	123	5,103
Coffs Coast Marketing	664	1,069	906	1,922	1,964	1,659	(1,258)	(895)	(753)	81	-	97	55
Land Use Planning	101	106	149	1,074	1,059	972	(973)	(953)	(823)	53	103	46	206
Land Use Assessment and Management	1,752	1,906	1,740	2,020	2,134	1,923	(268)	(228)	(183)	244	-	25	2
Environmental Management	200	424	2,079	1,136	2,423	1,909	(936)	(1,999)	170	105	1,775	758	151
Public Health and Safety	149	180	176	1,083	1,168	992	(934)	(988)	(816)	3	9	111	99
Animal Control and Enforcement	401	391	405	808	782	729	(407)	(391)	(324)	-	5	23	24
Domestic Waste Management	11,187	11,391	9,778	10,376	11,339	11,356	811	52	(1,578)	9	-	20,942	21,210
Non Domestic Waste Management	6,147	4,625	3,689	5,188	4,712	3,408	959	(87)	281	407	358	482	912
Property and Commercial Services	106	5,504	5,320	532	442	573	(426)	5,062	4,747	-	11	40,452	38,191
Leasing and Asset Management	997	1,398	1,323	2,339	2,232	2,293	(1,342)	(834)	(970)	26	108	100,138	102,331
Swimming Pools	1	-	1,381	536	458	476	(535)	(458)	905	-	631	70	3,856
Airport	4,232	3,989	3,775	3,157	3,071	2,984	1,075	918	791	-	-	54,751	61,642
Sports Development	569	605	2,873	2,069	1,898	1,822	(1,500)	(1,293)	1,051	-	2,355	11,449	11,279
Administration	43	53	48	1,066	971	1,715	(1,023)	(918)	(1,667)	-	-	1,185	1,299
Legal and Audit Services	88	116	237	1,511	1,765	1,640	(1,423)	(1,649)	(1,403)	-	-	-	906
Rural Fire Services	2,070	1,394	2,247	1,485	1,390	835	585	4	1,412	1,390	2,324	5,158	4,177
Information Services	71	8	38	3,678	3,181	2,743	(3,607)	(3,173)	(2,705)	-	4	1,471	1,364
Telecommunications & New Technology	629	1,575	659	583	1,248	591	46	327	68	-	-	1,561	436
Finance	310	348	341	3,728	3,490	3,375	(3,418)	(3,142)	(3,034)	-	4	70,619	59,963

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant	391	683	710	5,400	4,796	6,022	(5,009)	(4,113)	(5,312)	-	-	12,257	20,412
Program Support	75	1	2	167	159	152	(92)	(158)	(150)	-	-	-	-
Human Resources & Organisational Deve	54	168	69	1,291	1,379	1,107	(1,237)	(1,211)	(1,038)	-	4	63	419
City Services Support	-	1	-	798	607	716	(798)	(606)	(716)	-	-	10	191
Asset Systems	-	-	-	323	292	620	(323)	(292)	(620)	-	-	11	20
Library	217	250	(70)	1,703	1,749	1,769	(1,486)	(1,499)	(1,839)	213	181	112	822
Community Development	415	530	831	2,240	2,485	2,443	(1,825)	(1,955)	(1,612)	121	229	12,954	12,412
Economic Development	260	279	184	914	1,000	958	(654)	(721)	(774)	18	44	30	22
Environmental Laboratory	310	438	417	497	452	667	(187)	(14)	(250)	-	-	226	128
City Services Operational Administration	7	51	14	874	848	845	(867)	(797)	(831)	-	3	442	484
Recreational Services	1,141	2,246	2,590	4,956	7,743	4,684	(3,815)	(5,497)	(2,094)	402	519	29,428	4,242
Regional Roads	988	1,458	1,189	1,848	2,282	2,177	(860)	(824)	(988)	1,455	1,187	59,662	36,763
Local Roads	896	2,802	6,615	12,803	11,631	18,946	(11,907)	(8,829)	(12,331)	2,027	2,198	423,749	401,072
Bridges	768	908	35	424	840	550	344	68	(515)	140	35	50,868	48,537
Footpaths and Cycleways	25	(75)	412	433	638	674	(408)	(713)	(262)	12	397	24,923	24,525
Parking	-	23	182	358	935	988	(358)	(912)	(806)	-	-	22,545	22,297
Quarries	202	36	-	202	165	149	-	(129)	(149)	-	-	230	175
Street and Toilet Cleaning	-	-	-	792	651	619	(792)	(651)	(619)	-	-	-	1
Drainage	2,070	4,362	3,333	3,359	3,662	3,290	(1,289)	700	43	2,136	1,103	171,260	152,568
Harbour and Jetty	-	-	89	179	128	183	(179)	(128)	(94)	1	89	40	417
City Works Private Works	222	3,230	997	398	2,599	880	(176)	631	117	5	125	1,359	223
Watermain Relocation	-	-	5,994	-	-	(318)	-	-	6,312	-	-	-	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Survey and Design	99	968	1,101	1,797	2,301	1,771	(1,698)	(1,333)	(670)	762	958	1,644	1,865
Street Lighting	148	158	128	732	762	663	(584)	(604)	(535)	158	128	37	200
Projects and Developments	101	70	72	474	442	464	(373)	(372)	(392)	-	-	6	-
General Fund Untied Funding	41,155	39,973	37,573	60	165	104	41,095	39,808	37,469	9,551	7,552	-	11
Water Supplies	21,130	20,023	18,714	18,420	18,352	18,557	2,710	1,671	157	245	245	336,161	373,022
Sewer Services	31,841	29,635	28,123	24,251	23,929	22,963	7,590	5,706	5,160	633	444	402,468	390,931
Oncost Recoveries	-	112	248	-	(308)	(1,195)	-	420	1,443	110	79	-	-
Operating Result from Continuing Operations	133,927	145,104	148,356	133,047	138,802	136,377	880	6,302	11,979	20,307	23,202	1,992,431	1,804,977

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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.

ANIMAL CONTROL AND ENFORCEMENT

Rangers, stray animal management, parking inspectors.

DOMESTIC WASTE MANAGEMENT

Recycling, waste collection and processing, tip facilities.

NON DOMESTIC WASTE MANAGEMENT

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

PROPERTY AND COMMERCIAL SERVICES

Valuation Services, land acquisition and development.

LEASING AND ASSET MANAGEMENT

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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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.

TELECOMMUNICATIONS AND NEW TECHNOLOGY

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

FINANCE

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

PLANT

Fleet management, plant hire, mechanical workshop operations.

PROGRAM SUPPORT

Developer Contributions administration, environmental levy administration, budgeting.

HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT

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

CITY SERVICES SUPPORT

Two way radio operations, SES contributions.

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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.

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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:

STREET AND TOILET CLEANING

Street and toilet cleaning (including Marina public toilets).

DRAINAGE

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

HARBOUR AND JETTY

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

CITY WORKS PRIVATE WORKS

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

SURVEY AND DESIGN

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

WATERMAINS RELOCATION

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

STREET LIGHTING

Operations of street lighting.

PROJECTS AND DEVELOPMENT

Contracts management, supervision of subdivision works.

GENERAL FUND UNTIED FUNDING

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

WATER SUPPLIES

Maintenance, operation and construction of dams, reservoirs, pump stations, mains, chlorination plants, 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 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		22,762	21,975
Farmland		1,046	1,028
Business		6,221	6,073
Total Ordinary Rates		30,029	29,076
Special Rates			
Environmental		1,034	999
Total Special Rates		1,034	999
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		10,572	8,940
Stormwater Management Services		660	652
Water Supply Services		3,575	3,438
Sewerage Services		19,387	18,588
Waste Management Services (non-domestic)		1,067	901
Other		128	119
Total Annual Charges		35,389	32,638
TOTAL RATES & ANNUAL CHARGES		66,452	62,713

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

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		11,149	10,251
Sewerage Services		2,223	2,035
Waste Management Services (non-domestic)		2,736	2,368
Other		83	108
Total User Charges		16,191	14,762
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Services		803	932
Construction Certificates		68	72
Domestic Sewerage System Approval		186	172
Private Works - Section 67		2,694	535
Section 149 Certificates (EPA Act)		144	127
Section 603 Certificates		102	102
Town Planning		602	556
Other		177	174
Total Fees & Charges - Statutory/Regulatory		4,776	2,670
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		3,416	3,263
Cemeteries		295	218
Community Village Income		69	66
Laboratory Income		438	417
Sports Stadium		213	250
Trade Waste Application Fee		14	11
Water Supply Recovery Charges		115	105
Watermain Connections		279	212
Back Feed Water Charges - Clarence Valley Council		348	-
Other		328	322
Total Fees & Charges - Other		5,515	4,864
TOTAL USER CHARGES & FEES		26,482	22,296

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		405	284
- Interest earned on Investments (interest & coupon payment income)		9,686	9,629
- Interest on Deferred Debtors		11	13
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		599	1,904
Impairment Losses/Reversals			
Available for Sale Revaluation Reserves realised on Investment sale		176	(837)
TOTAL INTEREST & INVESTMENT REVENUE		<u>10,877</u>	<u>10,993</u>

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

Overdue Rates & Annual Charges (General Fund)	405	284
General Council Cash & Investments	956	1,012

Restricted Investments/Funds - External:

Development Contributions		
- Section 94	626	780
- Section 64	11	7
Water Fund Operations	2,539	2,686
Sewerage Fund Operations	4,373	4,559
Domestic Waste Management operations	67	117
Other Externally Restricted Assets	2	42

Restricted Investments/Funds - Internal:

Internally Restricted Assets	1,898	1,506
Total Interest & Investment Revenue Recognised	<u>10,877</u>	<u>10,993</u>

(d). Other Revenues

Fair Value Adjustments - Investment Properties	14	-	1
Rental Income - Investment Properties	14	66	44
Rental Income - Other Council Properties		1,600	1,556
Fines - Parking		89	107
Fines - Other		217	181
Banana Sales from Reuse Trial		236	224
Commissions & Agency Fees		149	220
Airport Parking		112	61
Conferences		502	612
ICT Projects & Consultancy		443	170
Jetty Theatre Income		157	180
Nursery Sales		180	253

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Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(d). Other Revenues (continued)			
Optical Fibre Lease		57	41
Reimbursements		489	330
Sale of Switchboards		1,010	407
Sports Stadium Food & Drink		250	272
Recoverable Rates Legals		140	83
Other		530	287
TOTAL OTHER REVENUE		6,227	5,029

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance	8,731	6,740	-	-
Pensioners' Rates Subsidies - General Component	819	813	-	-
Total General Purpose	9,550	7,553	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	245	243	-	-
- Sewerage	240	239	-	-
- Domestic Waste Management	4	5	-	-
Water Supplies	-	2	-	-
Sewerage Services	-	-	393	205
Bushfire & Emergency Services	651	551	739	1,773
Community Care	101	83	50	-
Cycleways	-	-	(2)	360
Economic Development	60	-	-	-
Employment & Training Programs	119	106	-	-
Environmental Protection	492	1,827	55	270
Flood Studies & Mitigation Works	149	-	2,373	1,034
Heritage & Cultural	65	45	11	1
Jetty Foreshore Redevelopment	-	-	-	456
Library	135	133	78	49
Natural Disaster	1,043	2,035	(81)	-
Noxious Weeds	135	142	-	-
Orara River Health	75	36	-	-
Sports Stadium Lights Upgrade	-	-	-	2,156
Sportz Central Upgrade	-	-	-	4

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Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants (continued)				
Specific Purpose (continued)				
Street Lighting	158	128	-	-
Transport (Roads to Recovery)	-	-	896	897
Transport (Other Roads & Bridges Funding)	1,027	939	1,281	1,061
Other	258	34	7	835
Total Specific Purpose	4,957	6,548	5,800	9,101
Total Grants	14,507	14,101	5,800	9,101
Grant Revenue is attributable to:				
- Commonwealth Funding	305	25	926	1,357
- State Funding	14,192	14,033	4,869	7,745
- Other Funding	10	43	5	(1)
	14,507	14,101	5,800	9,101
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	1,101	2,302
S 64 - Water Supply Contributions	-	-	1,240	1,131
S 64 - Sewerage Service Contributions	-	-	1,203	1,037
Total Developer Contributions	17	-	3,544	4,470
Other Contributions:				
Caravan Parks	130	122	-	-
Coffs Harbour Swimming Pool Upgrade	-	-	-	750
Contributions to Works	2,838	2,673	-	-
Diesel Fuel Rebate	221	49	-	-
RMS Contributions - Pine Creek Handover	12	1,666	(12)	1,247
RMS Contributions - Watermain Relocation	-	-	-	3,639
Section 355 Committee - Payroll Processing	16	16	-	-
Subdivider Dedications (other than by S94)	-	-	6,981	6,136
Vehicle Lease Payments	349	331	-	-
Other Contributions - Watermain Relocation	-	-	-	2,353
Other	167	76	496	267
Total Other Contributions	3,733	4,933	7,465	14,392
Total Contributions	3,733	4,933	11,009	18,862
TOTAL GRANTS & CONTRIBUTIONS	18,240	19,034	16,809	27,963

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2012	Actual 2011
(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	19,657	18,885
add: Grants & contributions recognised in the current period but not yet spent:	14,089	9,659
less: Grants & contributions recognised in a previous reporting period now spent:	(7,800)	(8,887)
Net Increase (Decrease) in Restricted Assets during the Period	6,289	772
Unexpended and held as Restricted Assets	<u>25,946</u>	<u>19,657</u>
Comprising:		
- Specific Purpose Unexpended Grants	8,521	6,262
- Developer Contributions	14,220	13,182
- Other Contributions	3,205	213
	<u>25,946</u>	<u>19,657</u>

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		26,961	25,394
Travelling		89	64
Employee Leave Entitlements (ELE)		5,632	4,083
Superannuation - Defined Contribution Plans		2,095	2,085
Superannuation - Defined Benefit Plans		1,583	1,945
Workers' Compensation Insurance		1,935	1,403
Fringe Benefit Tax (FBT)		52	52
Payroll Tax		387	347
Training Costs (other than Salaries & Wages)		884	838
Protective Clothing		162	158
Other		2	1
Other		-	-
Total Employee Costs		39,782	36,370
less: Capitalised Costs		(3,092)	(2,423)
TOTAL EMPLOYEE COSTS EXPENSED		36,690	33,947
Number of "Equivalent Full Time" Employees at year end		509	515
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		16,987	17,934
Total Interest Bearing Liability Costs		16,987	17,934
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		16,987	17,934
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	339	320
Total Other Borrowing Costs		478	499
TOTAL BORROWING COSTS EXPENSED		17,465	18,433

