

Cessnock City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

"...thriving, attractive and welcoming."



Cessnock City Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Cessnock City Council.

(ii) Cessnock City Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 29 October 2015. Council has the power to amend and reissue these financial statements.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2015.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

More information

A review of Council's financial performance and position for the 2014/15 financial year can be found at Note 28 of the financial statements.

Cessnock City Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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:

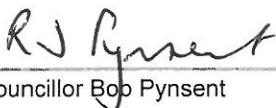
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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 16 September 2015.



Councillor Bob Pynsent
MAYOR



Councillor Allan Stapleford
COUNCILLOR



Mr Stephen Glen
GENERAL MANAGER



Mr Robert Maginnity
RESPONSIBLE ACCOUNTING OFFICER

Cessnock City Council

Income Statement

for the financial year ended 30 June 2015

Budget ¹ 2015	\$ '000	Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
Revenue:				
43,058	Rates & Annual Charges	3a	42,162	41,263
6,773	User Charges & Fees	3b	7,510	8,767
860	Interest & Investment Revenue	3c	1,098	1,359
1,003	Other Revenues	3d	1,557	1,668
11,462	Grants & Contributions provided for Operating Purposes	3e,f	16,209	11,779
8,202	Grants & Contributions provided for Capital Purposes	3e,f	10,930	8,336
71,358	Total Income from Continuing Operations		79,466	73,172
Expenses from Continuing Operations				
27,446	Employee Benefits & On-Costs	4a	27,084	25,078
792	Borrowing Costs	4b	627	607
11,114	Materials & Contracts	4c	15,734	16,120
15,031	Depreciation & Amortisation	4d	12,688	12,848
-	Impairment	4d	251	-
11,089	Other Expenses	4e	11,775	10,974
-	Net Losses from the Disposal of Assets	5	3,845	3,712
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	-	-
65,472	Total Expenses from Continuing Operations		72,004	69,339
5,886	Operating Result from Continuing Operations		7,462	3,833
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
5,886	Net Operating Result for the Year		7,462	3,833
5,886	Net Operating Result attributable to Council		7,462	3,833
-	Net Operating Result attributable to Non-controlling Interests		-	-
(2,316)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(3,468)	(4,503)

¹ Original Budget as approved by Council - refer Note 16

Cessnock City Council

Statement of Comprehensive Income
for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		7,462	3,833
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	9,798	72,874
Adjustment to correct prior period errors		-	-
Total Items which will not be reclassified subsequently to the Operating Result		9,798	72,874
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
		-	-
Total Other Comprehensive Income for the year		9,798	72,874
Total Comprehensive Income for the Year		17,260	76,707
Total Comprehensive Income attributable to Council		17,260	76,707
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Cessnock City Council

Statement of Financial Position
as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	24,453	13,723
Investments	6b	10,800	16,100
Receivables	7	3,562	3,172
Inventories	8	343	343
Other	8	54	80
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		39,212	33,418
Non-Current Assets			
Investments	6b	2,400	1,000
Receivables	7	-	21
Inventories	8	1,270	1,270
Infrastructure, Property, Plant & Equipment	9	709,657	712,416
Other	8	-	-
Total Non-Current Assets		713,327	714,707
TOTAL ASSETS		752,539	748,125
LIABILITIES			
Current Liabilities			
Payables	10	8,037	7,121
Borrowings	10	1,143	1,133
Provisions	10	8,004	7,219
Total Current Liabilities		17,184	15,473
Non-Current Liabilities			
Payables	10	2,103	603
Borrowings	10	7,750	8,893
Provisions	10	11,381	11,368
Total Non-Current Liabilities		21,234	20,864
TOTAL LIABILITIES		38,418	36,337
Net Assets		714,121	711,788
EQUITY			
Retained Earnings	20	401,750	409,215
Revaluation Reserves	20	312,371	302,573
Council Equity Interest		714,121	711,788
Non-controlling Equity Interests		-	-
Total Equity		714,121	711,788

Cessnock City Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		409,215	302,573	711,788	-	711,788
a. Correction of Prior Period Errors	20 (c)	(14,927)	-	(14,927)	-	(14,927)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		394,288	302,573	696,861	-	696,861
c. Net Operating Result for the Year		7,462	-	7,462	-	7,462
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	9,798	9,798	-	9,798
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	9,798	9,798	-	9,798
Total Comprehensive Income (c&d)		7,462	9,798	17,260	-	17,260
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		401,750	312,371	714,121	-	714,121

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		405,382	229,699	635,081	-	635,081
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		405,382	229,699	635,081	-	635,081
c. Net Operating Result for the Year		3,833	-	3,833	-	3,833
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	72,874	72,874	-	72,874
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	72,874	72,874	-	72,874
Total Comprehensive Income (c&d)		3,833	72,874	76,707	-	76,707
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		409,215	302,573	711,788	-	711,788

Cessnock City Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
44,100	Rates & Annual Charges		42,746	42,150
5,700	User Charges & Fees		7,906	5,931
1,000	Investment & Interest Revenue Received		1,124	1,047
24,600	Grants & Contributions		26,655	21,014
-	Bonds, Deposits & Retention amounts received		1,722	32
4,000	Other		4,030	3,978
Payments:				
(25,600)	Employee Benefits & On-Costs		(26,475)	(24,881)
(16,600)	Materials & Contracts		(16,960)	(15,398)
(600)	Borrowing Costs		(627)	(607)
-	Bonds, Deposits & Retention amounts refunded		-	(134)
(10,600)	Other		(13,571)	(11,743)
26,000	Net Cash provided (or used in) Operating Activities	11b	26,550	21,389
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		6,900	5,757
800	Sale of Infrastructure, Property, Plant & Equipment		692	807
-	Deferred Debtors Receipts		42	24
Payments:				
-	Purchase of Investment Securities		(3,000)	(10,400)
(18,130)	Purchase of Infrastructure, Property, Plant & Equipment		(19,321)	(15,371)
(17,330)	Net Cash provided (or used in) Investing Activities		(14,687)	(19,183)
Cash Flows from Financing Activities				
Receipts:				
500	Proceeds from Borrowings & Advances		-	2,000
Payments:				
(1,204)	Repayment of Borrowings & Advances		(1,133)	(999)
(704)	Net Cash Flow provided (used in) Financing Activities		(1,133)	1,001
7,966	Net Increase/(Decrease) in Cash & Cash Equivalents		10,730	3,207
13,723	plus: Cash & Cash Equivalents - beginning of year	11a	13,723	10,516
21,689	Cash & Cash Equivalents - end of the year	11a	24,453	13,723
Additional Information:				
	plus: Investments on hand - end of year	6b	13,200	17,100
	Total Cash, Cash Equivalents & Investments		37,653	30,823

Please refer to Note 11 for additional cash flow information

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

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Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

During the current year, the following relevant accounting standards became mandatory and have been adopted by Council:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

(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 2014.

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) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(ii) the write down of any Asset on the basis of Impairment (if warranted) and

(iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

The accrual basis of accounting has 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 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 AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

(i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(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 it 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.

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

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, (i) it is probable that the economic benefits comprising the contribution will

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

Details relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Section 355 Committees

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 Arrangements

Joint Operations (controlled assets & operations)

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

The proportionate interests of Council in the assets, liabilities, income and expenses of all Joint Operation activities have been incorporated throughout the financial statements under the appropriate notes & line items.

Detailed information relating to Council's Joint Operations can be found at Note 19 (c).

(iv) Associates

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

Such entities are usually termed Associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in Associates can be found at Note 19 (b).

(v) County Councils

Council is not a member of any County Councils.

(vi) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the 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.

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

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

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(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 1993 (as amended) 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.

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

A provision for impairment (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.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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

Acquisition of assets

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

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

- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External & Internal Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation & External Valuation)
- **Drainage Assets** (Internal Valuation & External Valuation)
- **Bulk Earthworks** (Internal Valuation & External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (Internal Valuation)
- **Other Structures** (Internal Valuation & External Valuation)
- **Other Assets** (as approximated by depreciated historical cost)

Initial Recognition

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

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

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

borrowing could be obtained from an independent financier under comparable terms and conditions.

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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
- land under roads (purchases after 30/6/08)	100% Capitalised

Plant & Equipment	
Office Furniture	> \$300
Office Equipment	> \$300
Other Plant & Equipment	> \$3,000

Buildings & Land Improvements	
Park Furniture & Equipment	≥ \$2,000

Building	
- construction	100% Capitalised
- renovations	Capitalised where restoration costs ≥ 20% or a complete component replacement

Other Structures	≥ \$2,000
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Stormwater Assets	
Drains & Culverts	≥ \$5,000
Other	≥ \$5,000

Transport Assets	
Roads	Capitalise if reconstruction is \$2000 and / or more than 20% of a segment area

Other Infrastructure Assets	
Swimming Pools	≥ \$2,000
Other Open Space/Recreational Assets	≥ \$2,000
Other Structures	≥ \$2,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line condition based method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Land is not depreciated.

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

Plant & Equipment	
- Office Equipment	4 to 10 years
- Office furniture	4 to 10 years
- Computer Equipment	4 to 5 years
- Vehicles	4 to 8 years
- Heavy Plant/Road Making equip.	4 to 8 years
- Other plant and equipment	4 to 15 years
Other Structures	
- Playground equipment	5 to 20 years
- Benches, seats etc	10 to 20 years
Other Assets	
- Library Books	7 to 10 years
- Artworks	Indefinite
Buildings	
- Sub-Structure	50-100yrs
- Superstructure	50-100yrs
- Roof	25-50yrs
- Electrical	25-50yrs
- Hydraulic	25-50yrs
- Mechanical	10-25yrs
- Fit-outs Fittings	10-25yrs
- Fit-outs Floor Coverings	10-25yrs
Drainage Assets	
- Culverts	120 years
- Stormwater Pipes	120 years
- Stormwater Pits	120 years
Transportation Assets	
- Sealed Roads Spray Seal Surface	24 years
- Sealed Roads Asphalt Surface	34 years
- Sealed Road Base	80 years
- Sealed Road Sub Base	1,000 years
- Sealed Road Formation	1,000 years
- Unsealed Roads Gravel Surface	25 years
- Unsealed Roads Gravel Base	80 years
- Unsealed Roads Gravel Formation	1,000 years
- Concrete Bridge - Sub Structure	120 years
- Concrete Bridge - Super Structure	120 years
- Concrete Bridge - Rails	50 years
- Timber Bridge - Sub Structure	120 years
- Timber Bridge - Super Structure	120 years
- Timber Bridge - Surface	60 years
- Timber Bridge - Rails	60 years
- Kerb, Gutter & Paths	120 years
- Footpaths and Cycleways	120 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	100 years
- Other Open Space/ Recreational Assets	10 - 50 years
- Other Structures	10 - 25 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

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

Disposal and De-recognition

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

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

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) and 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.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

Council does not have any Investment Properties.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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

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

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

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

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

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount or **(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 Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

(s) Impairment of assets

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

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

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

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

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the 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.

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 wholly settled within the 12 months after the reporting period.

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

Cessnock City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

employee benefit obligations disclosed under payables.

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

All other short-term employee benefit obligations are presented as payables.

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 wholly 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.

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.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 the prior period deficit still exists.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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.

(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.

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 interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

mandatory for reporting periods ending 30 June 2015.

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.

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue

recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014 - 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

Cessnock City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

Not applicable to Local Government per se;

None

(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.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	-	-	-	1,144	967	1,002	(1,144)	(967)	(1,002)	-	-	46	545
Administration	772	1,356	1,806	26,180	10,861	10,570	(25,408)	(9,505)	(8,764)	-	-	94,246	85,832
Public Order & Safety	509	513	537	1,755	2,144	2,135	(1,246)	(1,631)	(1,598)	-	-	6,966	7,141
Health	1,068	1,050	926	886	896	742	182	154	184	-	-	268	189
Environment	13,138	13,320	13,037	10,979	12,762	12,229	2,159	558	808	1,208	319	96,693	46,909
Community Services & Education	45	51	67	338	476	483	(293)	(425)	(416)	48	63	4,154	4,155
Housing & Community Amenities	1,389	1,586	1,470	4,321	5,526	5,381	(2,932)	(3,940)	(3,911)	130	109	2,850	2,945
Recreation & Culture	666	1,790	1,430	5,412	9,144	8,952	(4,746)	(7,354)	(7,522)	327	294	74,805	75,273
Mining, Manufacturing & Construction	543	482	552	1,099	1,290	1,254	(556)	(808)	(702)	-	-	217	188
Transport & Communication	12,734	19,110	14,485	12,116	26,708	25,594	618	(7,598)	(11,109)	1,426	1,417	470,747	521,265
Economic Affairs	540	376	249	1,242	1,230	997	(702)	(854)	(748)	-	61	1,547	3,683
Total Functions & Activities	31,404	39,634	34,559	65,472	72,004	69,339	(34,068)	(32,370)	(34,780)	3,139	2,263	752,539	748,125
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	39,954	39,832	38,613	-	-	-	39,954	39,832	38,613	7,471	7,496	-	-
Operating Result from Continuing Operations	71,358	79,466	73,172	65,472	72,004	69,339	5,886	7,462	3,833	10,610	9,759	752,539	748,125

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

Fire protection, animal control, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, immunisations, food control, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration, youth services, other family and children, aged and disabled, other community services.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens, other sport and recreation.