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		10,499	9,321
Contractor & Consultancy Costs		25,958	23,021
Auditors Remuneration ⁽¹⁾		73	77
Legal Expenses:			
- Legal Expenses: Planning & Development		304	155
- Legal Expenses: Other		211	152
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		44	24
Total Materials & Contracts		37,089	32,750
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		37,089	32,750
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		73	69
- Audit & review of financial statements: Other Consolidated Entity Auditors		-	8
Total Auditor Remuneration		73	77
2. Operating Lease Payments are attributable to:			
Buildings		36	24
Other		8	-
		44	24

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	3,717	3,581
Office Equipment		-	-	621	866
Furniture & Fittings		-	-	214	228
Land Improvements (depreciable)		-	-	2,331	31
Buildings - Non Specialised		-	-	788	753
Buildings - Specialised		96	-	372	379
Other Structures		-	-	277	1,471
Infrastructure:					
- Roads, Bridges & Footpaths		2,593	-	13,491	19,777
- Stormwater Drainage		-	-	2,634	2,287
- Water Supply Network		-	-	4,675	4,458
- Sewerage Network		-	-	6,410	5,992
Other Assets					
- Other		-	-	574	422
Asset Reinstatement Costs	9 & 26	-	-	784	998
Intangible Assets	25	-	-	1,096	1,145
Total Depreciation & Impairment Costs		2,689	-	37,984	42,388
less: Capitalised Costs		-	-	(203)	(381)
less: Impairments (to)/from ARR [Equity]	9a	(2,689)	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	37,781	42,007

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		-	(6)
Bank Charges		255	276
Contributions/Levies to Other Levels of Government			
- NSW Fire Brigade Levy		433	431
- NSW Rural Fire Service Levy		387	406
- Contributions to State Parks		744	1,166
- Contributions to Regional Parks		127	164
- Other Contributions/Levies		204	241
Councillor Expenses - Mayoral Fee		36	35
Councillor Expenses - Councillors' Fees		150	144
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		32	53
Donations, Contributions & Assistance to other organisations (Section 356)		1,096	629
Electricity & Heating		2,974	2,515
Insurance		2,136	2,147
Street Lighting		764	668
Telephone & Communications		341	341
Other		98	30
Total Other Expenses		9,777	9,240
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		9,777	9,240

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Property (excl. Investment Property)			
Proceeds from Disposal - Property		98	850
less: Carrying Amount of Property Assets Sold / Written Off		(149)	(358)
Net Gain/(Loss) on Disposal		(51)	492
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,102	1,426
less: Carrying Amount of P&E Assets Sold / Written Off		(1,034)	(1,280)
Net Gain/(Loss) on Disposal		68	146
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		-	(27)
Net Gain/(Loss) on Disposal		-	(27)
Other Assets			
Proceeds from Disposal - Other Assets		-	-
less: Carrying Amount of Other Assets Sold / Written Off		-	(283)
Net Gain/(Loss) on Disposal		-	(283)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		17	328

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		4,077	-	2,282	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,667	-	6,005	-
- Managed Funds		112	-	43	-
- Short Term Deposits		4,516	-	3,914	-
Total Cash & Cash Equivalents		13,372	-	12,244	-
Investment Securities (Note 6b)					
- Managed Funds		3,138	-	8,979	-
- Long Term Deposits		26,961	52,066	35,053	50,737
- Floating Rate Term Deposits		-	4,018	1,011	2,007
- NCD's, FRN's (with Maturities > 3 months)		2,394	52,281	10,284	26,097
- CDO's		1,024	-	2,968	-
- Constant Protection Portfolio Notes		5,395	964	1,804	15,622
- Other Long Term Financial Assets		-	9,891	3,990	1,020
Total Investment Securities		38,912	119,220	64,089	95,483
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		52,284	119,220	76,333	95,483

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"	13,372	-	12,244	-
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Investments

a. "At Fair Value through the Profit & Loss"				
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- "Held for Trading"	6(b-i)	6,132	-	18,778	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	27,901	118,256	42,665	88,592
b. "Available for Sale"	6(b-iv)	4,879	964	2,646	6,891
Investments		38,912	119,220	64,089	95,483

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6b. Investments (continued)

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	61,443	88,592	72,496	39,538
Revaluations (through the Income Statement)	719	(120)	723	1,181
Additions	12,700	60,142	101,074	62,773
Disposals (sales & redemptions)	(54,252)	(16,935)	(119,386)	(8,364)
Transfers between Current/Non Current	13,423	(13,423)	6,536	(6,536)
Balance at End of Year	34,033	118,256	61,443	88,592
Comprising:				
- Managed Funds	3,138	-	8,979	-
- Long Term Deposits	26,961	52,066	35,053	50,737
- Floating Rate Term Deposits	-	4,018	1,011	2,007
- NCD's, FRN's (with Maturities > 3 months)	1,912	52,281	10,284	25,126
- CDO's	1,024	-	2,968	-
- Constant Protection Portfolio Notes	998	-	80	9,701
- Other Long Term Financial Assets	-	9,891	3,068	1,021
Total	34,033	118,256	61,443	88,592
Note 6(b-ii)				
Reconciliation of Investments classified as "Available for Sale"				
Balance at the Beginning of the Year	2,646	6,891	-	15,766
Revaluation - transfer gain (loss) to ARR in Equity	415	73	213	722
Disposals (sales & redemptions)	(2,801)	(1,381)	-	(7,164)
Transfers between Current/Non Current	4,619	(4,619)	2,433	(2,433)
Balance at End of Year	4,879	964	2,646	6,891
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	482	-	-	970
- Constant Protection Portfolio Notes	4,397	964	1,724	5,921
- Other Long Term Maturity Financial Assets	-	-	922	-
Total	4,879	964	2,646	6,891

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	52,284	119,220	76,333	95,483
attributable to:				
External Restrictions (refer below)	43,724	74,596	45,822	84,157
Internal Restrictions (refer below)	5,181	44,624	27,498	11,326
Unrestricted	3,379	-	3,014	-
	52,284	119,220	76,333	95,483

2012 \$ '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)	25,529	-	(1,246)	24,283
Specific Purpose Unexpended Loans-Sewer (A)	50,656	-	(8,238)	42,418
External Restrictions - Included in Liabilities	76,185	-	(9,484)	66,701

External Restrictions - Other

Developer Contributions - General (D)	12,867	1,716	(532)	14,051
Developer Contributions - Water Fund (D)	257	1,248	(1,400)	105
Developer Contributions - Sewer Fund (D)	58	1,206	(1,200)	64
Specific Purpose Unexpended Grants (F)	13	-	(13)	-
Specific Purpose Unexpended Grants (F) - Sewer Fund	19	-	(19)	-
Water Supplies (G)	16,019	9,691	(11,446)	14,265
Sewerage Services (G)	22,487	14,933	(15,477)	21,945
Domestic Waste Management (G)	1,524	11,867	(12,250)	1,141
Stormwater Management (G)	511	-	(511)	-
Other	38	9	-	47
External Restrictions - Other	53,794	40,670	(42,848)	51,619
Total External Restrictions	129,979	40,670	(52,332)	118,320

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

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

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

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 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	2,876	7,919	(6,457)	4,338
Employees Leave Entitlement	2,202	14,029	(11,950)	4,281
General Fund Revotes	-	2,580	-	2,580
EDP Equipment	443	17	(306)	154
Non Domestic Waste Management	1,485	5,000	(5,173)	1,312
Other Contributions	213	3,087	(95)	3,205
Airport	727	4,082	(3,095)	1,714
RTA Contributions - Pacific Highway Garden Works	229	13	(59)	183
Unexpended Loans	13,438	-	(543)	12,895
Unexpended Grants	6,230	6,837	(4,546)	8,521
Open Space Land	317	24	(34)	307
Jetty M&R	189	12	-	201
Asset Replacement	229	403	(449)	183
Rural Fire Services	14	-	-	14
Future Road Network	877	164	-	1,041
Environmental Levy	546	1,180	(1,230)	496
Community Facilities	207	1,857	(1,501)	563
Moonee Beach Road Upgrade	153	10	-	163
Environmental Laboratory	169	825	(523)	471
Car Parking Upgrade	2,015	129	-	2,144
Future Fund	736	777	(949)	564
Business Development	739	1,423	(1,097)	1,065
Project Contingency	636	1,403	(1,084)	955
RTA Contributions - Pine Creek Hand Over	2,931	173	(2,801)	303
Projects - Private Works Funding	673	1,405	(1,084)	994
Flood Mitigation Works	550	609	-	1,159
Total Internal Restrictions	38,824	53,958	(42,976)	49,806
TOTAL RESTRICTIONS	168,802	94,628	(95,308)	168,125

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		3,219	721	2,962	557
Interest & Extra Charges		283	404	238	312
User Charges & Fees		1,491	46	1,353	26
Private Works		1,129	23	670	2
Contributions to Works		81	-	236	-
Accrued Revenues					
- Interest on Investments		1	-	60	-
- User Charges & Fees		1,896	-	1,736	-
Government Grants & Subsidies		2,429	-	2,674	-
Deferred Debtors		29	142	30	171
Net GST Receivable		217	-	453	-
Airport Landing Charges		605	-	436	-
Caravan Parks		1,062	-	1,043	-
Economic Development Unit		15	1	46	1
Environmental Lab		78	1	97	1
Lease Rentals		261	5	222	5
Tip Charges		337	2	296	1
Watermain Relocation		40	-	355	-
Workers Comp. Premium reduction		-	-	382	-
Switchboard Sales		555	-	133	-
Back Feed Water Charges		350	-	-	-
Investment Securities Sold		-	-	1,688	-
Other Debtors		1,052	12	590	19
Total		15,130	1,357	15,700	1,095
less: Provision for Impairment					
Other Debtors		(18)	-	(21)	-
Total Provision for Impairment - Receivables		(18)	-	(21)	-
TOTAL NET RECEIVABLES		15,112	1,357	15,679	1,095

Restricted Receivables are disclosed on next page

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 7. Receivables (continued)

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		62	-	67	-
- Rates & Availability Charges		173	53	2,707	56
- Other		3,190	-	2,074	-
Sewerage Services					
- Specific Purpose Grants		414	-	62	-
- Rates & Availability Charges		905	268	1,353	231
- Other		674	35	57	35
Domestic Waste Management		517	158	443	113
Stormwater Management		21	15	19	13
Other					
- Other - Environmental Levy		55	40	52	37
Total External Restrictions		6,011	569	6,834	485
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		9,101	788	8,845	610
TOTAL NET RECEIVABLES		15,112	1,357	15,679	1,095

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		1,204	-	1,256	-
Trading Stock		297	-	180	-
Total Inventories		1,501	-	1,436	-
Other Assets					
Prepayments		668	-	2,234	-
Total Other Assets		668	-	2,234	-
TOTAL INVENTORIES / OTHER ASSETS		2,169	-	3,670	-
Externally Restricted Assets					
Water					
Stores & Materials		223	-	251	-
Total Water		223	-	251	-
Sewerage					
Stores & Materials		-	-	45	-
Prepayments		9	-	8	-
Total Sewerage		9	-	53	-
Domestic Waste Management					
Prepayments		485	-	498	-
Total Domestic Waste Management		485	-	498	-
Total Externally Restricted Assets		717	-	802	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		1,452	-	2,868	-
TOTAL INVENTORIES & OTHER ASSETS		2,169	-	3,670	-

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period							as at 30/6/2012				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in Equity)	Adjustments & Transfers	Revaluation Decrements to Equity (ARR)	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	6,915	-	-	-	6,915	9,498	-	-	-	(5,796)	-	-	10,617	-	-	-	10,617
Plant & Equipment	-	42,155	21,893	-	20,262	3,613	(1,034)	(3,717)	-	632	-	-	-	33,601	13,845	-	19,756
Office Equipment	-	11,204	9,831	-	1,373	838	(19)	(621)	-	12	-	-	-	3,077	1,494	-	1,583
Furniture & Fittings	-	4,904	2,728	-	2,176	251	(27)	(214)	-	75	-	-	-	3,487	1,226	-	2,261
Land:																	
- Operational Land	-	116,386	-	-	116,386	102	-	-	-	-	-	52	-	116,540	-	-	116,540
- Community Land	-	35,982	-	-	35,982	483	-	-	-	-	-	-	-	36,465	-	-	36,465
- Land under Roads (post 30/6/08)	-	1,020	-	-	1,020	-	-	-	-	-	-	463	-	1,483	-	-	1,483
Land Improvements - depreciable	-	15,114	6,646	-	8,468	444	-	(2,331)	-	90	-	-	-	15,647	8,976	-	6,671
Buildings - Non Specialised	-	48,594	10,265	-	38,329	636	-	(788)	-	277	-	2,659	-	52,032	10,919	-	41,113
Buildings - Specialised	-	29,515	4,321	-	25,194	34	-	(372)	(96)	-	-	616	-	30,265	4,793	96	25,376
Other Structures	-	9,836	3,776	-	6,060	510	-	(277)	-	130	-	-	-	10,477	4,054	-	6,423
Infrastructure:																	
- Roads, Bridges, Footpaths	-	534,763	145,226	-	389,537	7,999	(103)	(13,491)	(2,593)	9,827	-	38,084	-	585,229	153,376	2,593	429,260
- Bulk Earthworks (non-depreciable)	-	181,277	-	-	181,277	-	-	-	-	1,536	-	11,684	-	194,497	-	-	194,497
- Stormwater Drainage	-	185,353	32,591	-	152,762	2,187	-	(2,634)	-	22,825	(4,961)	-	-	213,788	43,609	-	170,179
- Water Supply Network	-	345,526	94,748	-	250,778	1,537	-	(4,675)	-	(12,288)	-	22,250	-	363,736	106,134	-	257,602
- Sewerage Network	-	384,457	87,334	-	297,123	4,932	-	(6,410)	-	61,859	-	44,611	-	545,085	142,970	-	402,115
Other Assets:																	
- Other	-	9,544	3,045	-	6,499	551	-	(574)	-	379	(273)	-	-	10,200	3,618	-	6,582
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																	
- Tip Asset	-	4,966	2,519	-	2,447	-	-	(784)	-	2,957	-	-	-	5,404	784	-	4,620
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	6,915	1,960,596	424,923	-	1,542,588	33,615	(1,183)	(36,888)	(2,689)	82,515	(5,234)	120,419	10,617	2,221,013	495,798	2,689	1,733,143

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$7,323) and New Assets (\$28,799). 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 2012

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

\$ '000	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impair'm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impair'm't	Carrying Value
Water Supply								
WIP	1,933	-	-	1,933	453	-	-	453
Plant & Equipment	-	3,269	1,493	1,776	-	3,260	1,322	1,938
Office Equipment	-	221	179	42	-	230	144	86
Land								
- Operational Land	-	3,863	-	3,863	-	3,751	-	3,751
Infrastructure	-	363,736	106,134	257,602	-	345,526	94,748	250,778
Total Water Supply	1,933	371,089	107,806	265,216	453	352,767	96,214	257,006
Sewerage Services								
WIP	6,292	-	-	6,292	747	-	-	747
Plant & Equipment	-	2,657	1,376	1,281	-	9,895	8,530	1,365
Office Equipment	-	30	9	21	-	46	31	15
Furniture & Fittings	-	78	68	10	-	78	62	16
Land								
- Operational Land	-	15,377	-	15,377	-	15,465	-	15,465
Infrastructure	-	545,085	142,970	402,115	-	384,457	87,334	297,123
Total Sewerage Services	6,292	563,227	144,423	425,096	747	409,941	95,957	314,731
Domestic Waste Management								
Plant & Equipment	-	314	171	143	-	1,388	1,214	174
Office Equipment	-	-	-	-	-	5	5	-
Land								
- Operational Land'	-	13,111	-	13,111	-	13,110	-	13,110
Buildings	-	2,270	539	1,731	-	2,183	487	1,696
Other Structures	-	5,598	881	4,717	4,966	192	2,611	2,547
Other Assets	-	407	6	401	-	14	6	8
Total DWM	-	21,700	1,597	20,103	4,966	16,892	4,323	17,535
TOTAL RESTRICTED I,PP&E	8,225	956,016	253,826	710,415	6,166	779,600	196,494	589,272

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

\$ '000	Notes	Actual 2012	Actual 2011
Impairment Losses recognised direct to Equity (ARR) include:			
- Airport Runway		(2,593)	-
- Amenities buildings		(96)	-
Total Impairment Losses		(2,689)	-
IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)	20 (ii)	(2,689)	-

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 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,359	-	4,317	-
Goods & Services - capital expenditure		1,271	-	1,334	-
Payments Received In Advance		1,654	-	1,221	-
Accrued Expenses:					
- Borrowings		2,113	-	2,166	-
- Salaries & Wages		147	-	17	-
- Other Expenditure Accruals		10	567	15	561
Security Bonds, Deposits & Retentions		323	111	237	189
Workers Compensation Premium Adjustme		86	-	-	-
Government Grants and Subsidies		346	-	61	-
Other		226	-	51	-
Total Payables		10,535	678	9,419	750
Borrowings					
Loans - Secured ¹		17,312	222,352	17,056	239,482
Total Borrowings		17,312	222,352	17,056	239,482
Provisions					
Employee Benefits;					
Annual Leave		3,305	-	3,132	-
Sick Leave		320	-	315	-
Long Service Leave		6,669	1,096	5,780	1,055
Accrued Leave		185	-	129	-
ELE On-Costs		1,832	196	1,678	194
Sub Total - Aggregate Employee Benefits		12,311	1,292	11,034	1,249
Asset Remediation/Restoration (Future Works) ²⁶		-	4,143	830	5,776
Total Provisions		12,311	5,435	11,864	7,025
Total Payables, Borrowings & Provisions		40,158	228,465	38,339	247,257
(i) Liabilities relating to Restricted Assets					
		2012		2011	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		8,030	89,973	7,511	96,536
Sewer		9,163	109,628	8,875	117,133
Domestic Waste Management		-	4,143	830	5,776
Liabilities relating to externally restricted assets		17,193	203,744	17,216	219,445
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		17,193	203,744	17,216	219,445

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 2012

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

\$ '000	2012	2011
(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	<u>7,759</u>	<u>7,862</u>
	<u>7,759</u>	<u>7,862</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2011	2012				Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,132	2,350	(2,177)	-	-	3,305
Sick Leave	315	41	(36)	-	-	320
Long Service Leave	6,835	1,673	(743)	-	-	7,765
Accrued Leave	129	373	(317)	-	-	185
ELE On-Costs	1,872	156	-	-	-	2,028
Asset Remediation	6,606	(2,802)	-	339	-	4,143
TOTAL	18,889	1,791	(3,273)	339	-	17,746

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 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	13,372	12,244
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		13,372	12,244
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		6,302	11,979
<i>Adjust for non cash items:</i>			
Depreciation & Amortisation		37,781	42,007
Net Losses/(Gains) on Disposal of Assets		(17)	(328)
Non Cash Capital Grants and Contributions		(10,602)	(9,004)
Investment Income relating to "Available for Sale" Investments sold		(176)	837
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(599)	(1,904)
- Investment Properties		-	(1)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Value		139	179
Unwinding of Discount Rates on Reinstatement Provisions		339	320
<i>+/- Movement in Operating Assets and Liabilities & Other Cash Items:</i>			
Decrease/(Increase) in Receivables		278	5,337
Increase/(Decrease) in Provision for Doubtful Debts		(3)	(11)
Decrease/(Increase) in Inventories		(65)	(21)
Decrease/(Increase) in Other Assets		1,566	(515)
Increase/(Decrease) in Payables		42	(125)
Increase/(Decrease) in accrued Interest Payable		(53)	52
Increase/(Decrease) in other accrued Expenses Payable		131	(39)
Increase/(Decrease) in Other Liabilities		987	(43)
Increase/(Decrease) in Employee Leave Entitlements		1,320	(676)
Increase/(Decrease) in Other Provisions		(2,802)	1,187
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		34,568	49,231

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		664	1,680
Other Dedications (Developer)		6,981	6,136
Future Reinstatement Costs Re-measurement		339	320
Total Non-Cash Investing & Financing Activities		7,984	8,136
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit Cards / Purchase Cards		800	766
Loan Facilities		239,664	256,538
Total Financing Arrangements		240,464	257,304
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		184	143
- Loan Facilities		239,664	256,538
Total Financing Arrangements Utilised		239,848	256,681

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(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 2012

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
(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		101	-
Water Network		285	4,387
Storm Water		2,696	-
Other		31	32
Total Commitments		3,113	4,419
These expenditures are payable as follows:			
Within the next year		3,113	4,323
Later than one year and not later than 5 years		-	96
Later than 5 years		-	-
Total Payable		3,113	4,419
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		15	32
Internally Restricted Reserves		101	-
Unexpended Loans		2,827	4,137
Other Funding		170	250
Total Sources of Funding		3,113	4,419

(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 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011 2010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>19,544</u>	1.29 : 1	3.22	2.35
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>15,206</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>33,861</u>	28.31%	31.03%	31.66%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>119,605</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>66,452</u>	45.80%	42.27%	38.61%
Income from Continuing Operations	<u>145,104</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>4,627</u>	6.52%	6.12%	5.65%
Rates, Annual & Extra Charges Collectible	<u>70,926</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>7,323</u>	23.58%	11.63%	24.06%
Depreciation, Amortisation & Impairment	<u>31,059</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).

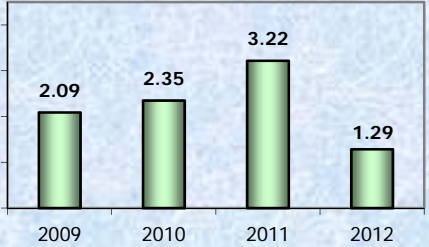
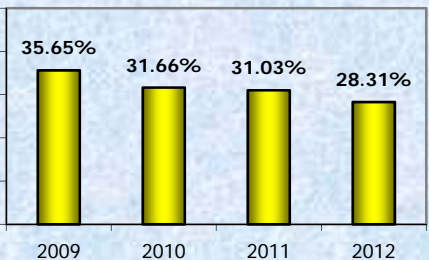
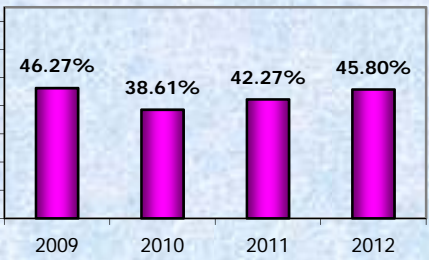
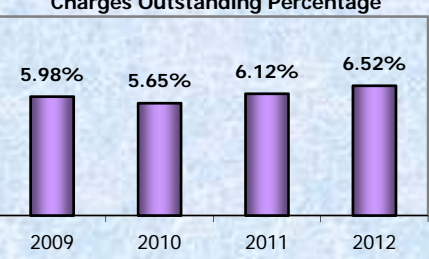
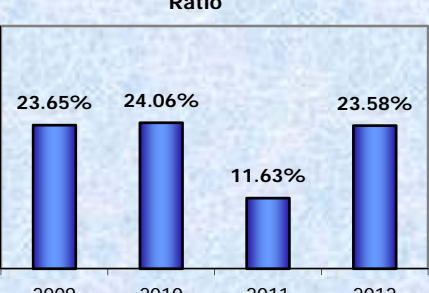
(3) Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

(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 2012

Note 13a(ii). Statement of Performance Measurement - 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>2009</td> <td>2.09</td> </tr> <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> </tbody> </table>	Year	Ratio : 1	2009	2.09	2010	2.35	2011	3.22	2012	1.29	<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 2011/12 Result</p> <p>2011/12 Ratio 1.29 : 1</p> <p>Unrestricted current assets decreased by \$23,111,000 from 2010/11, attributable to a decrease in current investments due to new investments being placed in longer dated securities to take advantage of longer term interest rates. Unrestricted liabilities increased by \$1,945,000 since 2010/11 attributable to a \$1,277,000 increase in current provisions for Employee Benefits.</p>
Year	Ratio : 1											
2009	2.09											
2010	2.35											
2011	3.22											
2012	1.29											
<p>2. Debt Service Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>35.65%</td> </tr> <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> </tbody> </table>	Year	Ratio %	2009	35.65%	2010	31.66%	2011	31.03%	2012	28.31%	<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 2011/12 Result</p> <p>2011/12 Ratio 28.31%</p> <p>An increase in income from continuing operations from \$108,912,000 before specific purpose operating and capital amounts in 2010/11 to \$119,605,000 has improved the ratio. This is attributed to a \$1,798,000 increase in Waste annual charges and a \$2,159,000 increase in Private Works income.</p>
Year	Ratio %											
2009	35.65%											
2010	31.66%											
2011	31.03%											
2012	28.31%											
<p>3. Rates & Annual Charges Coverage Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>46.27%</td> </tr> <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> </tbody> </table>	Year	Ratio %	2009	46.27%	2010	38.61%	2011	42.27%	2012	45.80%	<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 2011/12 Result</p> <p>2011/12 Ratio 45.80%</p> <p>This ratio has increased due to an increase in rates and annual charges of \$3,739,000 between 2010/11 and 2011/12 and a decrease in capital grants and contributions of \$11,154,000 between 2010/11 and 2011/12</p>
Year	Ratio %											
2009	46.27%											
2010	38.61%											
2011	42.27%											
2012	45.80%											
<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>2009</td> <td>5.98%</td> </tr> <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> </tbody> </table>	Year	Ratio %	2009	5.98%	2010	5.65%	2011	6.12%	2012	6.52%	<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 2011/12 Result</p> <p>2011/12 Ratio 6.52%</p> <p>The Rates outstanding ratio has increased due to current economic conditions</p>
Year	Ratio %											
2009	5.98%											
2010	5.65%											
2011	6.12%											
2012	6.52%											
<p>5. Building & Infrastructure Renewals Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>23.65%</td> </tr> <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> </tbody> </table>	Year	Ratio %	2009	23.65%	2010	24.06%	2011	11.63%	2012	23.58%	<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 Result</p> <p>2011/12 Ratio 23.58%</p> <p>There has been an increase in infrastructure renewals of \$3,409,000 from 2010/11 to 2011/12. Sewer infrastructure renewals increased by \$836,000 and Roads, Bridges and Footpaths infrastructure renewals increased by \$1,600,000 between 2010/11 and 2011/12. There has been decreased infrastructure depreciation of \$2,587,000 resulting from council's 2010/11 revaluation process.</p>
Year	Ratio %											
2009	23.65%											
2010	24.06%											
2011	11.63%											
2012	23.58%											

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Water 2012	Sewer 2012	General ¹ 2012
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽¹⁾</u>	1.38 : 1	3.50 : 1	1.29 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	1.82	3.68	3.22
2. Debt Service Ratio			
<u>Debt Service Cost</u>	71.80%	58.47%	7.39%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:	78.46%	60.53%	7.16%
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	17.89%	64.79%	45.72%
Income from Continuing Operations			
prior period:	15.08%	65.49%	39.60%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	5.88%	5.70%	6.94%
Rates, Annual & Extra Charges Collectible			
prior period:	5.55%	5.32%	6.51%
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals (Building & Infrastructure assets)</u>	9.05%	24.24%	26.76%
Depreciation, Amortisation & Impairment			
prior period:	7.38%	11.98%	12.36%

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 2012

Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
(a) Investment Properties at Fair value			
Investment Properties on Hand		1,433	1,433
Reconciliation of Annual Movement:			
Opening Balance		1,433	1,432
- Net Gain/(Loss) from Fair Value Adjustments		-	1
CLOSING BALANCE - INVESTMENT PROPERTIES		1,433	1,433

(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 2012 revaluations were based on Independent Assessments made by APV Valuers & Asset Management

(c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:

Within 1 year	57	57
Later than 1 year but less than 5 years	55	108
Later than 5 years	-	-
Total Minimum Lease Payments Receivable	112	164

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:

- Minimum Lease Payments	66	44
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(7)	(14)
Net Revenue Contribution from Investment Properties	59	30
plus:		
Fair Value Movement for year	-	1
Total Income attributable to Investment Properties	59	31

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	13,372	12,244	13,372	12,244
Investments				
- "Held for Trading"	6,132	18,778	6,132	18,778
- "Designated At Fair Value on Initial Recognition"	146,157	131,257	146,157	131,257
- "Available for Sale"	5,843	9,537	5,843	9,537
Receivables	16,469	16,774	16,469	16,774
Total Financial Assets	187,973	188,590	187,973	188,590
Financial Liabilities				
Payables	9,559	8,948	9,559	9,488
Loans / Advances	239,664	256,538	245,662	239,523
Total Financial Liabilities	249,223	265,486	255,221	249,011

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 2012

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:

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	89,490	-	146,157
- "Available for Sale"	-	5,843	-	5,843
Total Financial Assets	61,718	95,680	734	158,132

2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	13,630	4,471	677	18,778
- "Designated At Fair Value on Initial Recognition"	116,529	14,728	-	131,257
- "Available for Sale"	-	9,537	-	9,537
Total Financial Assets	130,159	28,736	677	159,572

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 its staff and an Investment Report is tabled before Council on a regular 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 advisors 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
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)	-
2011				
Possible impact of a 10% movement in Market Values	-	8,301	-	(8,301)
Possible impact of a 1% movement in Interest Rates	1,525	-	(1,525)	-

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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.