MINING, MANUFACTURING & CONSTRUCTION

Building control, quarries.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodrome, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

Tourism and area promotion, industrial development promotion, real estate development, other business undertakings.

Cessnock City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		22,332	21,262
Farmland		3,526	3,376
Mining		1,014	928
Business		4,566	4,339
Total Ordinary Rates		31,438	29,905
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		9,423	10,008
Stormwater Management Services		488	478
Waste Management Services (non-domestic)		789	848
Section 611 Charges		24	24
Total Annual Charges		10,724	11,358
TOTAL RATES & ANNUAL CHARGES		42,162	41,263

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

Cessnock City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Nil			
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Permits & Fees		566	636
Inspection Services		372	348
Private Works - Section 67		16	92
Regulatory/ Statutory Fees		78	95
Section 149 Certificates (EPA Act)		158	165
Section 603 Certificates		101	102
Town Planning		1,197	1,084
Total Fees & Charges - Statutory/Regulatory		2,488	2,522
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		159	120
Cemeteries		183	166
Cessnock Performing Arts Centre		238	256
Onsite Sewerage Management Fees		407	309
RMS (formerly RTA) Charges (State Roads not controlled by Council)		2,502	3,916
Swimming Pool Fees		192	175
Waste Disposal Tipping Fees		1,246	1,157
Other		95	146
Total Fees & Charges - Other		5,022	6,245
TOTAL USER CHARGES & FEES		7,510	8,767

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		135	197
- Interest earned on Investments (interest & coupon payment income)		963	862
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		-	300
TOTAL INTEREST & INVESTMENT REVENUE		<u>1,098</u>	<u>1,359</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		135	197
General Council Cash & Investments		288	290
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		91	93
Domestic Waste Management operations		16	29
Other Externally Restricted Assets		68	25
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		500	725
Total Interest & Investment Revenue Recognised		<u>1,098</u>	<u>1,359</u>
(d) Other Revenues			
Rental Income - Other Council Properties		342	319
Fines		221	302
General Administrative Services		13	17
Legal Fees Recovery - Rates & Charges (Extra Charges)		355	473
Legal Fees Recovery - Other		-	71
Commissions & Agency Fees		45	19
Insurance Claim Recoveries		265	249
Sales - General		32	40
Section 355 Committees		150	128
Other		134	50
TOTAL OTHER REVENUE		<u>1,557</u>	<u>1,668</u>

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	5,415	5,445	-	-
Financial Assistance - Local Roads Component	1,611	1,598	-	-
Pensioners' Rates Subsidies - General Component	445	453	-	-
Total General Purpose	7,471	7,496	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	212	220	-	-
Community Centres	-	-	16	-
Drainage	66	-	-	-
Economic Development	-	52	-	-
Library - per capita	100	99	-	-
Library - special projects	20	23	30	29
LIRS Subsidy	53	-	-	-
Noxious Weeds	66	56	-	-
Recreation & Culture	-	-	158	140
Street Lighting	100	45	-	-
Transport (Roads to Recovery)	700	941	-	-
Transport (Flood Works, Other Roads & Bridges Funding)	604	445	-	2
Welfare Services	48	63	-	-
Transport (Road Safety)	69	57	-	-
Tourism	-	9	-	-
Waste Levy Programs	864	-	-	-
Other	33	82	-	-
Total Specific Purpose	2,935	2,092	204	171
Total Grants	10,406	9,588	204	171
Grant Revenue is attributable to:				
- Commonwealth Funding	7,726	7,993	-	-
- State Funding	2,680	1,595	204	171
	10,406	9,588	204	171

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 93F - Contributions using Planning Agreements	-	-	335	-
S 94 - Contributions towards amenities/services	-	-	891	888
Total Developer Contributions	17 -	-	1,226	888
Other Contributions:				
Bushfire Protection	187	175	-	-
Dedications (other than by S94)	-	-	525	34
General Admin Services	58	419	-	-
Hunter Water Corporation Contribution	-	75	-	-
Motor Vehicle Leaseback	209	180	-	-
Road Reinstatements	120	120	-	-
RMS Contributions (Regional Roads, Block Grant)	1,290	1,149	8,973	7,204
Tourism	260	54	-	-
Transport	1	2	2	1
Road Classification - Hunter Expressway Project	3,610	-	-	-
Other	68	17	-	38
Total Other Contributions	5,803	2,191	9,500	7,277
Total Contributions	5,803	2,191	10,726	8,165
TOTAL GRANTS & CONTRIBUTIONS	16,209	11,779	10,930	8,336

\$ '000	Actual 2015	Actual 2014
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(g) Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	4,757	4,721
add: Grants & contributions recognised in the current period but not yet spent:	6,813	1,264
less: Grants & contributions recognised in a previous reporting period now spent:	(946)	(1,228)
Net Increase (Decrease) in Restricted Assets during the Period	5,867	36
Unexpended and held as Restricted Assets	10,624	4,757
Comprising:		
- Specific Purpose Unexpended Grants	2,303	587
- Developer Contributions	4,711	4,170
- Other Contributions	3,610	-
	10,624	4,757

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		19,285	18,109
Travelling		555	591
Employee Leave Entitlements (ELE)		4,255	3,853
Superannuation		2,895	2,673
Workers' Compensation Insurance		599	463
Fringe Benefit Tax (FBT)		455	326
Training Costs (other than Salaries & Wages)		372	302
Other		15	46
Total Employee Costs		28,431	26,363
less: Capitalised Costs		(1,347)	(1,285)
TOTAL EMPLOYEE COSTS EXPENSED		27,084	25,078
Number of "Equivalent Full Time" Employees at year end		280	268
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		627	607
Total Interest Bearing Liability Costs Expensed		627	607
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		627	607
(c) Materials & Contracts			
Raw Materials & Consumables		9,812	8,535
Contractor & Consultancy Costs		5,009	6,531
Auditors Remuneration ⁽¹⁾		52	34
Infringement Notice Contract Costs (SEINS)		24	23
Legal Expenses:			
- Legal Expenses: Planning & Development		294	84
- Legal Expenses: Debt Recovery		366	495
- Legal Expenses: Other		10	157
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payment ⁽²⁾		167	261
TOTAL MATERIALS & CONTRACTS		15,734	16,120

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts (continued)			
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		52	34
Remuneration for audit and other assurance services		52	34
Total Auditor Remuneration		52	34
2. Operating Lease Payments are attributable to:			
Computers		152	243
Other		15	18
		167	261

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,521	1,850
Office Equipment		-	-	360	358
Furniture & Fittings		-	-	34	34
Buildings - Non Specialised		-	-	148	148
Buildings - Specialised		-	-	1,283	1,280
Other Structures		-	-	98	56
Infrastructure:					
- Roads		-	-	7,063	6,984
- Bridges		251	-	441	424
- Footpaths		-	-	226	222
- Stormwater Drainage		-	-	672	665
- Swimming Pools		-	-	19	27
- Other Open Space/Recreational Assets		-	-	620	622
Other Assets					
- Library Books		-	-	203	178
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		251	-	12,688	12,848

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		162	205
Bad & Doubtful Debts		60	146
Bank Charges		41	34
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		76	71
- NSW Fire Brigade Levy		300	301
- NSW Rural Fire Service Levy		323	368
- Waste Levy		6,678	5,934
Councillor Expenses - Mayoral Fee		39	38
Councillor Expenses - Councillors' Fees		233	227
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		64	91
Donations, Contributions & Assistance to other organisations (Section 356)		78	68
Electricity & Heating		538	540
Insurance		1,120	892
Rate Collection Agency Expenses		86	74
RSCPA Contribution		294	294
Section 355 Committees		137	86
Street Lighting		926	963
Subsidies		29	28
Telephone & Communications		387	368
Tourism Board Contribution		-	13
Valuation Fees		141	146
Other		63	87
<u>TOTAL OTHER EXPENSES</u>		<u>11,775</u>	<u>10,974</u>

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	73
less: Carrying Amount of Property Assets Sold / Written Off		-	-
Net Gain/(Loss) on Disposal		-	73
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		692	734
less: Carrying Amount of P&E Assets Sold / Written Off		(706)	(774)
Net Gain/(Loss) on Disposal		(14)	(40)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(3,831)	(3,702)
Net Gain/(Loss) on Disposal		(3,831)	(3,702)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		6,900	5,757
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(6,900)	(5,800)
Net Gain/(Loss) on Disposal		-	(43)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,845)	(3,712)
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		-	(43)
Net Gain/(Loss) on Disposal of Financial Instruments		-	(43)

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015	2015	2014	2014
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		10,356	-	656	-
Cash-Equivalent Assets ¹					
- Deposits at Call		397	-	5,167	-
- Short Term Deposits		13,700	-	7,900	-
Total Cash & Cash Equivalents		24,453	-	13,723	-
Investments (Note 6b)					
- Long Term Deposits		10,800	1,400	16,100	-
- NCD's, FRN's (with Maturities > 3 months)		-	1,000	-	1,000
Total Investments		10,800	2,400	16,100	1,000
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		35,253	2,400	29,823	1,000

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

b. "Held to Maturity"		24,453	-	13,723	-
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Investments

b. "Held to Maturity"	6(b-ii)	10,800	2,400	16,100	1,000
Investments		10,800	2,400	16,100	1,000

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6b. Investments (continued)

\$ '000	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 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	-	-	200	-
Revaluations (through the Income Statement)	-	-	300	-
Disposals (sales & redemptions)	-	-	(500)	-
Balance at End of Year	-	-	-	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	16,100	1,000	12,000	-
Additions	1,600	1,400	9,400	1,000
Disposals (sales & redemptions)	(6,900)	-	(5,300)	-
Balance at End of Year	10,800	2,400	16,100	1,000
Comprising:				
- Long Term Deposits	10,800	1,400	16,100	-
- NCD's, FRN's (with Maturities > 3 months)	-	1,000	-	1,000
Total	10,800	2,400	16,100	1,000

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	35,253	2,400	29,823	1,000
attributable to:				
External Restrictions (refer below)	9,068	2,400	4,601	1,000
Internal Restrictions (refer below)	24,909	-	23,889	-
Unrestricted	1,276	-	1,333	-
	35,253	2,400	29,823	1,000

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General	(D)	4,170	1,317	(776)	4,711
RMS (formerly RTA) Contributions	(E)	-	3,610	-	3,610
Specific Purpose Unexpended Grants	(F)	587	1,716	-	2,303
Domestic Waste Management	(G)	782	-	-	782
Other		62	-	-	62
External Restrictions - Other		5,601	6,643	(776)	11,468
Total External Restrictions		5,601	6,643	(776)	11,468

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

E RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

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

G Domestic Waste Management (DWM) is an externally restricted asset and must be applied for the purposes for which it was raised.