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:

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	0%	85%	0%	82%
Overdue	100%	15%	100%	18%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Movement in Provision for Impairment of Receivables			2012	2011
Balance at the beginning of the year			21	32
+ new provisions recognised during the year			(3)	(11)
Balance at the end of the year			<u>18</u>	<u>21</u>

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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		
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
2011									
Trade/Other Payables	681	8,738	750	-	-	-	-	10,169	8,948
Loans & Advances	-	34,174	33,071	32,982	31,404	29,181	242,064	402,876	256,538
Total Financial Liabilities	681	42,912	33,821	32,982	31,404	29,181	242,064	413,045	265,486

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:

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	9,559	0.0%	8,948	0.0%
Loans & Advances - Fixed Interest Rate	239,664	6.8%	256,538	6.8%
	<u>249,223</u>		<u>265,486</u>	

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 23 June 2011.

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	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	67,098	66,452	(646)	(1%)	U
User Charges & Fees	26,305	26,482	177	1%	F
Interest & Investment Revenue	6,303	10,877	4,574	73%	F
Increases in market values of investment securities, interest rates exceeding forecast rates and major sewerage project expenditures deferred to 2012/13 are attributable to this out performance.					
Other Revenues	4,506	6,227	1,721	38%	F
Increased sales of switchboards & CCTV Systems and reimbursement of costs associated with waste contract.					
Operating Grants & Contributions	14,170	18,240	4,070	29%	F
Financial Assistance Grant extra instalment received in advance, \$1m in Natural Disaster grants received and not budgeted for. Waste Management Grant extra \$223k received and new grant Digital Local Govt \$244k					
Capital Grants & Contributions	15,545	16,809	1,264	8%	F
Net Gains from Disposal of Assets	-	17	17	0%	F

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 Variance*		
EXPENSES					
Employee Benefits & On-Costs	25,896	36,690	(10,794)	(42%)	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	17,118	17,465	(347)	(2%)	U
Materials & Contracts	52,313	37,089	15,224	29%	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	32,947	37,781	(4,834)	(15%)	U
Budgeted figures were based on 2010/11 actual costs and therefore do not take into account new assets purchased in 2010/11 and depreciated for the first time in 2011/12 nor does it include depreciation based on revalued assets as at 30 June 2011.					
Impairment Expenses	-	-	-	0%	F
No Budget Variation Details Are Required - Variance is < 10% Council does not budget for impairment expenses.					
Other Expenses	4,773	9,777	(5,004)	(105%)	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 and restoration works associated with natural disasters.					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	33,879	34,568	689	2.0%	F
Cash Flows from Investing Activities	(27,288)	(16,566)	10,722	(39.3%)	F
Purchases and sales of investment securities are not budgeted for.					
Cash Flows from Financing Activities	(17,056)	(16,874)	182	(1.1%)	F

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1,494	54	23	72	(2)	-	1,618	2,848	(3,659)	807	-
Roads	3,669	299	45	170	(233)	-	3,905	32,041	(35,846)	100	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	333	9	-	14	(76)	-	280	6,498	(6,692)	86	-
Open Space	4,443	536	26	224	(38)	-	5,165	23,242	(27,765)	642	-
Community Facilities	1,110	81	9	53	(46)	-	1,198	2,751	(3,395)	554	-
Other	1,011	142	23	49	(101)	-	1,101	2,033	(3,047)	87	-
S94 Contributions - under a Plan	12,060	1,121	126	582	(496)	-	13,267	69,413	(80,404)	2,276	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	12,060	1,121	126	582	(496)	-	13,267				-
S94 not under Plans	772	(20)	(126)	32	(36)	-	748	-	(748)	-	-
S93F Planning Agreements	35	-	-	1	-	-	36				
S64 Contributions	315	2,443	-	11	(2,600)	-	169				
Total Contributions	13,182	3,544	-	626	(3,132)	-	14,220	69,413	(81,152)	2,276	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1,494	54	23	72	(2)	-	1,618	2,848	(3,659)	807	-
Roads	3,669	299	45	170	(233)	-	3,905	32,041	(35,846)	100	-
Parking	333	9	-	14	(76)	-	280	6,498	(6,692)	86	-
Open Space	4,443	536	26	224	(38)	-	5,165	23,242	(27,765)	642	-
Community Facilities	1,110	81	9	53	(46)	-	1,198	2,751	(3,395)	554	-
Other	1,011	142	23	49	(101)	-	1,101	2,033	(3,047)	87	-
Total	12,060	1,121	126	582	(496)	-	13,267	69,413	(80,404)	2,276	-

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 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	116	-	-	5	-	-	121	-	(121)	-	-
Roads	5	-	-	-	-	-	5	-	(5)	-	-
Open Space	196	-	-	9	-	-	205	-	(205)	-	-
Community Facilities	157	-	-	7	-	-	164	-	(164)	-	-
Other	298	(20)	(126)	11	(36)	-	253	-	(253)	-	-
Total	772	(20)	(126)	32	(36)	-	748	-	(748)	-	-

Coffs Harbour City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but their knowledge & disclosure is considered relevant to the users of Council's Financial 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 attributed share of the net deficit estimated to be in the order of \$4,458,624 as at 30 June 2012. This deficit doesn't qualify for recognition as a liability under AASB119 as it is not a reliable estimate.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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 2012

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 claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

(ii) S94 Plans

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

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

ASSETS NOT RECOGNISED (continued):

(iii) Financial Instruments

Coffs Harbour City Council owns three securities that are subject to litigation claims:

1. Coolangatta,
2. Miami, and
3. Beryl Global Bank Note.

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

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

Council has valued these assets at 30 June 2012 based on values provided by Lehman Brothers on 29 August 2008. A contingent asset therefore exists, subject to any recovery of collateral, following the finalisation of all legal matters.

Security	Par Value	Fair Value	Fair Value
	\$'000	30/6/2011 \$'000	30/6/2012 \$'000
1. Coolangatta	2,500	328	328
2. Miami	100	18	18
3. Beryl Global Bank Note	600	331	331
4. Principal Protected Property Note	800	80	80
Total	4,000	757	757

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 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,048,891	1,032,541
a. Correction of Prior Period Errors	20 (c)	85,317	4,371
b. Net Operating Result for the Year		6,302	11,979
Balance at End of the Reporting Period		<u>1,140,510</u>	<u>1,048,891</u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		583,192	470,696
- "Available for Sale" Financial Investments Revaluation Reserve		106	(206)
Total		<u>583,298</u>	<u>470,490</u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		470,696	496,318
- Revaluations for the year	9(a)	115,185	(25,622)
- Impairment of revalued assets (incl. impairment reversals)	9(a),(c)	(2,689)	-
- Balance at End of Year		<u>583,192</u>	<u>470,696</u>
"Available for Sale" Financial Investments Revaluation Reserve			
- Opening Balance		(206)	(1,978)
- Unrealised Gain (Loss) in value for the year		488	935
- Transfer of "Available for Sale" values to the P&L for disposals		(176)	837
- Balance at End of Year		<u>106</u>	<u>(206)</u>
TOTAL VALUE OF RESERVES		<u>583,298</u>	<u>470,490</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 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
c. Correction of Error/s relating to a Previous Reporting Period			
Correction of errors made in 2012 for 10/11 errors:			
Council had revalued the following asset classes as at 30 June 2012:			
- Water Supply Network			
- Sewerage Network			
As part of the Water Network revaluation process, it has been discovered Water Mains assets have 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 is required. The written down value of these assets indexed from 30 June 2007 to 30 June 2011 is:			
		(12,602)	
As part of the Sewer Network revaluation process, it has been 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 is 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 is:			
		61,522	
As a result of engaging a consultant in 2011/12 to reassess the costs to restore the Englands 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 needs to be 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 is an increase to Opening Equity.

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
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c. Correction of Error/s relating to a Previous Reporting Period

Correction of errors made in 2012 for 10/11 errors: (continued)

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 has been 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 is required. The Note 9 categories effected are as follows:

- Roads, Bridges and Footpaths	5,955
- Stormwater Drainage	22,638

Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/11 (the closing date for the comparative figures in this report).

Correction of errors made in 2011 for 09/10 errors:

Council had revalued the following asset classes as at 30 June 2011:

- Other Assets - Library Books
- Other Assets - Other
- Other Structures
- Land Improvements - Depreciable
- Land Improvements - Non Depreciable
- Community Land
- Land Under Roads acquired post 1 July 2008
- Roads, Bridges & Footpaths

As part of that revaluation process, the remaining useful life of each asset has been reassessed.

This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/10 (the closing date for the comparative figures in this report).

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
c. Correction of Error/s relating to a Previous Reporting Period			
Correction of errors made in 2011 for 09/10 errors: (continued)			
As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/11 to reflect the correct value of accumulated depreciation;			
Other Assets - decrease to accumulated depreciation of \$707,000			707
Other Structures - decrease to accumulated depreciation of \$4,175,000			4,175
Land Improvements - depreciable - increase to accumulated depreciation of \$511,000			(511)
This adjustment resulted in a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/11.			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/10 (relating to adjustments for the 30/6/10 reporting year end and prior periods)		-	4,371
- Adjustments to Closing Equity - 30/6/11 (relating to adjustments for the 30/6/11 year end)		85,317	-
Total Prior Period Adjustments - Prior Period Errors		85,317	4,371

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 2012

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	3,625	19,528	43,168
User Charges & Fees	11,963	2,559	10,423
Interest & Investment Revenue	2,547	4,376	3,954
Other Revenues	75	286	5,865
Grants & Contributions provided for Operating Purposes	276	356	13,085
Grants & Contributions provided for Capital Purposes	1,772	3,035	11,963
Other Income			
Net Gains from Disposal of Assets	-	-	17
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	20,258	30,140	88,475
Expenses from Continuing Operations			
Employee Benefits & on-costs	2,773	4,295	29,622
Borrowing Costs	6,892	8,297	2,276
Materials & Contracts	2,780	3,496	31,203
Depreciation & Amortisation	5,885	6,764	25,132
Impairment	-	-	-
Other Expenses	2,830	4,338	2,886
Interest & Investment Losses	-	-	-
Total Expenses from Continuing Operations	21,160	27,190	91,119
Operating Result from Continuing Operations	(902)	2,950	(2,644)
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(902)	2,950	(2,644)
Net Operating Result attributable to each Council Fund	(902)	2,950	(2,644)
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(2,674)	(85)	(14,607)

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 2012

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	2,087	2,194	9,091
Investments	5,425	27,956	5,531
Receivables	3,425	1,993	9,694
Inventories	223	-	1,278
Other	-	9	659
Non-current assets classified as 'held for sale'	-	-	431
Total Current Assets	11,160	32,152	26,684
Non-Current Assets			
Investments	31,141	34,277	53,802
Receivables	53	303	1,001
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	265,216	425,096	1,042,831
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	1,433
Intangible Assets	66,869	-	413
Total Non-Current Assets	363,279	459,676	1,099,480
TOTAL ASSETS	374,439	491,828	1,126,164
LIABILITIES			
Current Liabilities			
Payables	1,467	1,658	7,410
Borrowings	6,563	7,505	3,244
Provisions	-	-	12,311
Total Current Liabilities	8,030	9,163	22,965
Non-Current Liabilities			
Payables	-	-	678
Borrowings	89,973	109,628	22,751
Provisions	-	-	5,435
Total Non-Current Liabilities	89,973	109,628	28,864
TOTAL LIABILITIES	98,003	118,791	51,829
Net Assets	276,436	373,037	1,074,335
EQUITY			
Retained Earnings	166,925	267,402	706,183
Revaluation Reserves	109,511	105,635	368,152
Total Equity	276,436	373,037	1,074,335

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 2012

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

\$ '000	2012 Current	2012 Non Current	2011 Current	2011 Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	431	-	431	-
Total Non Current Assets "Held for Sale"	431	-	431	-
Disposal Group Assets "Held for Sale"				
None				
TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"	431	-	431	-

(ii) Details of Assets & Disposal Groups

All land parcels currently classified as held for sale are expected to be sold during the 2011/12 financial year.

**(iii) Reconciliation of Non Current Assets
"Held for Sale" & Disposal Groups
- i.e. Discontinued Operations**

	Assets "Held for Sale"	
	2012	2011
Opening Balance	431	431
less: Carrying Value of Assets/Operations Sold	-	-
Balance still unsold after 12 months:	431	431
Closing Balance of "Held for Sale" Non Current Assets & Operations	431	431

Coffs Harbour City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2012, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 31/10/12.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

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

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

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 2012

Note 25. Intangible Assets

\$ '000

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

	Actual 2012 Carrying Amount	Actual 2011 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/11)	73,286	73,012
Accumulated Amortisation (1/7/11)	(5,021)	(3,876)
Net Book Value - Opening Balance	68,265	69,136
Movements for the year		
- Purchases	113	274
- Amortisation charges	(1,096)	(1,145)
Closing Values:		
Gross Book Value (30/6/12)	73,399	73,286
Accumulated Amortisation (30/6/12)	(6,117)	(5,021)
TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹	67,282	68,265

¹ The Net Book Value of Intangible Assets represent:

- Software	413	578
- Regional Water Supply Scheme (right to receive water from Clarence Valley Council)	66,869	67,687
	67,282	68,265

Coffs Harbour City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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	
		2012	2011
Waste Facility	2019	4,143	6,606
Balance at End of the Reporting Period	10(a)	<u>4,143</u>	<u>6,606</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.

Reconciliation of movement in Provision for year:

Balance at beginning of year	6,606	5,099
Effect of a change in other calculation estimates used	(2,802)	1,187
Amortisation of discount (expensed to borrowing costs)	339	320
Total - Reinstatement, rehabilitation and restoration provision	<u>4,143</u>	<u>6,606</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 2012

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:

8:00am to 5:00pm
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 REPORT
INDEPENDENT AUDIT REPORT**

We have audited the accompanying financial report of Coffs Harbour City Council (the Council) which comprises the balance sheet as at 30 June 2012, 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 Report

The Council is responsible for the preparation of the financial report that gives 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 a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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 report.

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

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



Independence

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

Audit Opinion

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial report:
 - (i) has been prepared in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) present fairly the Council's financial position as at 30 June 2012, the results of its operations and its cash flows for the year then ended; and
 - (iv) are in accordance with applicable Accounting Standards, Interpretations and other mandatory professional reporting requirements in Australia;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the general purpose financial report of Coffs Harbour City Council for the year ended 30 June 2012 published in the annual report and included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

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

Dated at Lismore this 31st day of October 2012.