Cessnock City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	2,631	1,308	(651)	3,288
Employees Leave Entitlement	1,575	795	(274)	2,096
Carry Over Works	1,096	971	(1,096)	971
Bridge Replacement	208	406	(162)	452
Cemetery	6	7	(8)	5
Computer Services	243	164	(165)	242
Insurance Provisions	503	-	(154)	349
Miscellaneous and Property	1,895	1,562	(695)	2,762
Operations and Programs	384	354	(23)	715
Property Investment Fund	634	-	(9)	625
Rezoning Fees	-	235	-	235
Sanitary Operations	35	-	(8)	27
Single Invitation Contracts	654	317	(54)	917
Unexpended Loan Funds	1,379	-	(1,083)	296
Waste Depot & Rehabilitation	12,646	11,889	(12,806)	11,729
Energy Efficiency Reserve	-	200	-	200
Total Internal Restrictions	23,889	18,208	(17,188)	24,909
TOTAL RESTRICTIONS	29,490	24,851	(17,964)	36,377

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		968	-	1,463	-
Interest & Extra Charges		302	-	399	-
User Charges & Fees		13	-	17	-
Accrued Revenues					
- Interest on Investments		201	-	130	-
Bushfire Protection		16	-	32	-
Deferred Debtors		-	-	21	21
Garbage Tipping Fees		56	-	31	-
Government Grants & Subsidies		308	-	237	-
Industrial Development		20	-	119	-
Net GST Receivable		507	-	335	-
Rental Charges		195	-	223	-
Restoration Charges		3	-	7	-
RMS Debtors - State Roads		927	-	141	-
Vehicle Sales		-	-	34	-
Workers Compensation Refunds		6	-	-	-
Planning Proposals		-	-	38	-
Premises Inspections		95	-	71	-
Other Debtors		299	-	228	-
Total		3,916	-	3,526	21
less: Provision for Impairment					
Rates & Annual Charges		(115)	-	(103)	-
Other Debtors		(239)	-	(251)	-
Total Provision for Impairment - Receivables		(354)	-	(354)	-
TOTAL NET RECEIVABLES		3,562	-	3,172	21
Externally Restricted Receivables					
Domestic Waste Management		474	-	587	-
Stormwater Management		20	-	25	-
Other					
- Other Restricted Receivables		56	-	31	-
Total External Restrictions		550	-	643	-
Internally Restricted Receivables - Nil					
Unrestricted Receivables		3,012	-	2,529	21
TOTAL NET RECEIVABLES		3,562	-	3,172	21

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 8.50% (2014 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.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		-	1,270	-	1,270
Stores & Materials		343	-	343	-
Total Inventories		343	1,270	343	1,270
Other Assets					
Prepayments		54	-	80	-
Total Other Assets		54	-	80	-
TOTAL INVENTORIES / OTHER ASSETS		397	1,270	423	1,270

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures**(a) Details for Real Estate Development**

Residential		-	1,270	-	1,270
Total Real Estate for Resale		-	1,270	-	1,270

(Valued at the lower of cost and net realisable value)

Represented by:

Development Costs		-	1,270	-	1,270
Total Costs		-	1,270	-	1,270
Total Real Estate for Resale		-	1,270	-	1,270

Movements:

Real Estate assets at beginning of the year		-	1,270	-	3,329
- Transfers in from (out to) Note 9		-	-	-	(2,059)
Total Real Estate for Resale		-	1,270	-	1,270

(b) Inventory Write Downs

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other assets held.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period									as at 30/6/2015				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	WIP Transfers	Adjustments & Transfers	Other Movements Prior Year Adjustments	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment													Dep'n	Impairment	
Capital Work in Progress	1,435	-	-	-	1,435	8,738	-	-	-	(1,251)	-	-	-	-	8,922	-	-	-	8,922
Plant & Equipment	-	18,678	13,038	-	5,640	2,483	(706)	(1,521)	-	-	-	-	-	-	-	19,809	13,913	-	5,896
Office Equipment	-	3,026	2,087	-	939	302	-	(360)	-	6	-	-	-	-	-	3,334	2,447	-	887
Furniture & Fittings	-	1,287	1,198	-	89	27	-	(34)	-	9	-	-	-	-	-	1,323	1,232	-	91
Plant & Equipment (under Finance Lease)	-	281	281	-	-	-	-	-	-	-	-	-	-	-	-	281	281	-	-
Land:																			
- Operational Land	-	40,902	-	-	40,902	177	-	-	-	19	-	-	-	-	-	41,098	-	-	41,098
- Community Land	-	29,876	-	-	29,876	-	-	-	-	-	-	-	-	-	-	29,876	-	-	29,876
- Land under Roads (post 30/6/08)	-	862	-	-	862	524	-	-	-	-	-	-	-	-	-	1,386	-	-	1,386
Buildings - Non Specialised	-	14,834	1,394	-	13,440	116	-	(148)	-	-	-	-	-	-	-	14,950	1,542	-	13,408
Buildings - Specialised	-	66,355	13,402	-	52,953	560	(252)	(1,283)	-	93	-	-	-	572	-	67,395	14,752	-	52,643
Other Structures	-	1,444	596	-	848	15	-	(98)	-	-	1,736	-	-	-	-	3,449	948	-	2,501
Infrastructure:																			
- Roads	-	541,672	63,012	-	478,660	4,278	(2,464)	(7,063)	-	-	(105,994)	-	-	50,437	-	497,817	79,963	-	417,854
- Bridges	-	33,053	6,726	-	26,327	1,428	(1,047)	(441)	(251)	994	-	-	(1,128)	-	-	37,969	11,836	251	25,882
- Footpaths	-	11,102	1,450	-	9,652	308	-	(226)	-	-	-	-	(500)	-	-	12,286	3,052	-	9,234
- Stormwater Drainage	-	54,024	13,180	-	40,844	288	-	(672)	-	109	104,250	(14,927)	(39,583)	-	-	121,662	31,353	-	90,309
- Swimming Pools	-	510	167	-	343	25	-	(19)	-	-	8	-	-	-	-	551	194	-	357
- Other Open Space/Recreational Assets	-	13,225	4,757	-	8,468	352	(68)	(620)	-	21	-	-	-	-	-	13,474	5,321	-	8,153
Other Assets:																			
- Library Books	-	4,939	3,804	-	1,135	225	-	(203)	-	-	-	-	-	-	-	5,164	4,007	-	1,157
- Other	-	3	-	-	3	-	-	-	-	-	-	-	-	-	-	3	-	-	3
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																			
- Tip Assets	-	8,400	8,400	-	-	-	-	-	-	-	-	-	-	-	-	8,400	8,400	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,435	844,473	133,492	-	712,416	19,846	(4,537)	(12,688)	(251)	-	-	(14,927)	(41,211)	51,009	8,922	880,227	179,241	251	709,657

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$15,360) and New Assets (\$749).
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Cessnock City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '000	Actual 2015				Actual 2014			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management								
Plant & Equipment	-	2,333	1,002	1,331	-	1,734	1,066	668
Land								
- Operational Land	-	1,586	-	1,586	-	1,586	-	1,586
Buildings	-	339	126	213	-	339	119	220
Total DWM	-	4,258	1,128	3,130	-	3,659	1,185	2,474
TOTAL RESTRICTED I,PP&E	-	4,258	1,128	3,130	-	3,659	1,185	2,474

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

\$ '000	Notes	Actual 2015	Actual 2014
(i) Impairment Losses recognised in the Income Statement:			
- Frame Drive Bridge damaged in extreme weather event		(251)	-
Total Impairment Losses		(251)	-
IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L	4(d)	(251)	-

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		5,608	-	5,304	-
Payments Received In Advance		7	668	-	603
Accrued Expenses:					
- Salaries & Wages		311	-	286	-
- Other Expenditure Accruals		1,067	-	730	-
Security Bonds, Deposits & Retentions		918	1,435	631	-
Trust Fund		126	-	170	-
Total Payables		8,037	2,103	7,121	603
Borrowings					
Loans - Secured ¹		1,143	7,750	1,133	8,893
Total Borrowings		1,143	7,750	1,133	8,893
Provisions					
Employee Benefits;					
Annual Leave		2,477	-	1,978	-
Sick Leave		511	-	491	-
Long Service Leave		5,016	140	4,750	127
Sub Total - Aggregate Employee Benefits		8,004	140	7,219	127
Asset Remediation/Restoration (Future Works) ²⁶		-	11,241	-	11,241
Total Provisions		8,004	11,381	7,219	11,368
Total Payables, Borrowings & Provisions		17,184	21,234	15,473	20,864
(i) Liabilities relating to Restricted Assets					
		2015		2014	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Domestic Waste Management		75	-	82	-
Liabilities relating to externally restricted assets		75	-	82	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		75	-	82	-
Total Liabilities relating to Unrestricted Assets		17,109	21,234	15,391	20,864
TOTAL PAYABLES, BORROWINGS & PROVISIONS		17,184	21,234	15,473	20,864

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.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Actual 2015	Actual 2014
(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	4,658	4,443
Payables - Security Bonds, Deposits & Retentions	2,337	609
Other Liabilities: Trust Fund Deposits	52	52
	<u>7,047</u>	<u>5,104</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2014		2015			
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	1,978	1,876	(1,377)	-	-	2,477
Sick Leave	491	860	(840)	-	-	511
Long Service Leave	4,877	769	(490)	-	-	5,156
Asset Remediation	11,241	-	-	-	-	11,241
TOTAL	18,587	3,505	(2,707)	-	-	19,385

- 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.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	24,453	13,723
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		24,453	13,723
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		7,462	3,833
Adjust for non cash items:			
Depreciation & Amortisation		12,688	12,848
Net Losses/(Gains) on Disposal of Assets		3,845	3,712
Non Cash Capital Grants and Contributions		(525)	(34)
Impairment Losses Recognition - I,PP&E		251	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		-	(300)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(411)	1,747
Increase/(Decrease) in Provision for Doubtful Debts		-	(116)
Decrease/(Increase) in Inventories		-	(49)
Decrease/(Increase) in Other Assets		26	394
Increase/(Decrease) in Payables		304	2,383
Increase/(Decrease) in other accrued Expenses Payable		362	167
Increase/(Decrease) in Other Liabilities		1,750	(3,557)
Increase/(Decrease) in Employee Leave Entitlements		798	361
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		26,550	21,389

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(c) Non-Cash Investing & Financing Activities			
Other Dedications		525	34
Total Non-Cash Investing & Financing Activities		525	34
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		1,000	1,000
Credit Cards / Purchase Cards		100	100
Total Financing Arrangements		1,100	1,100

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.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(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			
Vermont Bridge		12	-
Watagan Creek Road Bridge		24	-
Dairy Arm Bridge		20	-
Murrays Run Bridge		20	-
Millgang Bridge Replacement		-	415
Bob Wells Fourth St Weston Bridge Replacement		-	284
Crawfords Bridge Replacement		-	123
Total Commitments		76	822
These expenditures are payable as follows:			
Within the next year		76	822
Total Payable		76	822
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	284
Internally Restricted Reserves		76	123
Unexpended Loans		-	415
Total Sources of Funding		76	822

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year	159	163
Later than one year and not later than 5 years	18	177
Total Non Cancellable Operating Lease Commitments	177	340

b. Non Cancellable Operating Leases include the following assets:

Computer & Photocopier Leases

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Nil

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>377</u>	0.55%	-1.69%	2.39%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	68,536			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. ALL Grants & Contributions)</u>	<u>52,327</u>	65.85%	72.40%	76.61%
Total continuing operating revenue ⁽¹⁾	79,466			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>29,594</u>	2.94x	2.74	1.93
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>10,062</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	<u>13,943</u>	7.92x	7.70	10.71
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	<u>1,760</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>1,155</u>	2.60%	3.95%	6.22%
Rates, Annual and Extra Charges Collectible	<u>44,411</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	<u>36,653</u>	7.48 mths	6.66	5.00
Payments from cash flow of operating and financing activities	<u>4,897</u>			

Notes

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

(2) Refer Notes 6-8 inclusive.

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

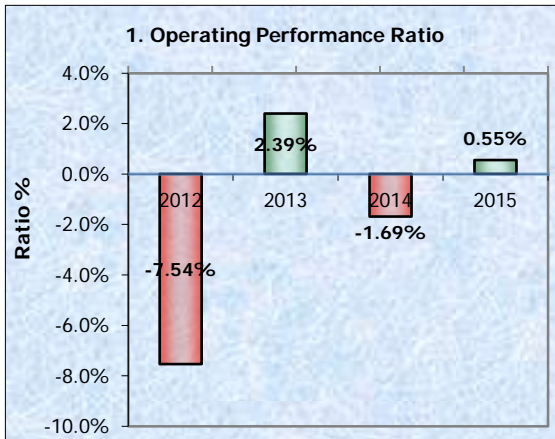
(3) Refer to Note 10(a).

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

Cessnock City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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



Purpose of Operating Performance Ratio

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

Commentary on 2014/15 Result

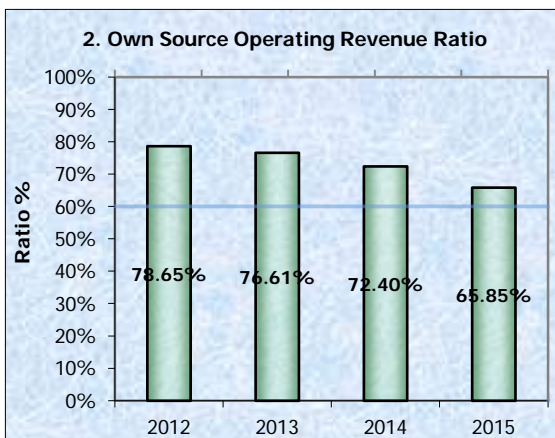
2014/15 Ratio 0.55%

This ratio indicates an improvement in containing operating expenditure within operating revenue. During 2015/16 Council will be undertaking a Financial Sustainability Initiative Program. Part of this program is to review all expenditures, incomes and service levels with an aim to improve Council's financial position.

Benchmark: Minimum $\geq 0.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Own Source Operating Revenue Ratio

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

Commentary on 2014/15 Result

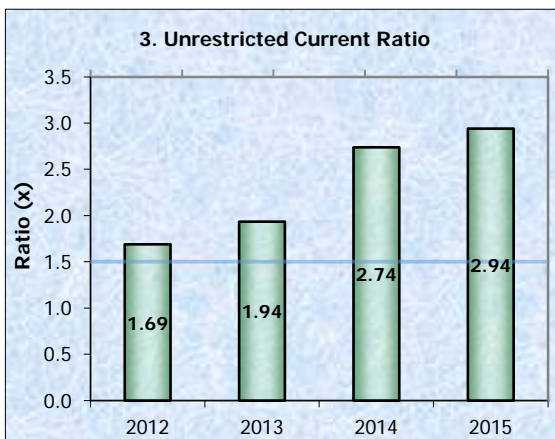
2014/15 Ratio 65.85%

Council's dependence on rates, annual charges, user charges and fees compared to other sources of income is relatively high, and within the benchmark level.

Benchmark: Minimum $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Unrestricted Current Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 2.94x

This ratio has increased from that in 2013/14. This ratio represents a satisfactory level of working capital.

Benchmark: Minimum ≥ 1.50

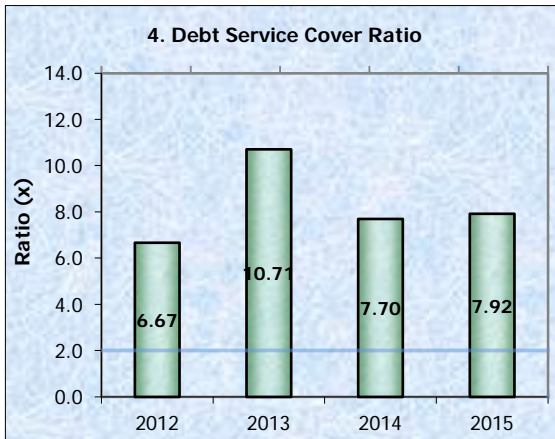
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Cessnock City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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



Purpose of Debt Service Cover Ratio

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

Commentary on 2014/15 Result

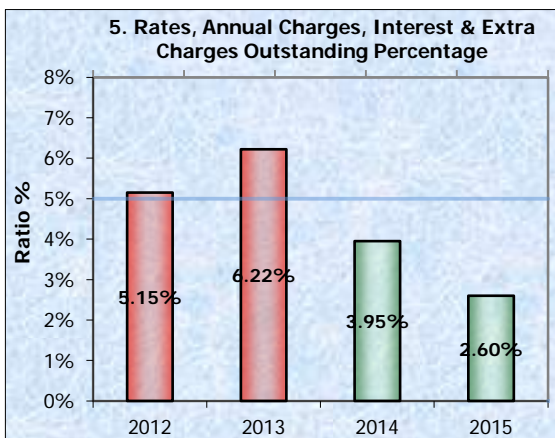
2014/15 Ratio 7.92x

This ratio highlights a relatively low level of demand on discretionary revenue for loan repayments. This ratio is considered to be a good result.

Benchmark: Minimum >=2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2014/15 Result

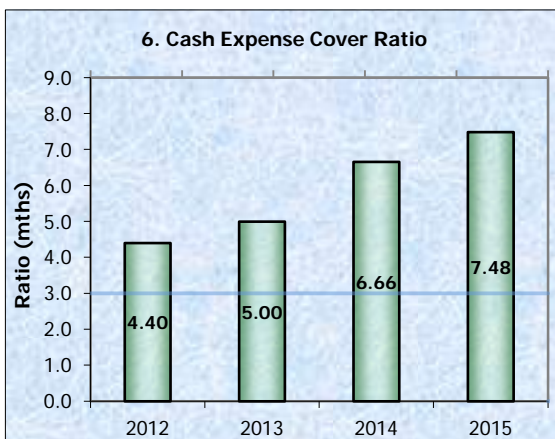
2014/15 Ratio 2.60%

A decrease in this ratio in 2014/15 is the result of continued staff effort in the collection of outstanding monies. This ratio is considered to be a good result.

Benchmark: Maximum <5.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Cash Expense Cover Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 7.48 mths

This ratio is considered to be a good result as expenses can be paid without a demand on additional cash inflows.

Benchmark: Minimum >=3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

Risk Management

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

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of 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	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	24,453	13,723	24,453	13,723
Investments				
- "Held to Maturity"	13,200	17,100	13,200	17,100
Receivables	3,562	3,193	3,562	3,193
Total Financial Assets	41,215	34,016	41,215	34,016
Financial Liabilities				
Payables	9,465	7,121	9,465	7,121
Loans / Advances	8,893	10,026	8,893	10,026
Total Financial Liabilities	18,358	17,147	18,358	17,147

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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and it's staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & 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
2015				
Possible impact of a 1% movement in Interest Rates	300	300	(300)	(300)
2014				
Possible impact of a 1% movement in Interest Rates	246	246	(246)	(246)

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

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

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

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	10%	0%	10%
Overdue	100%	90%	100%	90%
	100%	100%	100%	100%

	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(ii) Ageing of Receivables - value				
Current	-	295	-	210
< 1 year overdue	968	2,337	1,463	1,620
1 - 2 years overdue	-	11	-	15
2 - 5 years overdue	-	27	-	3
> 5 years overdue	-	278	-	236
	968	2,948	1,463	2,084

(iii) Movement in Provision for Impairment of Receivables

	2015	2014
Balance at the beginning of the year	354	470
+ new provisions recognised during the year	60	142
- amounts already provided for & written off this year	(60)	(258)
Balance at the end of the year	354	354

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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 maturity table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2015									
Trade/Other Payables	2,353	7,112	-	-	-	-	-	9,465	9,465
Loans & Advances	-	49	114	196	215	299	8,020	8,893	8,893
Total Financial Liabilities	2,353	7,161	114	196	215	299	8,020	18,358	18,358
2014									
Trade/Other Payables	631	6,490	-	-	-	-	-	7,121	7,121
Loans & Advances	-	1,133	1,143	1,152	1,179	1,132	4,287	10,026	10,026
Total Financial Liabilities	631	7,623	1,143	1,152	1,179	1,132	4,287	17,147	17,147

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:

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	9,465	0.0%	7,121	0.0%
Loans & Advances - Fixed Interest Rate	8,893	6.6%	10,026	6.6%
	<u>18,358</u>		<u>17,147</u>	

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 18 June 2014.

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	2015 Budget	2015 Actual	2015 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	43,058	42,162	(896)	(2%) U
User Charges & Fees	6,773	7,510	737	11% F
RMS Charges	423K (F)			
Garbage Tipping Fees	323K (F)			
Interest & Investment Revenue	860	1,098	238	28% F
Interest on Investments	303K (F)			
Interest on overdue rates & charges	65K (U)			
Other Revenues	1,003	1,557	554	55% F
Insurance Claims	235K (F)			
Other (Waste Management)	96K (F)			
Section 355 Committees	150K (F)			
Operating Grants & Contributions	11,462	16,209	4,747	41% F
Natural Disaster (Floods) Grant Funds	487K (F)		Waste Levy Grant Programs	150K (U)
Waste Reduction Grant Programs	864K (F)		Economic Development Grant	54K (U)
Road Classification - Hunter Expressway Project	3,610K (F)			
General Admin Services	27K (U)			
Capital Grants & Contributions	8,202	10,930	2,728	33% F
Voluntary Planning Agreements	335K (F)		Recreation & Culture	158K (F)
Section 94 - Contributions	891K (F)			
RMS Contributions	773K (F)			
Dedications (LUR)	524K (F)			

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	27,446	27,084	362	1%	F
Borrowing Costs	792	627	165	21%	F
Interest on Loans 165K (F)					
Materials & Contracts	11,114	15,734	(4,620)	(42%)	U
Expenses exceeded the original budget primarily due to extra works not forecasted being undertaken as a result of additional grant funds being received after the budget was adopted. e.g RMS works and additional expenditure resulting from Natural Disaster (Floods) in April 2015. Also: Legal Fees 76K (U)					
Depreciation & Amortisation	15,031	12,688	2,343	16%	F
Original Budget amount was based on the 2012-13 actual amount, then reduced in September 2014 Quarterly Budget Review to 13,056K to reflect expected expense. Actual expense for 2014-15 was 3.6% less than the adjusted budget amount.					
Impairment Expenses	-	251	(251)	0%	U
Impairment Expense not budgetted for in 2014-15.					
Other Expenses	11,089	11,775	(686)	(6%)	U
Net Losses from Disposal of Assets	-	3,845	(3,845)	0%	U
Disposal of Assets not budgetted for in 2014-15.					

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	26,000	26,550	550	2.1%	F
Cash Flows from Investing Activities	(17,330)	(14,687)	2,643	(15.3%)	F
Purchase of Infrastructure, Property, Plant and Equipment	1,191K (U)				
Net Purchase / Sale of Investment Securities	3,900K (F)				
Cash Flows from Financing Activities	(704)	(1,133)	(429)	60.9%	U
Budgeted Loans not taken up	500K (U)				
Savings in Loan Repayments	71K (F)				

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	80	1	-	2	-	-	83	3	(86)	-	-
Roads	640	252	-	13	(244)	-	661	2,017	(2,678)	-	-
Traffic Facilities	22	-	-	-	-	-	22	-	(22)	-	-
Parking	332	-	-	8	-	-	340	-	(340)	-	-
Open Space	564	282	-	5	(449)	-	402	1,046	(1,448)	-	-
Community Facilities	634	234	-	18	(56)	-	830	883	(1,713)	-	-
Tourist Facilities	679	17	-	16	-	-	712	20	(732)	-	-
Wetland	-	-	-	-	-	-	-	304	(304)	-	-
Administration	-	-	-	-	-	-	-	52	(52)	-	-
Transport	-	20	-	-	-	-	20	22	(42)	-	-
Other	333	85	-	7	(27)	-	398	99	(497)	-	-
S94 Contributions - under a Plan	3,284	891	-	69	(776)	-	3,468	4,446	(7,914)	-	-
Total S94 Revenue Under Plans	3,284	891	-	69	(776)	-	3,468				
S94 not under Plans	407	-	-	9	-	-	416	361	(777)	-	-
S93F Planning Agreements	479	335	-	13	-	-	827				
Total Contributions	4,170	1,226	-	91	(776)	-	4,711	4,807	(8,691)	-	-

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - RESIDENTIAL DEVELOPMENT

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	
Roads	18	-	-	-	-	-	18	-	(18)	-	-
Community Facilities	101	-	-	3	-	-	104	-	(104)	-	-
Other	21	-	-	-	-	-	21	-	(21)	-	-
Total	140	-	-	3	-	-	143	-	(143)	-	-

CONTRIBUTION PLAN NUMBER 2 - TOURIST DEVELOPMENT

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	
Tourist Facilities	170	-	-	4	-	-	174	-	(174)	-	-
Total	170	-	-	4	-	-	174	-	(174)	-	-

CONTRIBUTION PLAN NUMBER 3 - COMMERCIAL, RETAIL & INDUSTRIAL DEVELOPMENT

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	
Traffic Facilities	22	-	-	-	-	-	22	-	(22)	-	-
Total	22	-	-	-	-	-	22	-	(22)	-	-

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 4 - NULKABA FLOOD MITIGATION

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	36	-	-	1	-	-	37	-	(37)	-	-
Total	36	-	-	1	-	-	37	-	(37)	-	-

CONTRIBUTION PLAN NUMBER 5 - CARPARKING CESSNOCK CBD

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	
Parking	332	-	-	8	-	-	340	-	(340)	-	-
Other	15	-	-	-	-	-	15	-	(15)	-	-
Total	347	-	-	8	-	-	355	-	(355)	-	-