Coffs Harbour City Council

Report to Council under s417 of
the Local Government Act 1993
for the year ended
30 June 2012



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 Report

This financial report presents the financial position and performance of the Council on a consolidated basis. The report includes all controlled Council operations such as general, water and sewer funds as well as airport activities. Council has prepared the general purpose financial report 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 Report

This financial report provides 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 2012 financial year are:

- Water Fund operations
- Sewer Fund operations
- Airport operations

Council is not required to adopt Australian Accounting Standards when preparing this financial report 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 reports for the year ended 30th June 2012. 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 reports. The procedures selected depend on our professional judgement, including the assessment of the risks of material misstatement of the financial reports, 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 reports 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 reports.

3. OPERATING RESULT

Council's surplus from all activities for 2012 totalled \$6,302,000. This compares to a surplus in 2011 of \$11,979,000. This result can be summarised as follows:

	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Income from continuing operations	127,679	118,161	111,974	104,827
Expenses from continuing operations	(101,021)	(94,370)	(91,952)	(89,722)
Result from continuing operations before depreciation	26,658	23,791	20,022	15,105
Less Depreciation expense	(37,781)	(42,007)	(30,980)	(28,077)
Operating result before capital amounts	(11,123)	(18,216)	(10,958)	(12,972)
Capital Revenue & Other Non-Operating Items				
Capital grants and contributions	16,809	27,963	36,497	17,487
Fair value gains and losses on investments	599	1,904	3,553	(5,086)
Gain / (loss) on disposal of assets	17	328	(286)	1,105
Surplus from all activities	6,302	11,979	28,806	534

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, movements in fair value of investments and significant items has improved from a deficit of \$18,216,000 for the 2011 year to a deficit of \$11,123,000 in the 2012 financial year. Significant changes in this result include:

Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Revenue		
Ordinary Rates	953	Ordinary rates have increased due to a rate-pegged increment of 2.8%.



Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Annual Charges	2,751	<p>Annual charges in relation to Domestic Waste Management Services increased by 22% per assessment from \$115 in 2010/11 to \$140 in 2011/12.</p> <p>Sewer annual charges have increased by \$799,000 due to an increment in the annual charge per assessment from \$480 in 2010/11 to \$496 in 2011/12.</p>
Water User Charges	898	<p>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 \$2.19 K/L to \$2.36 K/L and residential assessments consuming >1KL per day increased from \$3.29 K/L to \$3.54 K/L.</p>
Other User Charges & Fees	2,106	<p>Revenue from other user charges and fees increased by \$2,106,000 largely as a result of additional private works conducted by Council in 2011/12 on Bellingen Shire Council infrastructure and for private sector firms for works in Graham Drive and Mackays Road.</p>
Expenses		
Employee Costs	2,743	<p>Salaries and wages increased by \$1,567,000. This increase is attributable, in part, to an award increase of 2.15% from 1/7/2011 and a number of position restructures.</p> <p>Employee leave entitlement expenses increased by \$1,549,000. This increase is attributable, in part, to a decrease in the discount rate (government bond rates) used for the present value calculation of the leave liability in accordance with Australian Accounting Standards.</p>
Borrowing Costs	(968)	<p>Council has not taken out any new loans in 2011/12. Principal repayments on existing loans have decreased Council borrowing costs during the year.</p>



Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Materials and Contracts	4,339	Raw materials and consumables expenses have increased mainly due to annual increases in the cost of Council operations together with increases in the cost of domestic waste management and recycling services, private works and the flood studies and management plans.
Depreciation	(4,226)	The decrease in depreciation expense is largely attributable to the revaluation of transport assets in 2011. This process identified the application of residual values to a number of infrastructure assets which have reduced Council's annual depreciation particularly in roads, bridges and footpaths. This reduction was offset by an increase in depreciation to depreciable land improvements, also arising from Council's comprehensive revaluation in 2011.

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 2012 consolidated operating surplus has largely been impacted by the following revenue and expense items.

Account	\$'000	Reason for Increase / Decrease
Investment fair value movements	599	Council's investments are carried in the balance sheet at their fair value. Any movement in the fair value of investments is recognised as a revenue or expense item in the income statement (for those investments classified as fair value through profit or loss). During the year the fair value of Council's investments increased by \$599,000 for this class of financial asset.

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 \$5,800,000 and were largely attributable to:

- Funding of \$1,281,000 for black spot programs and other roads infrastructure;
- Roads to Recovery funding of \$896,000; and
- Funding of \$2,373,000 for flood studies and mitigation works

Capital Contributions

Capital contributions received during the period amounted to \$11,009,000. 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.

	2012 \$'000	2011 \$'000	2010 \$'000
Non-cash developer infrastructure dedications	6,981	6,136	5,326
Section 94 contributions - cash	1,101	2,302	2,173
Section 64 contributions - cash	2,443	2,168	6,535
Other contributions	484	8,256	15,073
Total	11,009	18,862	29,107

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 REPORT

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 report. 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 plus interest expense divided by the written down value of property, plant and equipment. Where the return on investment is below the required rate of return, the difference is disclosed as a notional subsidy from Council's General Fund activities. Dividends represent funds used from the relevant business activity for other functions of Council.

Water and Sewer Services

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

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

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

Airport

The dividend from Council airport operations was expended by general fund in accordance with the 2011/12 operational plan or variations thereto.

The surplus before capital was \$294,000 for the financial year ended 30 June 2012. This result has improved by \$184,000 from the \$110,000 surplus in 2011, largely as a result of an increase in landing charges.

The notional subsidy from Council's General Fund has decreased by \$1,385,000 to \$1,082,000 for 2012. The subsidy is calculated as a return on capital and has decreased largely due to the reduction in the government bond rate which Council uses to calculate the rate of return.

5. BALANCE SHEET

5.1. Cash and Investments

At balance date Council had \$171.5 million in cash and investments. Council's cash and investments consist of:

	2012 \$'000	2011 \$'000
Cash on hand and at bank	4,077	2,282
Deposits at Call	4,667	6,005
Term Deposits	83,543	89,705
Floating Rate Term Deposits	4,018	3,018
Negotiable Certificate of Deposits / Floating Rate Notes	54,675	36,381
Managed Funds	3,250	9,022
Collateralised Debt Obligations	1,024	2,968
Constant Protection Portfolio Notes	6,359	17,426
Other Long Term Maturity Financial Instruments	9,891	5,010
	<u>171,504</u>	<u>171,817</u>



Council's cash and investments are largely restricted in their use:

Externally restricted	118,320	129,979
Internally restricted	49,805	38,824
Unrestricted	3,379	3,014
	<u>171,504</u>	<u>171,817</u>

Unrestricted Cash

The above table illustrates that Council has \$3,379,000 in unrestricted cash at balance date. This money is used to conduct Council's day-to-day operations.

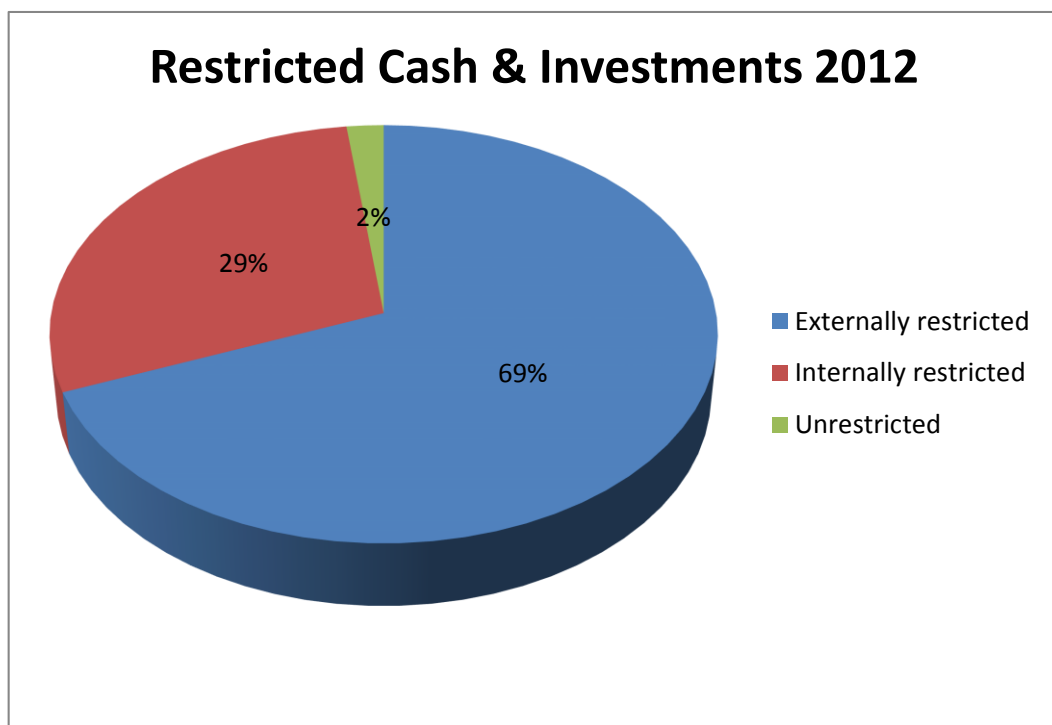
Externally Restricted Cash

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.

A summary of Council's restricted cash and investments is provided below:



5.2. Infrastructure, Property, Plant and Equipment

As detailed in Note 9 of Council's General Purpose Financial Report, Council capitalised \$33,615,000 in infrastructure, property, plant and equipment during 2012. Asset management is an important part of Council's operations. Some of the more significant additions capitalised during the year included \$3,384,000 in relation to Foot Bridges and Boardwalks, Work In Progress including \$2,110,000 in relation to Pipeline construction and \$1,757,000 in relation to the Moonee Reservoir, and South Coffs Pump Station \$1,300,000. Council undertook many projects during the year and the remaining asset additions are reflective of a wide range of projects across General, Water and Sewer funds as detailed in Note 9a of the General Purpose Financial Report.

Asset Revaluations 2012

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 for infrastructure assets 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.

Water and Sewer Infrastructure Revaluation

As part of the fair value reporting programme introduced by the Division of Local Government, Council has comprehensively revalued its water and sewer infrastructure assets as at 30 June 2012. This revaluation process has resulted in the asset revaluation reserve increasing by \$66,861,000 for the water and sewer network.

Prior Period Error

In addition, Council has recognised a prior period error of \$85,317,000 as disclosed at Note 20c of the General Purpose Financial Report. The error is a result of Council not having captured accurate information across a number of different asset classes in prior years and has been comprehensively described in Note 20c. 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 Report. As a result of these adjustments, Council now has more reliable data on these assets and the recalculation of prior year comparatives was considered impractical.

Asset Management

As at 30 June 2012 Council controls infrastructure, property, plant and equipment with a written down replacement cost of \$1.733 billion. Infrastructure, property, plant and equipment represent the largest asset group on the organisation's balance sheet. 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 water and sewer revaluation process for 2012. 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.

In addition, Council management need 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. This is evidenced by the prior period errors disclosed at Note 20c of the General Purpose Financial Report.

5.3. Loans Liability

Council has total borrowings as at 30 June 2012 of \$239,664,000. This loan liability comprises:

	\$
General Fund	25,995,000
Water Fund	96,536,000
Sewer Fund	117,133,000
	<u>239,664,000</u>

Council has not entered into any additional borrowings in 2012.

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 report 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.