CONTRIBUTION PLAN NUMBER 6 - RESIDENTIAL CONTRIBUTIONS 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	44	1	-	1	-	-	46	3	(49)	-	-
Roads	415	229	-	8	(244)	-	408	308	(716)	-	-
Open Space	564	278	-	5	(449)	-	398	315	(713)	-	-
Community Facilities	533	229	-	15	(56)	-	721	259	(980)	-	-
Other	236	78	-	5	(27)	-	292	90	(382)	-	-
Total	1,792	815	-	34	(776)	-	1,865	975	(2,840)	-	-

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 7 - TOURISM CONTRIBUTIONS 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	
Roads	50	23	-	1	-	-	74	19	(93)	-	-
Tourist Facilities	509	17	-	12	-	-	538	20	(558)	-	-
Other	61	7	-	2	-	-	70	9	(79)	-	-
Total	620	47	-	15	-	-	682	48	(730)	-	-

CONTRIBUTION PLAN NUMBER 8 - BLACKHILL QUARRY CONTRIBUTION 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	
Roads	157	-	-	4	-	-	161	46	(207)	-	-
Total	157	-	-	4	-	-	161	46	(207)	-	-

Site Specific Contributions Plan - Bellbird North

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	
Roads	-	-	-	-	-	-	-	1,644	(1,644)	-	-
Open Space	-	-	-	-	-	-	-	726	(726)	-	-
Community Facilities	-	-	-	-	-	-	-	618	(618)	-	-
Wetland	-	-	-	-	-	-	-	304	(304)	-	-
Administration	-	-	-	-	-	-	-	52	(52)	-	-
Total	-	-	-	-	-	-	-	3,344	(3,344)	-	-

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

Site Specific Contributions Plan - Nulkaba

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	
Open Space	-	4	-	-	-	-	4	5	(9)	-	-
Community Facilities	-	5	-	-	-	-	5	6	(11)	-	-
Transport	-	20	-	-	-	-	20	22	(42)	-	-
Total	-	29	-	-	-	-	29	33	(62)	-	-

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	85	-	-	2	-	-	87	-	(87)	-	-
Roads	322	-	-	7	-	-	329	361	(690)	-	-
Total	407	-	-	9	-	-	416	361	(777)	-	-

S93F Planning Agreements

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	
Community Facilities	479	335	-	13	-	-	827	909	(1,736)	-	-
Total	479	335	-	13	-	-	827				-

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

(iii) Rehabilitation Works

Council owns two properties that may be subject to rehabilitation works due to possible contamination. This may result in future liabilities, but until an investigation of these sites is carried out, Council is unable to determine the value of this liability.

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.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

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

Controlled Entities (Subsidiaries)

Note 19(a)

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

Joint Ventures & Associates

Note 19(b)

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

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

Joint Operations

Note 19(c)

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

Unconsolidated Structured Entities

Note 19(d)

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a) and Joint Operations disclosed at Note 19(c) are accounted for on a "line by line" consolidation basis within the Income Statement and Statement of Financial Position.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council has no interest in any Controlled Entities (Subsidiaries).

(b) Joint Ventures and Associates

Council has no interest in any Joint Ventures or Associates.

(c) Joint Operations

(a) Council is involved in the following Joint Operations (JO's)

Name of Joint Operation	Principal Activity	Place of Business	Interest in Ownership		Interest in Voting	
			2015	2014	2015	2014
Strategic Services Australia Ltd	Record Repository Service	Thornton	10%	10%	8%	8%

Council has an interest in Strategic Services Australia Ltd, along with other member Councils of Strategic Services Australia Ltd.

The activities of this organisation are not controlled by any one Council.

Strategic Services Ltd has been established to improve the quality and efficiency of local government service throughout the Hunter Region. One such service is the establishment and provision of a Record Repository Centre for the use of the Member Councils and to outsource this service to other organisations.

(b) Council Assets employed in the Joint Operations

	2015	2014
Council's share of assets jointly owned with other partners		
Current Assets	67	49
Current Liabilities	(144)	(58)
Other Non Current Assets	469	466
Non Current Liabilities	(178)	(313)
Total Net Assets Employed - Council & Jointly Owned	214	144

(d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		409,215	405,382
a. Correction of Prior Period Errors	20 (c)	(14,927)	-
b. Net Operating Result for the Year		7,462	3,833
Balance at End of the Reporting Period		401,750	409,215

(b) Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		312,371	302,573
Total		312,371	302,573

(ii) Reconciliation of movements in Reserves:**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- Opening Balance		302,573	229,699
- Revaluations for the year	9(a)	9,798	72,874
- Balance at End of Year		312,371	302,573

TOTAL VALUE OF RESERVES

312,371	302,573
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(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.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this year's financial statements:			
As part of Council's revaluation of measuring all its I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:			
- Roads Asset Class			
- Bridges Asset Class			
- Footpaths Asset Class			
- Stormwater Drainage Asset Class			
As part of that revaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.			
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.			
Also, as a result of the reassessment additional assets (pipes & pits) were identified and are now recognised in the financial statements.			
Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/14 (the closing date for the comparative figures in this report).			
As a result, Council has adjusted the accumulated depreciation and fair value of the following asset classes as at 30/6/14 to reflect the correct value;			
Stormwater (Kerb & Gutter) (increase)/decrease to accumulated depreciation		(23,440)	
Stormwater (Pipes & Pitts) (increase)/decrease to accumulated depreciation		(354)	
Stormwater (Pipes & Pitts) increase/(decrease) to fair value		8,867	
This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 30/6/14.			
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 - 1/7/13		-	-
(relating to adjustments for the 30/6/13 reporting year end and prior periods)			
- Adjustments to Closing Equity - 30/6/14		(14,927)	-
(relating to adjustments for the 30/6/14 year end)			
Total Prior Period Adjustments - Prior Period Errors		(14,927)	-

(d) Voluntary Changes in Accounting Policies

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

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

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

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 29/10/15.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

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".

Note 25. Intangible Assets

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

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	
		2015	2014
Tip Site - Cessnock	2016	11,241	11,241
Balance at End of the Reporting Period		11,241	11,241

10(a)

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.

Council is required by law to restore the present tip site at Cessnock at the end of its useful life.

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

- the projected cost of restoration is based on feasibility and engineering studies and has been discounted to its present value at 6% per annum being the risk-free cost of borrowing to Council.

Reconciliation of movement in Provision for year:

Balance at beginning of year	11,241	11,241
Total - Reinstatement, rehabilitation and restoration provision	11,241	11,241

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment

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

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

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

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

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

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

2015	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment					
Plant and Equipment	30/06/14	-	-	5,896	5,896
Office Equipment	30/06/14	-	-	887	887
Furniture and Fittings	30/06/14	-	-	91	91
Operational Land	30/06/13	-	-	41,098	41,098
Community Land	30/06/11	-	-	29,876	29,876
Land Under Roads (post 30/6/08)	30/06/14	-	-	1,386	1,386
Buildings - Non Specialised	30/06/13	-	-	13,408	13,408
Buildings - Specialised	30/06/13	-	-	52,643	52,643
Other Structures	30/06/11	-	-	2,501	2,501
Roads	30/06/15	-	-	417,854	417,854
Bridges	30/06/15	-	-	25,882	25,882
Footpaths	30/06/15	-	-	9,234	9,234
Stormwater Drainage	30/06/15	-	-	90,309	90,309
Swimming Pools	30/06/11	-	-	357	357
Other Open Space / Recreational Assets	30/06/11	-	-	8,153	8,153
Library Books	30/06/14	-	-	1,157	1,157
Other Assets	30/06/14	-	-	3	3
Total Infrastructure, Property, Plant & Equipment		-	-	700,735	700,735

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment					
Plant and Equipment	30/06/14	-	-	5,640	5,640
Office Equipment	30/06/14	-	-	939	939
Furniture and Fittings	30/06/14	-	-	89	89
Operational Land	30/06/13	-	-	40,902	40,902
Community Land	30/06/11	-	-	29,876	29,876
Land Under Roads (post 30/6/08)	30/06/14	-	-	862	862
Buildings - Non Specialised	30/06/13	-	-	13,440	13,440
Buildings - Specialised	30/06/13	-	-	52,953	52,953
Other Structures	30/06/11	-	-	848	848
Roads	30/06/10	-	-	478,660	478,660
Bridges	30/06/10	-	-	26,327	26,327
Footpaths	30/06/10	-	-	9,652	9,652
Stormwater Drainage	30/06/10	-	-	40,844	40,844
Swimming Pools	30/06/11	-	-	343	343
Other Open Space / Recreational Assets	30/06/11	-	-	8,468	8,468
Library Books	30/06/14	-	-	1,135	1,135
Other Assets	30/06/14	-	-	3	3
Total Infrastructure, Property, Plant & Equipment		-	-	710,981	710,981

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items i.e. generally having shorter useful lives and a more frequent turnover. The key unobservable inputs to the valuations are useful lives and residual values. There have been no changes in the valuation technique during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The last valuation was undertaken at 30 June 2013 by APV Valuers and Asset Management.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset and cash flows from the future use and disposal. The key unobservable input to the valuations is the price per square metre. There have been no changes in the valuation technique during the reporting period.

Community Land

The last valuation of community land was performed as at 30 June 2011. The valuations were based on either the land values provided by the Valuer General or , where these values were not available, an average unit rate based on the land values for similar assets taking into account the highest and best use of the assets. There have been no changes in the valuation technique during the reporting period.

Land Under Roads

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008. Land Under Roads have been valued using the square metre rates applicable to the Local Government area having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure, Property, Plant & Equipment (continued)

Buildings - Non Specialised and Specialised

Council's buildings were valued utilising the cost approach by APV Valuers and Asset Management in June 2013. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation techniques during the reporting period.

Other Structures

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads, Bridges and Footpaths

The roads asset class includes roads, defined as the trafficable portion of a road, between but not including the kerb and gutter. It also includes "other roads" assets including Bridges, Traffic facilities and Footpaths.

The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates derived from the Councils schedule of rates tender. Other inputs (such as estimates pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure, Property, Plant & Equipment (continued)

Stormwater Drainage

Assets within this class comprise pits, pipes, kerb and gutter, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Swimming Pools

Assets within this class comprise Council's aquatic centre and outdoor pools. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Other Open Space / Recreational Assets

Assets within this class comprise tennis courts, synthetic surfaces, BBQs, sporting facilities and playgrounds. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Cessnock City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Plant and Other Equipment	Land	Buildings and Other Structures	Infra- structure	Other Assets	Total
Adoption of AASB 13	7,532	69,547	68,629	490,699	1,080	637,487
Transfers from/(to) another asset class	-	2,059	-	-	-	2,059
Purchases (GBV)	2,152	34	112	13,351	236	15,885
Disposals (WDV)	(774)	-	(16)	(3,686)	-	(4,476)
Depreciation & Impairment	(2,242)	-	(1,484)	(8,944)	(178)	(12,848)
Revaluation Increments	-	-	-	72,874	-	72,874
Closing Balance - 30/6/14	6,668	71,640	67,241	564,294	1,138	710,981
Purchases (GBV)	2,812	701	691	6,679	225	11,108
Disposals (WDV)	(706)	-	(252)	(3,579)	-	(4,537)
Depreciation & Impairment	(1,915)	-	(2,168)	(8,653)	(203)	(12,939)
Revaluation Increments	-	-	572	(2,680)	-	(2,108)
Transfers from WIP	15	19	93	1,124	-	1,251
Adjustments	-	-	(8)	8	-	-
Closing Balance - 30/6/15	6,874	72,360	66,169	557,193	1,160	703,756

d. The Valuation Process for Level 3 Fair Value Measurements

The financial valuations for Cessnock City Council's infrastructure assets for 2015 have been carried out by an external consultancy firm. This process and outcomes were tested by various Council staff members to test the integrity of the valuations that were provided.

(5). Highest and best use

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

Cessnock City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 28. Financial Review

\$ '000

Key Financial Figures of Council over the past 5 years (consolidated)

Financial Performance Figures	2015	2014	2013	2012	2011
Inflows:					
Rates & Annual Charges Revenue	42,162	41,263	40,078	35,833	33,901
User Charges Revenue	7,510	8,767	10,335	10,390	7,760
Interest & Investment Revenue (Losses)	1,098	1,359	1,805	533	1,833
Grants Income - Operating & Capital	10,610	9,759	9,187	9,197	9,385
Total Income from Continuing Operations	79,466	73,172	69,712	61,457	59,027
Sale Proceeds from I,PP&E	692	807	898	766	1,707
New Loan Borrowings & Advances	-	2,000	-	1,890	1,431
Outflows:					
Employee Benefits & On-cost Expenses	27,084	25,078	23,451	22,662	22,037
Borrowing Costs	627	607	671	672	602
Materials & Contracts Expenses	15,734	16,120	14,723	14,453	12,721
Total Expenses from Continuing Operations	72,004	69,339	66,335	67,283	61,925
Total Cash purchases of I,PP&E	19,321	15,371	17,894	13,845	16,955
Total Loan Repayments (incl. Finance Leases)	1,133	999	938	981	1,269
Operating Surplus/(Deficit) (excl. Capital Income)	(3,468)	(4,503)	(49)	(8,142)	(6,538)
Financial Position Figures	2015	2014	2013	2012	2011
Current Assets	39,212	33,418	28,289	25,724	22,911
Current Liabilities	17,184	15,473	16,363	16,605	14,607
Net Current Assets	22,028	17,945	11,926	9,119	8,304
Available Working Capital (Unrestricted Net Current Assets)	(3,277)	(2,775)	(2,913)	(2,318)	(561)
Cash & Investments - Unrestricted	1,276	1,333	645	1,354	1,512
Cash & Investments - Internal Restrictions	24,909	23,889	16,506	13,110	12,208
Cash & Investments - Total	37,653	30,823	22,716	20,001	18,552
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	8,893	10,026	9,025	9,963	9,054
Total Value of I,PP&E (excl. Land & Earthworks)	816,789	774,268	765,415	751,373	742,351
Total Accumulated Depreciation	179,492	133,492	195,560	182,301	168,471
Indicative Remaining Useful Life (as a % of GBV)	78%	83%	74%	76%	77%

Source: Published audited financial statements of Council (current year & prior year)

Cessnock City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 29. Council Information & Contact Details

Principal Place of Business:

62 - 78 Vincent St
Cessnock NSW 2325

Contact Details

Mailing Address:

PO Box 152
Cessnock NSW 2325

Opening Hours:

9.00am - 5.00pm
Monday to Friday

Telephone: 02 4993 4100

Facsimile: 02 4993 2500

Internet: www.cessnock.nsw.gov.au

Email: council@cessnock.nsw.gov.au

Officers

GENERAL MANAGER

Mr Stephen Glen

RESPONSIBLE ACCOUNTING OFFICER

Mr Robert Maginnity

PUBLIC OFFICER

Mrs Kim Appleby

AUDITORS

Forsyths Chartered Accountants
92 Rusden Street
Armidale NSW 2350

PO Box 114 Armidale NSW 2350

Elected Members

MAYOR

Councillor Bob Pynsent

COUNCILLORS

Councillor Morgan Campbell
Councillor Rod Doherty
Councillor Bryce Gibson
Councillor James Hawkins
Councillor Jeff Maybury (deceased 6 July 2015)
Councillor Ian Olsen
Councillor Catherine Parsons
Councillor James Ryan
Councillor Allan Stapleford
Councillor Graham Smith
Councillor Cordelia Troy
Councillor Suellen Wrightson

Other Information

ABN: 60 919 148 928

Armidale

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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

INDEPENDENT AUDIT REPORT
Report on the general purpose financial statements

To Council

SCOPE

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Cessnock City Council (the Council), for the year ended 30th June 2015.

Councils' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements to the Council based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 and accordingly, we express no opinion on them.

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

Knowledge with integrity

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 followed applicable independence requirements of Australian professional ethical pronouncements.

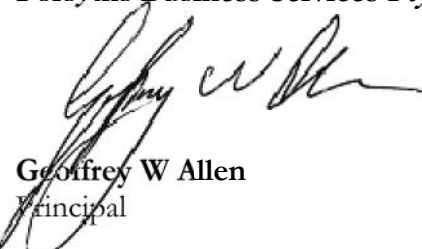
AUDIT OPINION

In our opinion:

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
 - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
 - (ii) are consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2015 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey W Allen
Principal

29th October 2015
92 Rusden Street Armidale

29 October 2015

The Mayor
Cessnock City Council
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Armidale

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Forsyth's Business Services Pty Ltd
ABN 66 182 781 401

Dear Sir

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2015

We are pleased to report that we have completed the audit of Council's financial statements and records for the year ended 30th June 2015 and have reported on the general purpose financial statements and underlying accounting records as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

Under Section 417(3) of the *Local Government Act 1993* we are also required to report on the conduct of the audit.

Councils Responsibilities

The Council is responsible for preparing financial statements that give a true and fair view of the financial position and performance of the Council and that comply with Accounting Standards in Australia, in accordance with the *Local Government Act 1993*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit Objectives

We have conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the *Local Government Act 1993*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial statements. These and other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Council.

We have issued our audit opinion on the basis of foregoing comments.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

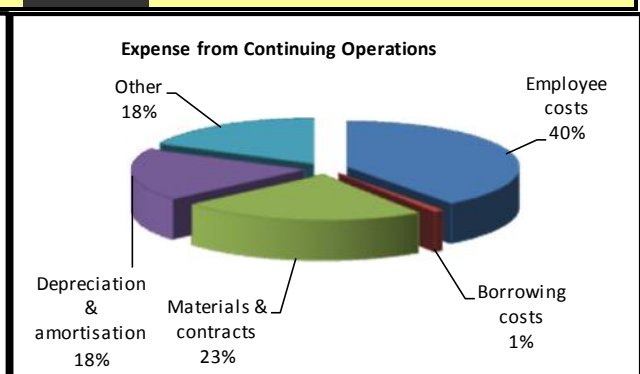
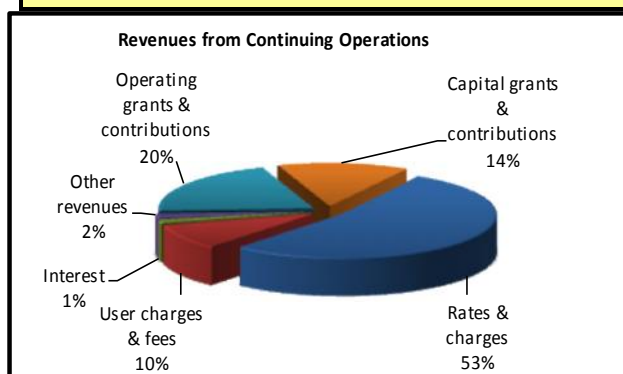
This auditor's report relates to the financial statements of Cessnock City Council for the year ended 30th June 2015 included on Cessnock City Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on Council's web site.

Additional Reporting Requirements:

In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The combined Income Statement for the year ended 30th June 2015 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2015	2015	2014	Actual	Budget
	\$'000	\$'000	\$'000		%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	43,058	42,162	41,263	2.2%	-2.1%
User charges & fees	6,773	7,510	8,767	-14.3%	10.9%
Interest income	860	1,098	1,359	-19.2%	27.7%
Other revenues from ordinary activities	1,003	1,557	1,668	-6.7%	55.2%
Grants & contributions for operating purposes	11,462	16,209	11,779	37.6%	41.4%
Grants & contributions for capital purposes	8,202	10,930	8,336	31.1%	33.3%
Total income from continuing operations	71,358	79,466	73,172	8.6%	11.4%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	27,446	27,084	25,078	8.0%	1.3%
Borrowing costs	792	627	607	3.3%	26.3%
Materials and contracts	11,114	15,734	16,120	-2.4%	-29.4%
Depreciation & amortisation	15,031	12,688	12,848	-1.2%	18.5%
Other expenses from ordinary activities	11,089	11,775	10,974	7.3%	-5.8%
Impairment adjustment	0	251	0	0.0%	0.0%
Loss on sale of assets	0	3,845	3,712	3.6%	0.0%
Total Expenses from continuing operations	65,472	72,004	69,339	3.8%	-9.1%
NET OPERATING RESULT FOR THE YEAR	5,886	7,462	3,833	94.7%	26.8%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(2,316)	(3,468)	(4,503)	-23.0%	49.7%



Council achieved a surplus of \$7.5m after recognising an inflow of grants and contributions for capital expenditure purposes of \$10.9m. The expenditure of such grants is not recorded in the Income Statement but in the Statement of Financial Position. If these grants are excluded council had a deficit of \$3.5m.

Revenue increased by 8.6% due to an increases in rates & annual charges and operating and capital grants & contributions which were partially offset by decreases in user charges & fees, interest income and other revenue. The major movement are explained as follows:

- Rates & annual charges increased mainly due to rate pegging increases and an increase in the rate base due to new subdivisions which were partially offset by decreases in waste management fees due to a reduction in the carbon tax component.

- Operating grants & contributions increased mainly due to additional RMS contributions due to the April 2015 flood event, contributions in relation to the Hunter Expressway Project and the new Waste Levy Program.
- Capital grants & contributions increased mainly due to increases in RMS contributions in relation to regional road works, increase in dedications and RMS capital contributions received for Broke Road redevelopment.
- User charges & fees decreased mainly due to a decrease in building permits and fees and a reduction in RMS maintenance charges for regional road works.
- Interest & investment income decreased mainly because there was a fair value adjustment in the prior year.
- Other revenue decreased mainly due to a reduction in fines and legal fee recoveries during the year.

Expenses increased by 3.8% due to increases in employee benefits & on-costs, borrowing costs and other expenses which were partially offset by decrease in materials and contracts and a decrease in depreciation and amortisation. The major movements were as follows:

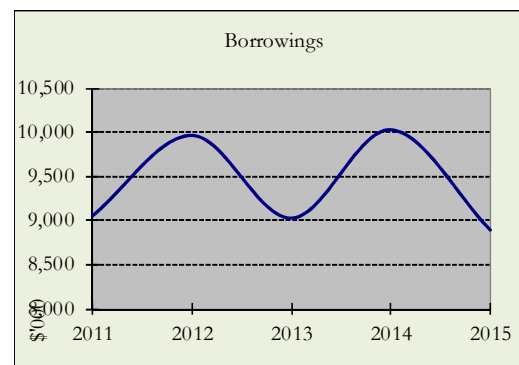
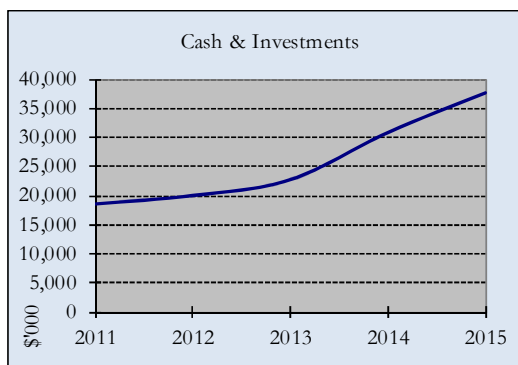
- Employee benefits & on costs increased as a result of award wage increases and an increase in employees during the year.
- Borrowing costs have increased due to the full effect of the infrastructure borrowing in the prior year.
- Other expenses increased mainly due to an increase waste levy charges during the year.
- Materials and contracts reduced mainly due to a reduction in contractor and consultancy costs during the year.
- Depreciation and amortisation mainly as a result of a reduction in plant and equipment depreciation.

The actual operating surplus from continuing operations for the year of \$7.5m compares with the original budget surplus (excluding re-votes) of \$5.9m. The \$1.6m favourable variance between the actual results and the original budget is primarily due to the following:

Budget Variations > than 10% and > \$0.5m		Comment
User charges & fees	\$ 737,000	Favourable variance to budget mainly due to additional RMS charges and higher than expected garbage tipping fees.
Other revenues from ordinary activities	\$ 554,000	Favourable to budget due to higher than expected insurance recoveries, waste management revenue and section 355 committees contributions.
Grants & contributions for operating purposes	\$ 4,747,000	Favourable variance to budget mainly due to higher than expected Hunter Expressway grants, waste reduction grants, flood damage funding and waste levy grants.
Grants & contributions for capital purposes	\$ 2,728,000	Capital grants were favourable to budget mainly due to higher than expected section 94 contributions, RMS capital contributions, dedications and voluntary planning agreements.
Materials and contracts	\$ (4,620,000)	Unfavourable to budget mainly due to higher than expected RMS and flood damage grants which resulted in additional works being undertaken during the year.
Depreciation & amortisation	\$ 2,343,000	Favourable to budget as the budget had not allowed for the impact of the revaluation of roads and related infrastructure.