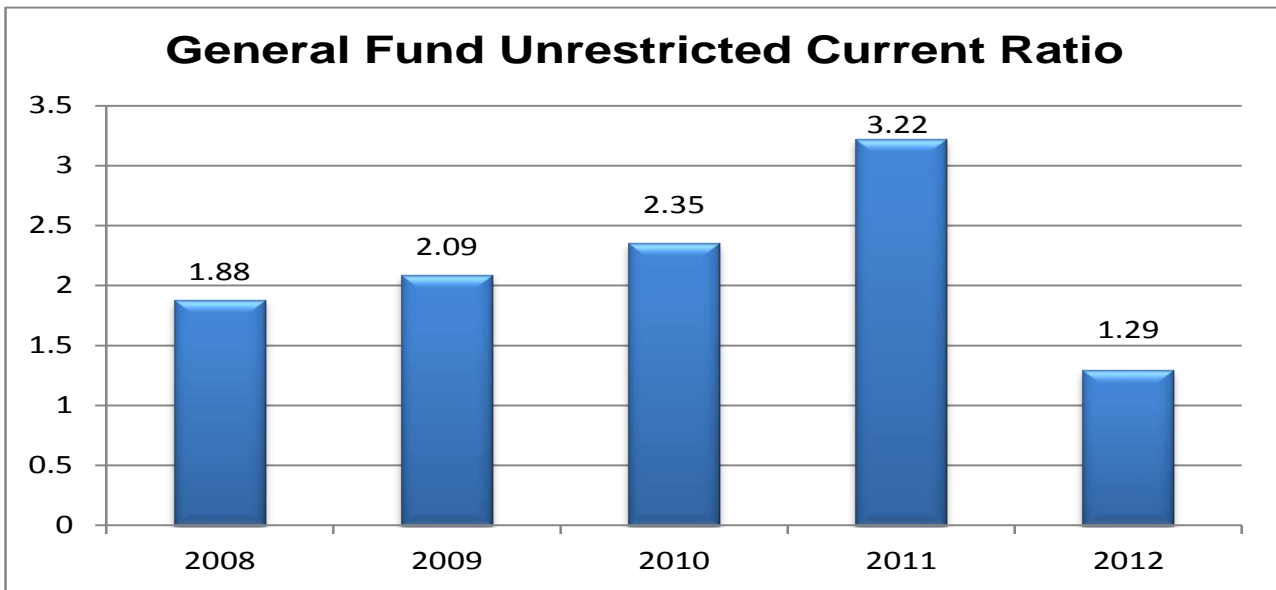
Unrestricted Current Ratio

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

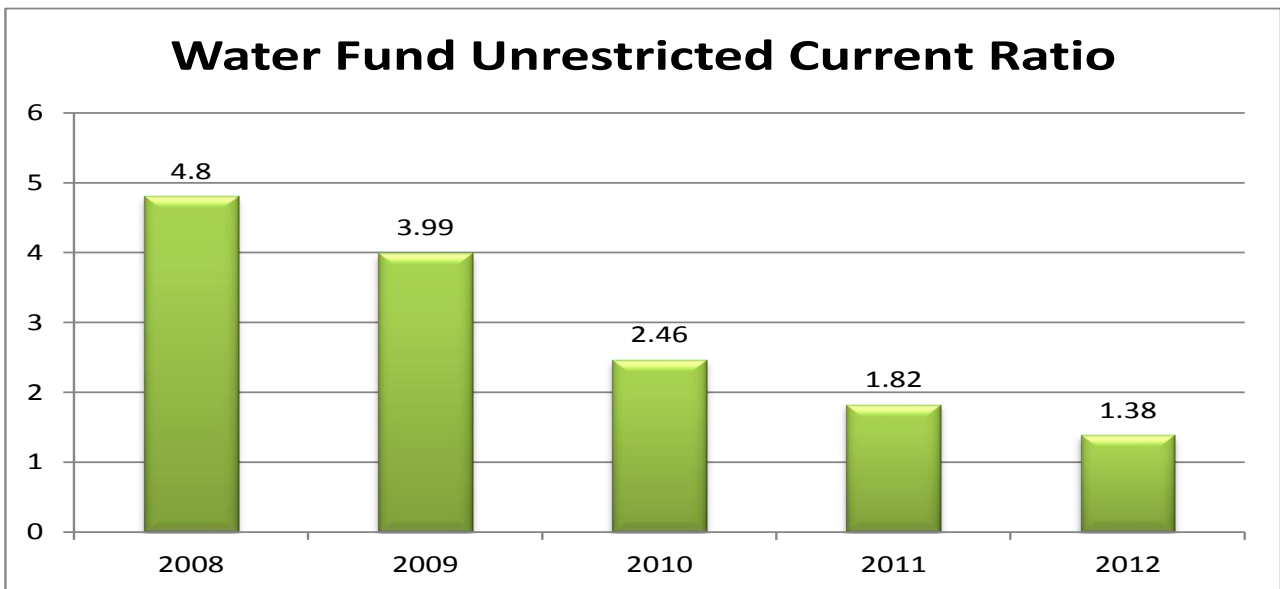
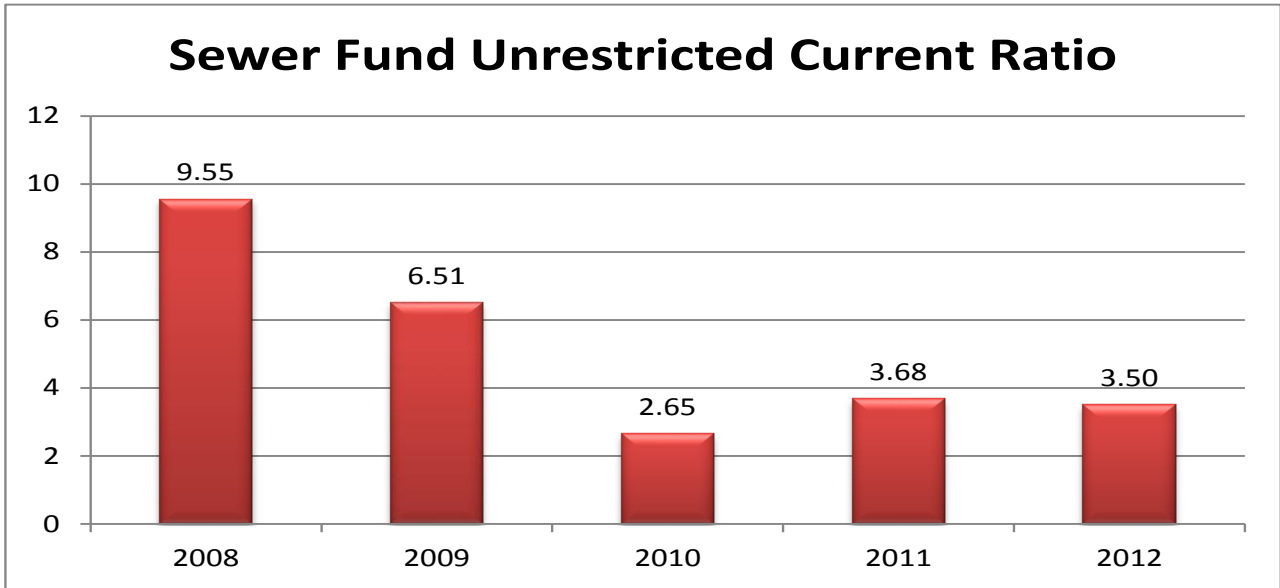
General Fund Unrestricted Current Ratio



Council's general fund unrestricted current ratio at balance date is 1.29. This means that Council has \$1.29 in liquid assets for every \$1 in current liabilities. The decrease in 2012 can largely be attributed to Council's revised investment strategy by entering into investments with a maturity of more than 12 months to take advantage of additional investment returns (classified as non-current and excluded from this ratio).

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. However, a ratio of 1.29 does not raise any concerns as many of Council's investments mature in 12 to 24 months.

Sewer and Water Funds Unrestricted Current Ratio



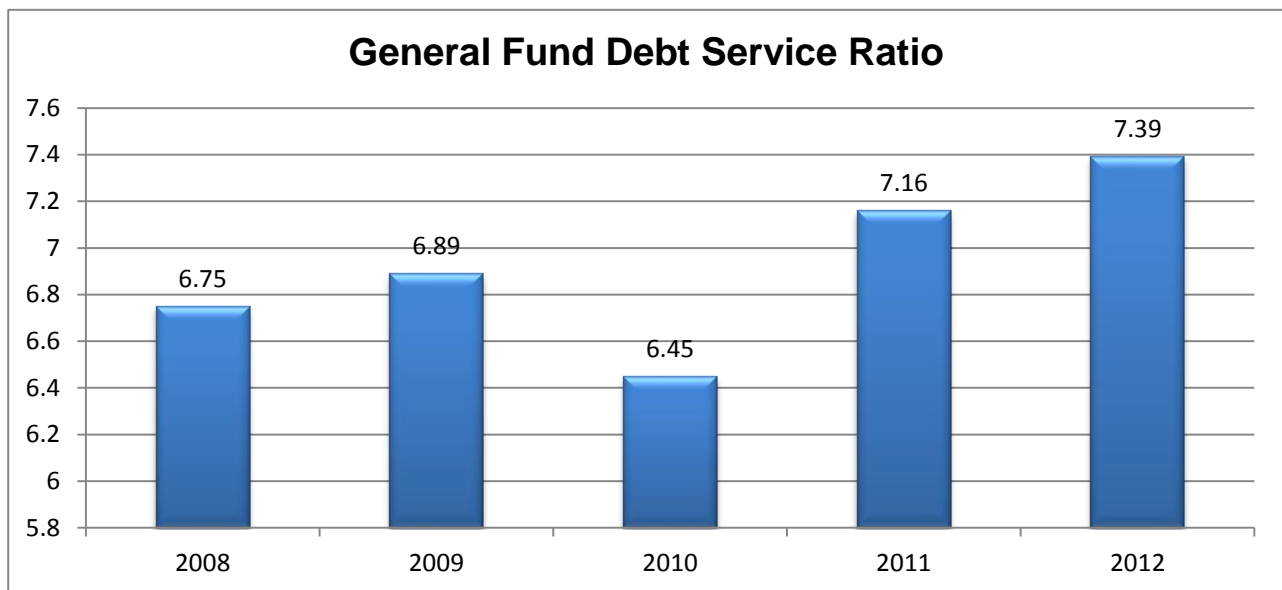
The unrestricted current ratio for water and sewer activities may fluctuate significantly. Yearly variations in the ratio may result from the build up of internal reserves and the impact of debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure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

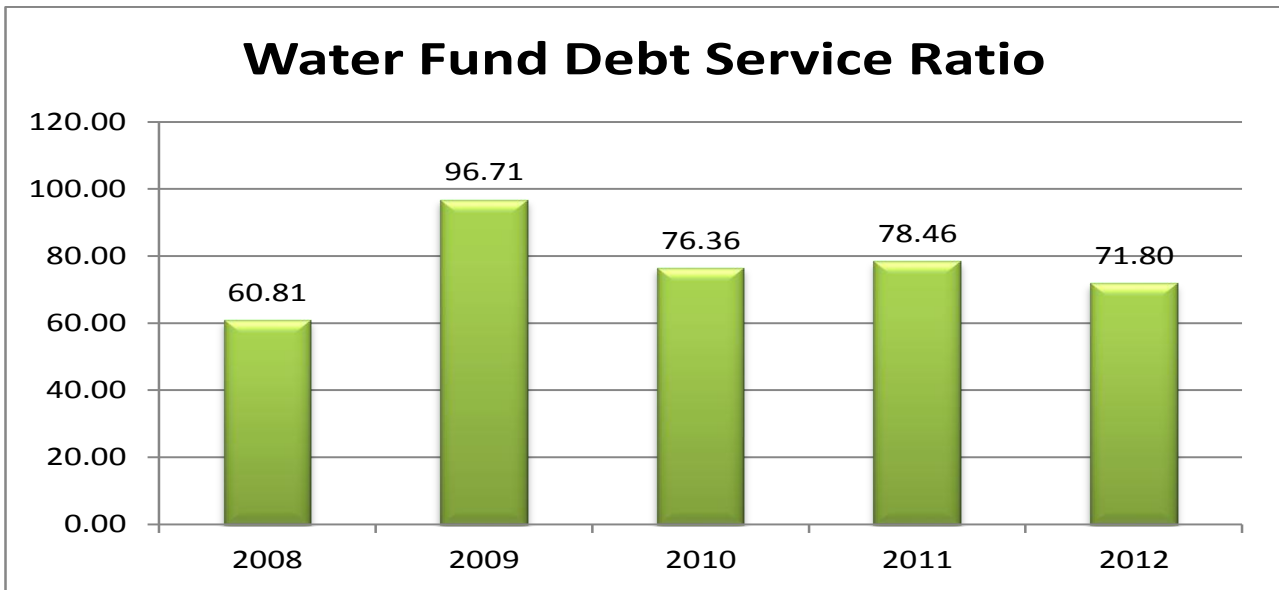
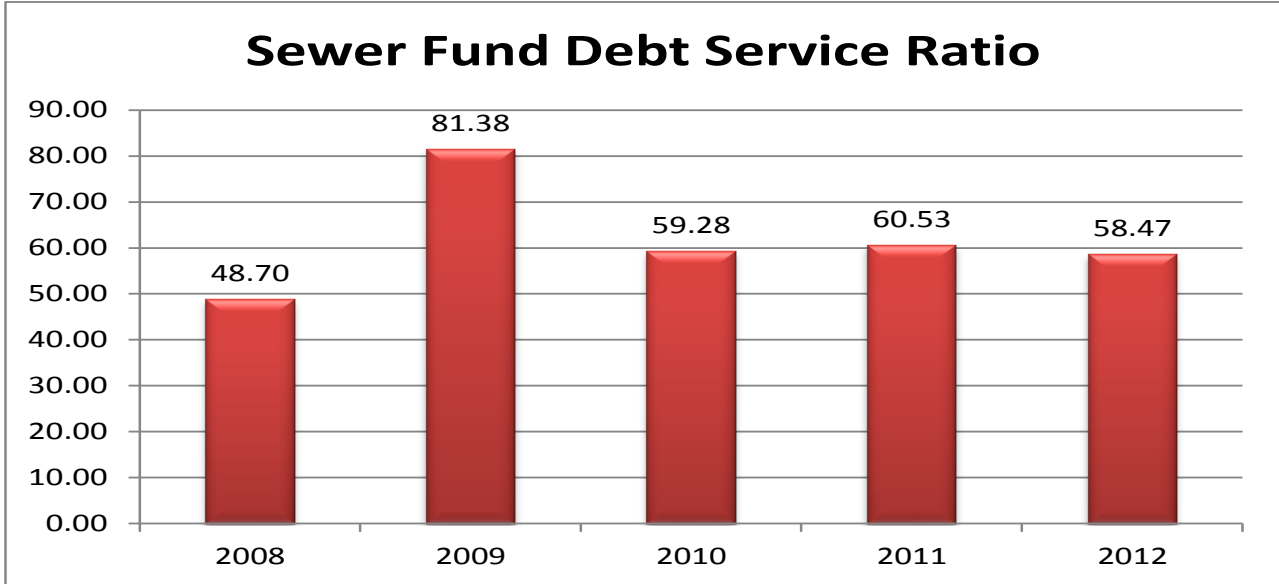
General Fund Debt Service Ratio



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). The above graph illustrates Council's management of debt service levels over the past five years. The ratio has increased to 7.39% in 2012 as Council has increased repayment of recent borrowings as well as a reduction of operating contributions from 2011, particularly in relation to Pine Creek.

The current general fund debt service ratio is acceptable for a council with high population growth and corresponding infrastructure needs. However, given the borrowing levels in other funds and Council's general fund result, Council has little opportunity to increase this ratio for general fund in future years.

Water and Sewer Funds Debt Service Ratios

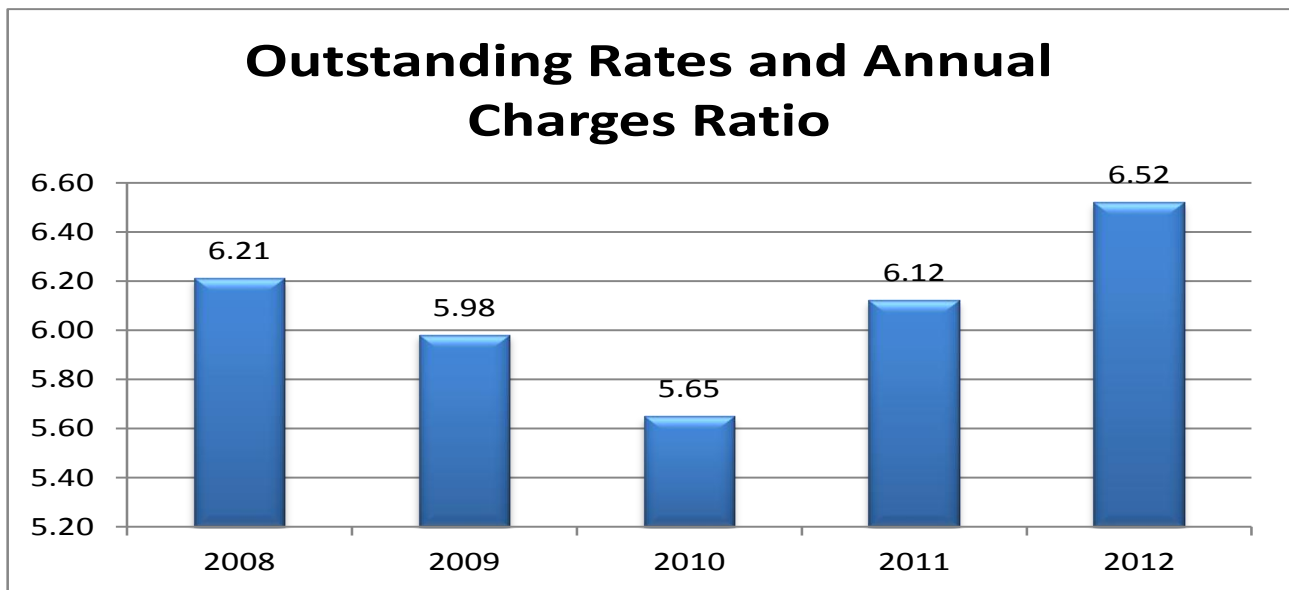


The above graphs illustrate the periodic borrowings to fund capital works programmes for sewer and water funds. Sewer and water fund's debt service ratio have decreased due to a reduction in borrowing costs associated with Council's debt reduction of these funds.