The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30th June 2015. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2015 \$'000	2014 \$'000	Variance %
CURRENT ASSETS			
Cash and cash equivalents	24,453	13,723	78.2%
Investments	10,800	16,100	-32.9%
Receivables	3,562	3,172	12.3%
Inventories	343	343	0.0%
Other	54	80	-32.5%
TOTAL CURRENT ASSETS	39,212	33,418	17.3%
CURRENT LIABILITIES			
Payables	8,037	7,121	12.9%
Borrowings	1,143	1,133	0.9%
Provisions	8,004	7,219	10.9%
TOTAL CURRENT LIABILITIES	17,184	15,473	11.1%
NET CURRENT ASSETS	22,028	17,945	22.8%
NON-CURRENT ASSETS			
Investments	2,400	1,000	140.0%
Receivables	-	21	0.0%
Inventories	1,270	1,270	0.0%
Infrastructure, Property Plant & Equipment	709,657	712,416	-0.4%
TOTAL NON-CURRENT ASSETS	713,327	714,707	-0.2%
NON-CURRENT LIABILITIES			
Payables	2,103	603	248.8%
Provisions	11,381	11,368	0.1%
Borrowings	7,750	8,893	-12.9%
TOTAL NON-CURRENT LIABILITIES	21,234	20,864	1.8%
NET ASSETS	714,121	711,788	0.3%



Net current assets increased by \$4.1m mainly due to the increase in cash and investments due to operational cash flows and an increase in receivables as a result of increased RMS debtors at year end. Total cash assets and investments currently stand at \$37.7m compared with \$30.8m as at 30th June 2014.

The decrease in Infrastructure, Property Plant & Equipment of \$2.7m is due to the revaluation of roads and related infrastructure down by \$5.1m, depreciation, impairment and disposals of \$12.7m, \$0.3m and \$4.5m respectively for the year which were partially offset by asset additions of \$19.8m.

Payables increased mainly due to an increase in waste levies payable at year end.

Provisions increased due to an increase in staff leave entitlements at year end.

The loan liabilities total \$8.9m as at 30th June 2015 a reduction of \$1.1m on prior year due to scheduled loan repayments.

NET CURRENT ASSETS

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations and finance infrastructure and new community projects. However, included in Current Assets are assets which are “Restricted” by regulation or other externally imposed requirements and therefore are not available other than for their restricted purpose. The table below shows the net current asset position adjusted for restricted assets.

	Dom Waste \$'000	General \$'000	Total \$'000
Current Assets	1,256	37,956	39,212
Current Liabilities	75	17,109	17,184
Net Current Assets	1,181	20,847	22,028
Plus: Non-Current Investments	-	2,400	2,400
Plus: Current Liabilities Payable >12mths	-	7,047	7,047
Total Funds before Restrictions	1,181	30,294	31,475
LESS: Restricted Cash & Investments (Included in Revenue)			
Developer Contributions	-	4,711	4,711
Specific Purpose Unexpended Grants	-	2,303	2,303
RMS Contributions	-	3,610	3,610
Other contributions	-	62	62
	-	10,686	10,686
NET FUNDS AVAILABLE	1,181	19,608	20,789
LESS Internal Restrictions	-	24,909	24,909
Net Funds After All Restrictions	1,181	(5,301)	(4,120)

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Employee leave entitlements	1,575	795	274	2,096
Plant & Vehicle replacement	2,631	1,308	651	3,288
Carry over works	1,096	971	1,096	971
Bridge replacement	208	406	162	452
Cemetery	6	7	8	5
Computer Services	243	164	165	242
Insurance Provision	503	-	154	349
Land Purchases	1,895	1,562	695	2,762
Other Special Projects	384	354	23	715
Residential Land Development	634	-	9	625
Rezoning fees	-	235	-	235
Sanitary Operations	35	-	8	27
Single Invitations Contracts	654	317	54	917
Unexpended Loan Funds	1,379	-	1,083	296
Waste Depot & Rehabilitation	12,646	11,889	12,806	11,729
Energy Efficiency Reserve	-	200	-	200
	23,889	18,208	17,188	24,909

After funding all restrictions, Council has a net funds deficit in the general fund of \$5.0m (2014: deficit \$5.9m). This means that council does not currently have sufficient funds to fund the internal restrictions it has made.

Council has set aside \$2.1m to fund employee entitlements within the general fund. This restriction represents 26% of the total employee leave provision entitlements and is considered satisfactory given the existing staff levels, age profiles and that Council has estimated that \$4.7m of employee entitlements as at 30th June 2015 are not due within the coming 12 months.

Local Government Industry Performance Indicators

The Code of Accounting Practice requires the mandatory disclosure of certain performance indicators. These financial indicators are useful in assessing performance, financial position and the likely financial burden to be placed on ratepayers.

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2015	2014	2013	2012	Tcorp
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	0.6%	-1.7%	2.4%	-7.5%	>-4%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	65.9%	72.4%	76.6%	78.7%	>60%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.94	2.74	1.93	1.69	>1.5
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	7.92	7.70	10.71	6.67	>2.0
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	2.6%	4.0%	6.2%	5.2%	<10%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	7.48	6.66	5.00	4.40	>3

Operating performance

An operating performance surplus of 0.6% indicates that Councils operating revenue, excluding capital grants and contributions covers operating expenditure. This compares to the Regional Town/City council average deficit of 7.85% and a State average deficit of 8.76% for 2014. The TCorps benchmark for this ratio is to have a deficit of less than 4.0% each year. The “fit for the future” benchmark is that councils should have a breakeven or better operating performance ratio over a three year period.

Owned source operating revenue

A ratio of 65.9 % highlights Council's low dependence on grants and contributions and compares to the Regional Town/City council average of 74% and a State average of 70% for 2014. The TCorp benchmark for sustainability is to have a ratio of greater than 60%. The "fit for the future" benchmark is that councils should have an own source operating revenue of greater than 60% over a three year period which council has achieved.

Unrestricted Ratio

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as domestic waste management functions and specific purpose unexpended grants and contributions and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions relative to the general fund. The ratio of 2.94 as at 30 June 2015 indicates that there is \$2.94 of unrestricted current assets for every \$1.00 of current liabilities. Council's ratio of 2.94 compares to the average of 2.75 for the Regional Town/City councils and is lower than the State average of 3.61 for 2014. However, the ratio is higher than the TCorp benchmark of greater than 1.5.

Debt service cover ratio

The debt service cover ratio of 7.92 times indicates that council has \$7.92 before interest and depreciation to pay interest and principal repayments on current borrowings. This compares to the Regional Town/City councils 2014 average of 8.49 and the State average of 4.29. The TCorp benchmark for sustainability is to have a ratio of greater than 2.0.

Outstanding rate ratio

The outstanding rate ratio of 2.6% compares favourably to the average of 5.49% for the Regional Town/City councils and the State average of 6.25% for 2014. This ratio is an indicator of Councils activity to collect outstanding rate revenues.

Cash expense ratio

The ratio indicates that Council can pay 7.48 months of its expenses without additional cash inflows. This compares to the Regional Town/City councils 2014 average of 10.1 and the state average of 9.79. The TCorp benchmark is to have reserves to meet at least 3 months of operating expenditure. Since Council also has significant long term deposits not included in this ratio, it has maintained strong cash reserves and per this ratio maintains a healthy short term financial position.

Infrastructure Asset Performance Indicators

With the emphasis on "Fit for the Future" we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 are as follows:

RATIO	PURPOSE	2015	2014	2013	2012	Tcorp
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	142.0%	118.9%	105.7%	85.32%	>100%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	0.5%	2.0%	21.0%	21.0%	<20%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	71.0%	99.0%	53.0%	50.0%	>100%
CAPITAL EXPENDITURE RATIO	To assess the extent to which council is forecasting to expand its asset base with capital expenditure.	1.21	0.85	0.98	0.68	>1.1

Building and Infrastructure renewals ratio

The building and infrastructure renewals ratio outlines Council’s performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2015 Council spent \$1.42 for every \$1 in estimated asset deterioration. The Regional Town/City councils average for the asset renewal ratio was \$0.70 and the State average of \$0.87 for 2014. The “fit for the future” benchmark is that councils should have a building and infrastructure renewals ratio of greater than one over a three year period which council has achieved.

Infrastructure backlog ratio

An infrastructure backlog ratio 0.5% indicates that the infrastructure backlog represents 0.5% of the value of Councils infrastructure and compares to the Regional Town/City councils average of 7.6% and State average of 8.7% for 2014. The TCorp benchmark is a ratio less than 20% and the “fit for the future” benchmark is less than 2% which council is achieving.

Asset maintenance ratio

The Asset Maintenance ratio of 71% indicates that Council has been undertaking insufficient maintenance to keep pace with required maintenance requirements as determine by council’s engineers and maintenance staff. This compares to the Regional Town/City councils average of 0.84 and State average of 0.91 for 2014. A ratio of greater than 1.0 is considered acceptable by TCorp.

Capital expenditure ratio

The capital expenditure ratio of 1.21 indicates that Council has expended \$1.21 on capital expenditure for every dollar of depreciation. The TCorp benchmark is for a Council to have a capital expenditure ratio of greater than 1.1.

The increase in cash and investments reflected in the Statement of Financial Position is also evident in the following table extracted from the Cash Flows Statement.

CASH MOVEMENTS	Actual 2015	Actual 2014	Variance
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	84,183	74,152	13.5%
Proceeds from Assets Sales	692	807	-14.3%
Other receipts	42	24	75.0%
Proceeds form sale of investments	6,900	5,757	19.9%
Proceeds from Borrowings	0	2,000	0.0%
TOTAL RECEIPTS	91,817	82,740	11.0%
CASH OUTFLOWS			
Operating Payments	57,633	52,763	9.2%
Purchase of investments	3,000	10,400	-71.2%
Purchase of Assets	19,321	15,371	25.7%
Repayment of Loans	1,133	999	13.4%
Other Payments	0	0	0.0%
TOTAL PAYMENTS	81,087	79,533	2.0%
TOTAL CASH MOVEMENT	10,730	3,207	234.6%
Cash	24,453	13,723	78.2%
Investments	13,200	17,100	-22.8%
Total Cash & Investments on Hand	37,653	30,823	22.2%

Council’s cash and investments have increased by \$6.8m after expending \$19.3m on infrastructure and assets and \$1.1m on scheduled repayments of borrowings. This has been funded by proceeds from asset sales and continued strong cash flows from operations.

Cash Outflows for Purchase of Assets included road and bridge construction totalling \$5.7m. This compares with the \$7.5m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to bring roads and bridges to a satisfactory standard is \$2.7m and the estimated annual maintenance expense required is \$8.4m.

Council’s enviable cash position provides a strong footing from which to address infrastructure improvements and complete internally restricted projects.

GENERAL

Reporting obligations under the Local Government Act

It is pleasing to report that Council’s systems and records have been well maintained during the year and the audited accounts will be submitted to the Division of Local Government within the prescribed time provide for in Division 2 of the *Local Government Act 1993*.

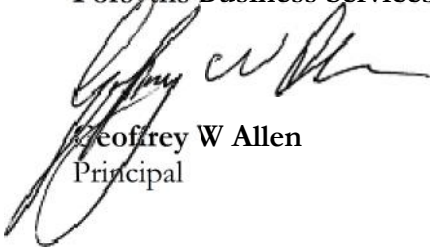
Matters of a technical nature have been documented in a governance letter to the General Manager.

We take this opportunity of thanking the General Manager and his staff for their co-operation and assistance during the course of the audit.

Under section 419 of the *Local Government Act 1993*, Council is required to give public notice of a Council meeting for the purpose of presenting the audited financial statements and the auditor's report. A Principal of this firm is available to attend this meeting to address any questions in respect of the audit report or the conduct of the audit.

Yours faithfully

Forsyths Business Services Pty Ltd



Geoffrey W Allen
Principal

Cessnock City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

"...thriving, attractive and welcoming."



Cessnock City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
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Statement of Financial Position - Water Supply Business Activity	n/a
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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).

Cessnock City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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:

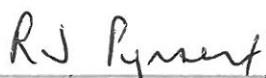
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- 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 16 September 2015.