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:

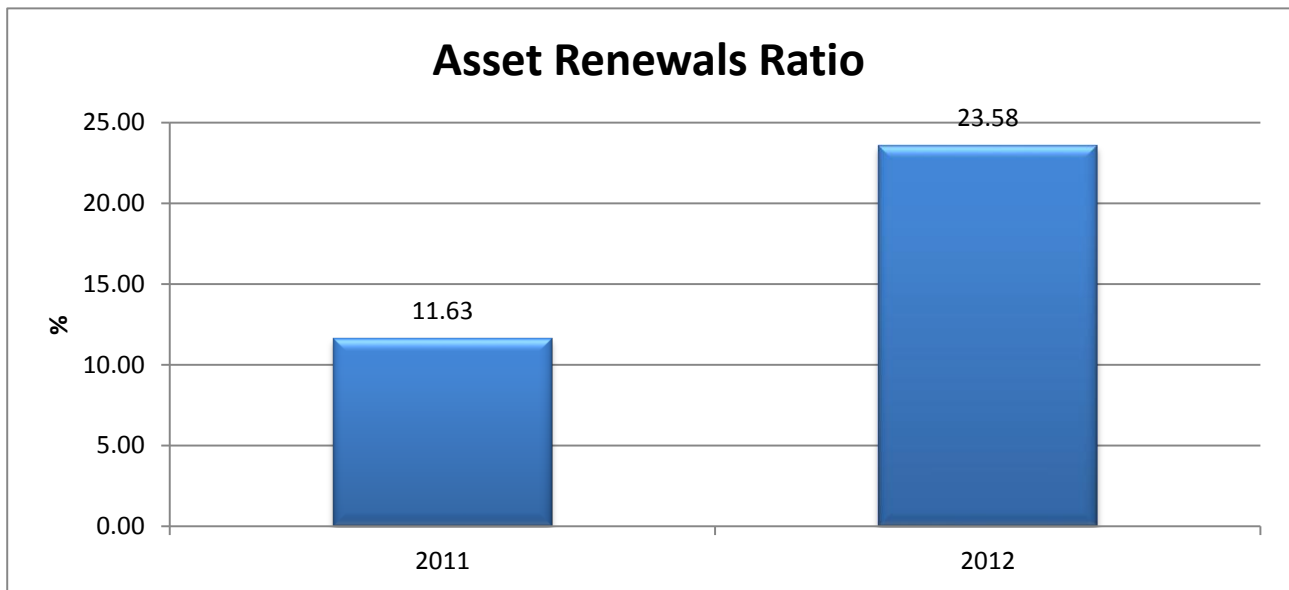
- Council's rating policy
- credit management policies
- the socioeconomic characteristics of the area
- environmental factors influencing ratepayer's ability to satisfy their obligations.



Council's rates and annual charges outstanding percentage is gradually trending upwards and stands at 6.52% as at 30 June 2012. When compared to the Local Government Managers Association benchmark of 5% we note that this ratio exceeds acceptable parameters however we also recognise that the current difficult economic conditions are influencing this ratio. 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 two years. The graph below has been prepared on a consolidated basis.



The table 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 2012 financial year are 26.76%, 9.05% & 24.24% 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.


A buildings and infrastructure renewals ratio of less than 100% is considered to be below industry benchmarks. We recommend that Council review its 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

This ratio should also be considered in conjunction with the level of new asset additions.

7. INTERNAL CONTROL ENVIRONMENT

Results of Testing Council's Financial Reporting Systems

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a qualified audit opinion. Improvements to the internal control environment have been recommended in our audit management letters. We also draw your attention to our comments regarding Council's asset management in section 5.2 of this report.



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:



.....
D H SINGH (Partner)

Coffs Harbour City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

“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 2012

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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 2012

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:

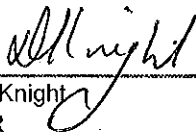
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- 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:

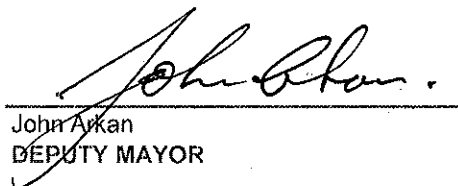
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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 25 October 2012.



Denise Knight
MAYOR



John Arkan
DEPUTY MAYOR



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 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	3,625	3,487	3,297
User charges	11,963	10,408	11,170
Fees	-	243	379
Interest	2,547	2,689	3,267
Grants and contributions provided for non capital purposes	276	289	297
Profit from the sale of assets	-	2	-
Other income	75	55	63
Total income from continuing operations	18,486	17,173	18,473
Expenses from continuing operations			
Employee benefits and on-costs	2,773	2,700	2,573
Borrowing costs	6,892	7,309	7,743
Materials and contracts	2,780	2,665	1,997
Depreciation and impairment	5,885	5,656	5,026
Water purchase charges	-	57	(64)
Loss on sale of assets	-	-	75
Calculated taxation equivalents	32	32	31
Debt guarantee fee (if applicable)	965	1,027	1,087
Other NCP Imputation Payments	5	5	5
Other expenses	2,830	2,723	2,771
Total expenses from continuing operations	22,162	22,174	21,244
Surplus (deficit) from Continuing Operations before capital amounts	(3,676)	(5,001)	(2,771)
Grants and contributions provided for capital purposes	1,772	5,952	17,095
Surplus (deficit) from Continuing Operations after capital amounts	(1,904)	951	14,324
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(1,904)	951	14,324
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(1,904)	951	14,324
plus Opening Retained Profits	180,461	178,478	163,062
plus/less: Prior Period Adjustments	(12,602)	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	32	32	31
- Debt guarantee fees	965	1,027	1,087
- Other NCP Imputation Payments	5	5	5
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(32)	(32)	(31)
- Surplus dividend paid	-	-	-
Closing Retained Profits	166,925	180,461	178,478
Return on Capital %	1.2%	0.9%	2.0%
Subsidy from Council	n/a	n/a	n/a
Calculation of dividend payable:			
Surplus (deficit) after tax	(1,904)	951	14,324
less: Capital grants and contributions (excluding developer contributions)	(532)	(4,239)	(12,737)
Surplus for dividend calculation purposes	-	-	1,587
Potential Dividend calculated from surplus	-	-	794

Coffs Harbour City Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	19,528	18,722	17,636
User charges	2,075	1,943	1,923
Liquid Trade Waste charges	470	406	321
Fees	14	11	8
Interest	4,376	4,563	6,119
Grants and contributions provided for non capital purposes	356	518	551
Profit from the sale of assets	-	-	18
Other income	286	277	165
Total income from continuing operations	27,105	26,440	26,741
Expenses from continuing operations			
Employee benefits and on-costs	4,295	3,899	3,680
Borrowing costs	8,297	8,815	9,112
Materials and contracts	3,496	3,488	3,835
Depreciation and impairment	6,764	6,384	5,520
Loss on sale of assets	-	-	354
Calculated taxation equivalents	189	187	168
Debt guarantee fee (if applicable)	1,171	1,245	1,311
Other NCP Imputation Payments	9	9	9
Other expenses	4,338	3,954	3,773
Total expenses from continuing operations	28,559	27,981	27,762
Surplus (deficit) from Continuing Operations before capital amounts	(1,454)	(1,541)	(1,021)
Grants and contributions provided for capital purposes	3,035	2,149	4,778
Surplus (deficit) from Continuing Operations after capital amounts	1,581	608	3,757
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	1,581	608	3,757
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	1,581	608	3,757
plus Opening Retained Profits	203,005	201,030	195,858
plus/less: Prior Period Adjustments	61,522	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	189	187	168
- Debt guarantee fees	1,171	1,245	1,311
- Other NCP Imputation Payments	9	9	9
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(75)	(74)	(73)
- Surplus dividend paid	-	-	-
Closing Retained Profits	267,402	203,005	201,030
Return on Capital %	1.6%	2.3%	2.6%
Subsidy from Council	n/a	n/a	n/a
Calculation of dividend payable:			
Surplus (deficit) after tax	1,581	608	3,757
less: Capital grants and contributions (excluding developer contributions)	(1,832)	(249)	(825)
Surplus for dividend calculation purposes	-	359	2,932
Potential Dividend calculated from surplus	-	180	1,466

Coffs Harbour City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

Airport

Category 1

\$ '000	Actual 2012	Actual 2011
Income from continuing operations		
Access charges	-	-
User charges	3,416	3,263
Fees	-	-
Interest	85	33
Grants and contributions provided for non capital purposes	-	-
Other income	573	575
Total income from continuing operations	4,074	3,871
Expenses from continuing operations		
Employee benefits and on-costs	590	577
Borrowing costs	296	326
Materials and contracts	918	831
Depreciation and impairment	1,254	1,273
Calculated taxation equivalents	256	256
Debt guarantee fee (if applicable)	38	44
Other NCP Imputation Payments	4	4
Other expenses	424	450
Total expenses from continuing operations	3,780	3,761
Surplus (deficit) from Continuing Operations before capital amounts	294	110
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	294	110
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	294	110
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(88)	(33)
SURPLUS (DEFICIT) AFTER TAX	206	77
plus Opening Retained Profits	19,388	18,904
plus/less: Prior Period Adjustments	(350)	334
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	256	256
- Debt guarantee fees	38	44
- Other NCP Imputation Payments	4	4
- Corporate taxation equivalent	88	33
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	(230)	(264)
Closing Retained Profits	19,400	19,388
Return on Capital %	1.1%	0.8%
Subsidy from Council	1,082	2,467

Coffs Harbour City Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	2,087	904
Investments	5,425	7,953
Receivables	3,425	4,848
Inventories	223	251
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	11,160	13,956
Non-Current Assets		
Investments	31,141	32,948
Receivables	53	56
Inventories	-	-
Infrastructure, property, plant and equipment	265,216	257,006
Investments accounted for using equity method	-	-
Investment property	-	-
Other	66,869	67,774
Total non-Current Assets	363,279	357,784
TOTAL ASSETS	374,439	371,740
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1,467	1,328
Interest bearing liabilities	6,563	6,183
Provisions	-	-
Total Current Liabilities	8,030	7,511
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	89,973	96,536
Provisions	-	-
Total Non-Current Liabilities	89,973	96,536
TOTAL LIABILITIES	98,003	104,047
NET ASSETS	276,436	267,693
EQUITY		
Retained earnings	166,925	180,461
Revaluation reserves	109,511	87,232
Council equity interest	276,436	267,693
Minority equity interest	-	-
TOTAL EQUITY	276,436	267,693

Coffs Harbour City Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	2,194	991
Investments	27,956	30,242
Receivables	1,993	1,472
Inventories	-	45
Other	9	8
Non-current assets classified as held for sale	-	-
Total Current Assets	32,152	32,758
Non-Current Assets		
Investments	34,277	41,987
Receivables	303	266
Inventories	-	-
Infrastructure, property, plant and equipment	425,096	314,731
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	459,676	356,984
TOTAL ASSETS	491,828	389,742
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1,658	1,531
Interest bearing liabilities	7,505	7,344
Provisions	-	-
Total Current Liabilities	9,163	8,875
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	109,628	117,133
Provisions	-	-
Total Non-Current Liabilities	109,628	117,133
TOTAL LIABILITIES	118,791	126,008
NET ASSETS	373,037	263,734
EQUITY		
Retained earnings	267,402	203,005
Revaluation reserves	105,635	60,729
Council equity interest	373,037	263,734
Minority equity interest	-	-
TOTAL EQUITY	373,037	263,734

Coffs Harbour City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

Airport

Category 1

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	1,714	727
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	1,714	727
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	55,185	55,711
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	55,185	55,711
TOTAL ASSETS	56,899	56,438
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	55	63
Interest bearing liabilities	613	572
Provisions	-	-
Total Current Liabilities	668	635
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	3,204	3,817
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	3,204	3,817
TOTAL LIABILITIES	3,872	4,452
NET ASSETS	53,027	51,986
EQUITY		
Retained earnings	19,400	19,388
Revaluation reserves	33,627	32,598
Council equity interest	53,027	51,986
Minority equity interest	-	-
TOTAL EQUITY	53,027	51,986

Coffs Harbour City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

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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 2012

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Coffs Harbour City Council Water Supplies

Water supply activity servicing the Coffs Harbour local government area

b. Coffs Harbour City Council Sewerage Service

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

c. Coffs Harbour Regional Airport

Airport activities carried out by Council in its own name

Category 2

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

Nil

Monetary Amounts

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

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

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

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 2012 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

2012

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	997,000
(ii)	No of assessments multiplied by \$3/assessment	78,756
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	78,756
(iv)	Amounts actually paid for Tax Equivalents	31,764

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	708,804
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	(4,137,000)

2012 Surplus	(2,436,000)	2011 Surplus	(3,288,000)	2010 Surplus	1,587,000
		2011 Dividend	-	2010 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 2012

Note 2. Water Supply Business

Best Practice Management disclosure requirements (continued)

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

2012

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	17,711
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)]	%	73.11%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	263,399
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	8,320
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,598
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)]	%	1.32%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2012

1. Calculation and Payment of Tax-Equivalents

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

(i) Calculated Tax Equivalents	1,360,000
(ii) No of assessments multiplied by \$3/assessment	75,105
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	75,105
(iv) Amounts actually paid for Tax Equivalents	75,105

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)	675,945
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	3,040,000

2012 Surplus	(251,000)	2011 Surplus	359,000	2010 Surplus	2,932,000
		2011 Dividend	-	2010 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	-
(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 2012

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2012

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	25,371
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	423,783
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	12,025
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	5,001
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)]	%	1.55%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	393

**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	43,082
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.13%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	6,599
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)]	%	1.46%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Coffs Harbour City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2012

**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))]	%	17.03%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		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	1,441
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	485

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 2. 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 REPORT
INDEPENDENT AUDIT REPORT**

We have audited the accompanying financial report, being a special purpose financial report, of Coffs Harbour City Council (the Council), which comprises the balance sheet as at 30 June 2012, 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 Report

The Council is responsible for the preparation of the financial report 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 a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report 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 report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report that gives 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 report.

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.



Independence

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

Auditor's Opinion

In our opinion the special purpose financial report of Coffs Harbour City Council:

- i) has 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;
 - a) is consistent with the Council's accounting records;
 - b) presents fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2012 and the results of their operations for the year then ended;
- ii) all information relevant to the conduct of the audit has been obtained; and
- iii) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the special purpose financial report of Coffs Harbour City Council for the year ended 30 June 2012 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the requirements of the NSW Division of Local Government. As a result, the financial report may not be suitable for another purpose.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

D H SINGH (Partner)
Registered Company Auditor

Dated at Lismore this 31st day of October 2012.

Coffs Harbour City Council

SPECIAL SCHEDULES
for the year ended 30 June 2012

“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 2012

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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 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,172	-	-	(1,172)
Administration	26,053	7,305	594	(18,154)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,409	655	739	(15)
Beach Control	580	22	-	(558)
Enforcement of Local Govt. Regulations	1,031	115	-	(916)
Animal Control	400	276	-	(124)
Other	29	154	-	125
Total Public Order & Safety	3,449	1,222	739	(1,488)
Health	-	-	-	-
Environment				
Noxious Plants and Insect/Vermin Control	227	212	-	(15)
Other Environmental Protection	1,489	1,197	-	(292)
Solid Waste Management	16,108	16,021	5	(82)
Street Cleaning	354	-	-	(354)
Drainage	4,699	497	2,148	(2,054)
Stormwater Management	-	660	-	660
Total Environment	22,877	18,587	2,153	(2,137)
Community Services and Education				
Administration & Education	704	70	-	(634)
Social Protection (Welfare)	891	109	91	(691)
Aged Persons and Disabled	1	1	-	-
Children's Services	99	2	-	(97)
Total Community Services & Education	1,695	182	91	(1,422)
Housing and Community Amenities				
Public Cemeteries	246	301	-	55
Public Conveniences	498	-	-	(498)
Street Lighting	795	158	-	(637)
Town Planning	1,115	236	37	(842)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	2,654	695	37	(1,922)
Water Supplies	18,346	18,281	1,743	1,678
Sewerage Services	22,858	26,801	2,836	6,779

Coffs Harbour City Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,914	172	78	(1,664)
Museums	48	(6)	-	(54)
Art Galleries	118	51	-	(67)
Community Centres and Halls	759	309	-	(450)
Performing Arts Venues	659	177	-	(482)
Other Performing Arts	-	-	-	-
Other Cultural Services	82	73	175	166
Sporting Grounds and Venues	1,765	460	145	(1,160)
Swimming Pools	543	-	-	(543)
Parks & Gardens (Lakes)	6,662	1,530	524	(4,608)
Other Sport and Recreation	1,386	-	-	(1,386)
Total Recreation and Culture	13,936	2,766	922	(10,248)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	2,123	1,756	-	(367)
Other Mining, Manufacturing & Construction	274	38	-	(236)
Total Mining, Manufacturing and Const.	2,397	1,794	-	(603)
Transport and Communication				
Urban Roads (UR) - Local	7,695	425	1,110	(6,160)
Urban Roads - Regional	1,724	112	319	(1,293)
Sealed Rural Roads (SRR) - Local	3,246	284	945	(2,017)
Sealed Rural Roads (SRR) - Regional	592	896	-	304
Unsealed Rural Roads (URR) - Local	374	7	-	(367)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	234	-	-	(234)
Bridges on SRR - Local	236	-	-	(236)
Bridges on URR - Local	202	140	-	(62)
Bridges on Regional Roads	159	-	-	(159)
Parking Areas	935	14	9	(912)
Footpaths	702	31	21	(650)
Aerodromes	3,079	3,988	-	909
Other Transport & Communication	493	207	2	(284)
Total Transport and Communication	19,671	6,104	2,406	(11,161)
Economic Affairs				
Camping Areas & Caravan Parks	1,551	534	-	(1,017)
Other Economic Affairs	2,143	1,591	5,288	4,736
Total Economic Affairs	3,694	2,125	5,288	3,719
Totals – Functions	138,802	85,862	16,809	(36,131)
General Purpose Revenues⁽²⁾		42,433		42,433
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	138,802	128,295	16,809	6,302

(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)

Coffs Harbour City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2012

\$'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)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	(38)	1,833	1,795	-	(38)	-	-	-	9	1,824	1,833
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	17,094	237,649	254,743	-	16,912	-	-	16,987	17,303	220,528	237,831
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	17,056	239,482	256,538	-	16,874	-	-	16,987	17,312	222,352	239,664
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	17,056	239,482	256,538	-	16,874	-	-	16,987	17,312	222,352	239,664

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 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	2,101	2,026
b. Engineering and Supervision	1,103	1,056
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	506	443
b. Maintenance expenses	379	188
- Mains		
c. Operation expenses	310	245
d. Maintenance expenses	1,179	1,323
- Reservoirs		
e. Operation expenses	184	186
f. Maintenance expenses	232	161
- Pumping Stations		
g. Operation expenses (excluding energy costs)	54	177
h. Energy costs	234	207
i. Maintenance expenses	33	34
- Treatment		
j. Operation expenses (excluding chemical costs)	971	794
k. Chemical costs	325	418
l. Maintenance expenses	254	196
- Other		
m. Operation expenses	335	483
n. Maintenance expenses	77	101
o. Purchase of water	43	57
3. Depreciation expenses		
a. System assets	5,579	5,362
b. Plant and equipment	306	295
4. Miscellaneous expenses		
a. Interest expenses	6,891	7,309
b. Revaluation Decrements	-	-
c. Other expenses	64	49
d. Tax Equivalents Dividends (actually paid)	32	32
5. Total expenses	21,192	21,142

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 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges		
a. Access (including rates)	3,055	2,935
b. Usage charges	8,305	7,730
7. Non-residential charges		
a. Access (including rates)	571	552
b. Usage charges	2,999	2,678
8. Extra charges	14	9
9. Interest income	2,547	2,689
10. Other income	750	289
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	245	243
c. Other grants	-	2
12. Contributions		
a. Developer charges	1,240	1,131
b. Developer provided assets	501	583
c. Other contributions	31	4,282
13. Total income	<u>20,258</u>	<u>23,123</u>
14. Gain (or loss) on disposal of assets	-	2
15. Operating Result	<u>(934)</u>	<u>1,983</u>
15a. Operating Result (less grants for acquisition of assets)	(934)	1,983

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 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	142	1,976
b. New Assets for Growth	972	3,369
c. Renewals	423	26
d. Plant and equipment	61	228
17. Repayment of debt		
a. Loans	6,183	5,939
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	7,781	11,538
Non-operating funds employed		
20. Proceeds from disposal of assets	-	2
21. Borrowing utilised		
a. Loans	1,245	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	1,245	2
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	23,513	23,177
b. Residential (unoccupied, ie. vacant lot)	1,056	1,003
c. Non-residential (occupied)	1,593	1,556
d. Non-residential (unoccupied, ie. vacant lot)	90	100
25. Number of ETs for which developer charges were received	137 ET	131 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 244,890	\$ 243,034

Coffs Harbour City Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2012

\$'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 2011/12 (page 47 of Guidelines)			<input type="text" value="1,768,968"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="1,768,968"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.			

Coffs Harbour City Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	105	-	105
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	4,227	20,056	24,283
e. Sinking fund	-	-	-
f. Other	3,180	11,085	14,265
31. Receivables			
a. Specific purpose grants	62	-	62
b. Rates and Availability Charges	173	53	226
c. Other (including User Charges)	3,190	-	3,190
32. Inventories	223	-	223
33. Property, plant and equipment			
a. System assets	-	263,399	263,399
b. Plant and equipment	-	1,817	1,817
34. Other assets	-	66,869	66,869
35. Total assets	11,160	363,279	374,439
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	1,467	-	1,467
38. Borrowings			
a. Loans	6,563	89,973	96,536
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	8,030	89,973	98,003
41. NET ASSETS COMMITTED	3,130	273,306	276,436
EQUITY			
42. Accumulated surplus			166,925
43. Asset revaluation reserve			109,511
44. TOTAL EQUITY			276,436
Note to system assets:			
45. Current replacement cost of system assets			369,533
46. Accumulated current cost depreciation of system assets			(106,134)
47. Written down current cost of system assets			263,399

Coffs Harbour City Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	2,680	2,478
b. Engineering and Supervision	1,434	1,342
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	346	303
b. Maintenance expenses	402	515
- Pumping Stations		
c. Operation expenses (excluding energy costs)	1,002	1,023
d. Energy costs	482	466
e. Maintenance expenses	865	738
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,208	1,212
g. Chemical costs	243	313
h. Energy costs	1,093	895
i. Effluent Management	334	309
j. Biosolids Management	745	705
k. Maintenance expenses	825	685
- Other		
l. Operation expenses	347	259
m. Maintenance expenses	19	12
3. Depreciation expenses		
a. System assets	6,410	6,103
b. Plant and equipment	354	281
4. Miscellaneous expenses		
a. Interest expenses	8,297	8,815
b. Revaluation Decrements	-	-
c. Other expenses	104	86
d. Tax Equivalent Dividends (actually paid)	75	74
5. Total expenses	27,265	26,614

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 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges (including rates)	17,239	16,534
7. Non-residential charges		
a. Access (including rates)	2,289	2,188
b. Usage charges	1,987	1,943
8. Trade Waste Charges		
a. Annual Fees	91	86
b. Usage charges	379	320
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	4,376	4,563
11. Other income	668	287
12. Grants		
a. Grants for acquisition of assets	393	205
b. Grants for pensioner rebates	240	239
c. Other grants	-	-
13. Contributions		
a. Developer charges	1,203	1,037
b. Developer provided assets	1,237	863
c. Other contributions	38	324
14. Total income	<u>30,140</u>	<u>28,589</u>
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	<u>2,875</u>	<u>1,975</u>
16a. Operating Result (less grants for acquisition of assets)	2,482	1,770

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 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	176	900
b. New Assets for Growth	3,204	1,648
c. Renewals	1,554	589
d. Plant and equipment	67	66
18. Repayment of debt		
a. Loans	7,344	6,876
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	12,345	10,079
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	8,237	1,265
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	8,237	1,265
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	22,507	22,170
b. Residential (unoccupied, ie. vacant lot)	965	953
c. Non-residential (occupied)	1,462	1,426
d. Non-residential (unoccupied, ie. vacant lot)	101	109
26. Number of ETs for which developer charges were received	137 ET	115 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 239,585	\$ 238,853

Coffs Harbour City Council

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
<p>a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?</p> <p>If Yes, go to 29a. If No, please report if council has removed land value from access charges (ie rates)?</p> <p>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.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/>	
	<input type="checkbox"/>	<input type="checkbox"/>	
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			
<p>a. Has council completed a sewerage Development Servicing** Plan?</p> <p>b. Total cross-subsidy in sewerage developer charges for 2011/12 (page 47 of Guidelines)</p> <p>** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/>	
			<input type="text" value="539,856"/>
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="539,856"/>

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Coffs Harbour City Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	64	-	64
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	27,966	14,452	42,418
e. Sinking fund	-	-	-
f. Other	2,120	19,825	21,945
32. Receivables			
a. Specific purpose grants	414	-	414
b. Rates and Availability Charges	905	268	1,173
c. Other (including User Charges)	674	35	709
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	423,783	423,783
b. Plant and equipment	-	1,313	1,313
35. Other assets	9	-	9
36. Total Assets	<u>32,152</u>	<u>459,676</u>	<u>491,828</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	1,658	-	1,658
39. Borrowings			
a. Loans	7,505	109,628	117,133
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	<u>9,163</u>	<u>109,628</u>	<u>118,791</u>
42. NET ASSETS COMMITTED	<u>22,989</u>	<u>350,048</u>	<u>373,037</u>
EQUITY			
42. Accumulated surplus			267,402
44. Asset revaluation reserve			105,635
45. TOTAL EQUITY			<u>373,037</u>
Note to system assets:			
46. Current replacement cost of system assets			566,753
47. Accumulated current cost depreciation of system assets			(142,970)
48. Written down current cost of system assets			<u>423,783</u>

Coffs Harbour City Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2012

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading.
- Bad and doubtful debts.
- Other administrative/corporate support services.

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) 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. 7 - Condition of Public Works (continued)
as at 30 June 2012

\$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition ^{#.}	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
		per Note 1	per Note 4	<<<<<<<<< per Note 9 >>>>>>>>>>>>>>>>							
Drainage Works	Retarding Basins	1.00%	47	-	3,983	381	3,602	1	-	25	5
	Stormwater Pits	1.30%	247	-	20,912	3,596	17,316	2	239	35	31
	Head Walls	1.00%	25	-	2,105	383	1,722	2	4	13	3
	Channels	1.30%	90	-	2,601	1,135	1,466	3	866	12	2
	Stormwater Pipes	1.30%	2,045	-	169,771	34,045	135,726	2	86	235	230
	Gross Pollutant Traps	3.30%	15	-	480	63	417	2	44	55	1
	Box Culverts	1.30%	165	-	13,936	4,006	9,930	2	39	18	18
	sub total		2,634	-	213,788	43,609	170,179		1,278	393	290
	TOTAL - ALL ASSETS		28,647	-	1,800,612	468,544	1,332,068		77,073	18,612	16,955

Notes:
 (1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
 (2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
 (3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

Asset Condition "Key" - as per the DLG Integrated Planning & Reporting Manual

1	Excellent - No work required (normal maintenance)
2	Good - Only minor maintenance work required
3	Average - Maintenance work required
4	Poor - Renewal required
5	Very Poor - Urgent renewal/upgrading required

Coffs Harbour City Council

Special Schedule No. 8 - Financial Projections
as at 30 June 2012

\$'000	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	145,104	138,246	144,268	148,637	153,756
Expenses from continuing operations	138,802	146,105	148,723	152,300	156,545
Operating Result from Continuing Operations	<u>6,302</u>	<u>(7,859)</u>	<u>(4,455)</u>	<u>(3,663)</u>	<u>(2,789)</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	28,799	19,151	19,589	16,756	16,513
Replacement/Refurbishment of Existing Assets	7,323	15,611	22,073	15,967	15,763
Total Capital Budget	<u>36,122</u>	<u>34,762</u>	<u>41,662</u>	<u>32,723</u>	<u>32,276</u>
Funded by:					
– Loans	-	7,142	4,410	1,912	722
– Asset sales	1,200	1,340	2,249	1,801	2,238
– Reserves	13,476	3,808	11,113	6,100	5,467
– Grants/Contributions	16,809	17,491	19,088	17,861	18,621
– Recurrent revenue	4,637	4,981	4,802	5,049	5,228
– Other	-	-	-	-	-
	<u>36,122</u>	<u>34,762</u>	<u>41,662</u>	<u>32,723</u>	<u>32,276</u>

Notes:

(1) From 11/12 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.