Councillor Bob Pynsent
MAYOR



Councillor Allan Stapleford
COUNCILLOR



Mr Stephen Glen
GENERAL MANAGER



Mr Robert Maginnity
RESPONSIBLE ACCOUNTING OFFICER

Cessnock City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Strategic Services
Australia Limited

Category 2

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	-	-
User charges	234	133
Fees	-	-
Interest	2	1
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	11	17
Total income from continuing operations	247	151
Expenses from continuing operations		
Employee benefits and on-costs	-	-
Borrowing costs	14	11
Materials and contracts	143	89
Depreciation and impairment	21	16
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	3	3
Other expenses	6	6
Total expenses from continuing operations	187	125
Surplus (deficit) from Continuing Operations before capital amounts	60	26
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	60	26
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	60	26
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(18)	(8)
SURPLUS (DEFICIT) AFTER TAX	42	18
plus Opening Retained Profits	5	(24)
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	3	3
- Corporate taxation equivalent	18	8
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	68	5
Return on Capital %	15.8%	7.9%
Subsidy from Council	-	-

Cessnock City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

Strategic Services Australia
Limited

Category 2

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	12	29
Investments	-	-
Receivables	54	19
Inventories	1	1
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	67	49
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	469	466
Intangible Assets	-	-
Other	-	-
Total Non-Current Assets	469	466
TOTAL ASSETS	536	515
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	16	11
Interest bearing liabilities	102	33
Other Current Liabilities	7	6
Provisions	19	8
Total Current Liabilities	144	58
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	171	311
Provisions	7	2
Other Liabilities	-	-
Total Non-Current Liabilities	178	313
TOTAL LIABILITIES	322	371
NET ASSETS	214	144
EQUITY		
Retained earnings	68	5
Revaluation reserves	146	139
Council equity interest	214	144
Non-controlling equity interest	-	-
TOTAL EQUITY	214	144

Cessnock City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	6
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	n/a

Cessnock City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

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

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

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

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

National Competition Policy

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

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

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Office 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)

Nil

Category 2

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

a. Strategic Services Australia Ltd

The establishment and provision of a Records Repository Centre for the use of Member Councils and to outsource this service to other organisations.

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

(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.

Cessnock City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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 **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

Income Tax

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

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

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

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

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

Cessnock City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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 3.01% at 30/6/15.

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.

INDEPENDENT AUDIT REPORT
Report on the special purpose financial statements

To Cessnock City Council

SCOPE

We have audited the special purpose financial statements of Cessnock City Council for the year ended 30th June 2015 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the Financial Statements. The financial statements include the financial results of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

Councils' responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Office of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council or the Office of Local Government. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

Knowledge with integrity

Armidale

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Armidale NSW 2350

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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the report was prepared.

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 followed applicable independence requirements of Australian professional ethical pronouncements.

AUDIT OPINION

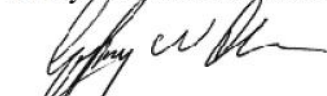
In our opinion, the Special Purpose Financial Statements of the Cessnock City Council for the year ended 30th June 2015 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

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

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey W Allen

Principal

29th October 2015

92 Rusden Street Armidale

Cessnock City Council

SPECIAL SCHEDULES
for the year ended 30 June 2015

"...thriving, attractive and welcoming."



Cessnock City Council

Special Schedules

for the financial year ended 30 June 2015

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Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2015)	5
- Special Schedule No. 8	Financial Projections	n/a
- Special Schedule No. 9	Permissible Income Calculation	9

¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Cessnock City Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	967	-	-	(967)
Administration	10,861	1,356	-	(9,505)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,013	187	13	(813)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	668	215	-	(453)
Animal Control	463	98	-	(365)
Other	-	-	-	-
Total Public Order & Safety	2,144	500	13	(1,631)
Health	896	1,050	-	154
Environment				
Noxious Plants and Insect/Vermin Control	205	83	-	(122)
Other Environmental Protection	427	-	-	(427)
Solid Waste Management	10,869	12,678	-	1,809
Street Cleaning	505	-	-	(505)
Drainage	756	558	1	(197)
Stormwater Management	-	-	-	-
Total Environment	12,762	13,319	1	558
Community Services and Education				
Administration & Education	249	46	-	(203)
Social Protection (Welfare)	2	-	-	(2)
Aged Persons and Disabled	6	-	-	(6)
Children's Services	219	5	-	(214)
Total Community Services & Education	476	51	-	(425)
Housing and Community Amenities				
Public Cemeteries	316	183	-	(133)
Public Conveniences	348	-	-	(348)
Street Lighting	926	102	-	(824)
Town Planning	3,933	1,217	84	(2,632)
Other Community Amenities	3	-	-	(3)
Total Housing and Community Amenities	5,526	1,502	84	(3,940)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Cessnock City Council

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

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,668	168	75	(1,425)
Museums	145	-	-	(145)
Art Galleries	51	-	-	(51)
Community Centres and Halls	545	105	359	(81)
Performing Arts Venues	882	255	-	(627)
Other Performing Arts	-	-	-	-
Other Cultural Services	83	7	-	(76)
Sporting Grounds and Venues	1,058	7	158	(893)
Swimming Pools	1,455	195	-	(1,260)
Parks & Gardens (Lakes)	2,544	12	449	(2,083)
Other Sport and Recreation	713	-	-	(713)
Total Recreation and Culture	9,144	749	1,041	(7,354)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,290	482	-	(808)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	1,290	482	-	(808)
Transport and Communication				
Urban Roads (UR) - Local	12,821	4,282	737	(7,802)
Urban Roads - Regional	296	199	-	(97)
Sealed Rural Roads (SRR) - Local	3,755	117	2	(3,636)
Sealed Rural Roads (SRR) - Regional	1,185	796	8,840	8,451
Unsealed Rural Roads (URR) - Local	1,826	701	168	(957)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	1,373	53	-	(1,320)
Bridges on SRR - Local	866	-	-	(866)
Bridges on URR - Local	321	-	-	(321)
Bridges on Regional Roads	-	-	-	-
Parking Areas	69	-	-	(69)
Footpaths	226	-	27	(199)
Aerodromes	447	321	-	(126)
Other Transport & Communication	3,523	2,867	-	(656)
Total Transport and Communication	26,708	9,336	9,774	(7,598)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,230	359	17	(854)
Total Economic Affairs	1,230	359	17	(854)
Totals – Functions	72,004	28,704	10,930	(32,370)
General Purpose Revenues ⁽²⁾		39,832		39,832
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	72,004	68,536	10,930	7,462

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Cessnock City Council

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

for the financial year ended 30 June 2015

\$'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	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	1,133	8,893	10,026	-	1,133	-	-	627	1,143	7,750	8,893
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	1,133	8,893	10,026	-	1,133	-	-	627	1,143	7,750	8,893
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	1,133	8,893	10,026	-	1,133	-	-	627	1,143	7,750	8,893

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).

Cessnock City Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings										
	Council Offices / Administration Centres	-	128	131	6,040	0%	0%	100%	0%	0%
	Council Works Depot	25	21	28	2,865	0%	17%	80%	3%	0%
	Council Public Halls	25	370	206	9,622	0%	25%	72%	3%	0%
	Libraries	-	30	29	1,550	0%	0%	100%	0%	0%
	Cultural Facilities	248	31	99	12,411	0%	15%	55%	30%	0%
	Other Buildings	50	235	179	33,563	2%	44%	48%	6%	0%
	sub total	348	815	672	66,051	1%	29.6%	60.2%	9.3%	0.0%
Other Structures										
	Other Structures	-	177	35	799	0%	0%	100%	0%	0%
	Airport	-	55	78	1,702	0%	0%	100%	0%	0%
	sub total	-	232	113	2,501	0.0%	0.0%	100.0%	0.0%	0.0%
Roads										
	Sealed Roads Surface	2,084	3,244	2,115	27,007	32%	22%	37%	8%	1%
	Sealed Roads Structure	-	-	-	330,903	100%	0%	0%	0%	0%
	Unsealed Roads	62	2,613	1,752	58,330	37%	32%	25%	6%	0%
	Bridges	527	599	783	25,882	32%	59%	8%	1%	0%
	Footpaths	-	568	332	9,234	28%	62%	10%	0%	0%
	Other Road Assets	-	1,290	546	1,614	14%	69%	16%	1%	0%
	sub total	2,673	8,314	5,528	452,970	82.2%	10.3%	6.1%	1.3%	0.1%

Cessnock City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater Drainage	Pipes and Box Culverts	-	883	602	41,523	27%	63%	10%	0%	0%
	Pits and Headwalls	-	275	187	13,025	43%	53%	4%	0%	0%
	Kerb and Gutter	-	698	453	35,761	14%	71%	14%	1%	0%
	sub total	-	1,856	1,242	90,309	24.2%	64.7%	10.7%	0.4%	0.0%
Open Space/ Recreational Assets	Swimming Pools	-	32	50	357	10%	0%	83%	7%	0%
	Open Space	-	1,217	1,251	8,153	22%	51%	23%	4%	0%
	sub total	-	1,249	1,301	8,510	21.5%	48.9%	25.5%	4.1%	0.0%
	TOTAL - ALL ASSETS	3,021	12,466	8,856	620,341	63.9%	20.8%	13.2%	2.1%	0.0%

Notes:

- (1). The estimated cost to bring up to a satisfactory standard refers to the estimated cost to bring the asset up to a standard as deemed suitable by Council to meet the needs of the community. Community consultation was undertaken to determine what is satisfactory to our community the result of this was a condition 3. Assets which are in an unsatisfactory condition have then been entered into a risk matrix see Cessnock Risk Register Infrastructure BTS SS7 Calculator. Only those items which present a high risk to council, are unfunded in next years program and are identified as being unsatisfactory have been included in the calculations.
- (2). Required Annual Maintenance is "what should be spent" to maintain assets in a satisfactory standard. This includes maintenance and part renewal activities. Calculated using the percentage distribution of the previous years budget. This percentage has then been distributed in the same way against this years maintenance budget.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets this includes maintenance and part renewal activities. Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Assets in condition as a % of Written Down Value has been calculated using the known condition rating from the asset database and the WDV of the asset. Tables attached with calculations.
- (5). **Infrastructure Asset Condition Assessment "Key" except Bridges**

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

Infrastructure Asset Condition Assessment "Key" for Bridges

1	Good	No work required (normal maintenance)
2	Minor Decay	Only minor maintenance work required
3	Medium Decay	Maintenance work required
4	Advanced Decay	Renewal required

In accordance with the RTA Bridge Inspection Manual

Cessnock City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

\$ '000	Amounts 2015	Indicator 2015	Prior Periods	
			2014	2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals (Building, Infrastructure & Other Structures) ⁽¹⁾	<u>15,360</u>	141.95%	118.27%	105.65%
Depreciation, Amortisation & Impairment	<u>10,821</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>3,021</u>	0.49%	2.07%	20.96%
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>620,341</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>8,856</u>	0.71	0.99	0.53
Required Asset Maintenance	<u>12,466</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>15,309</u>	1.21	0.85	0.98
Annual Depreciation	<u>12,688</u>			

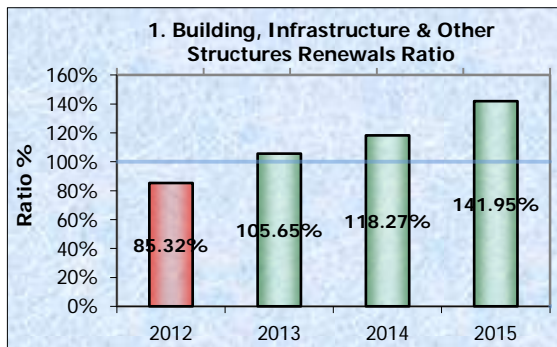
Notes

⁽¹⁾ 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, infrastructure & Other Structure assets only.

⁽²⁾ Written Down Value

Cessnock City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015



Benchmark: ——— Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Asset Renewals Ratio

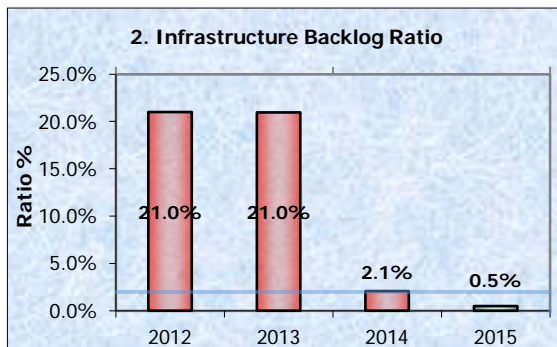
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2014/15 Result

2014/15 Ratio 141.95%

This is a positive result for Council. This shows that council is investing in renewing the current building and infrastructure assets to ensure sustainability of the assets.

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Benchmark: ——— Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Infrastructure Backlog Ratio

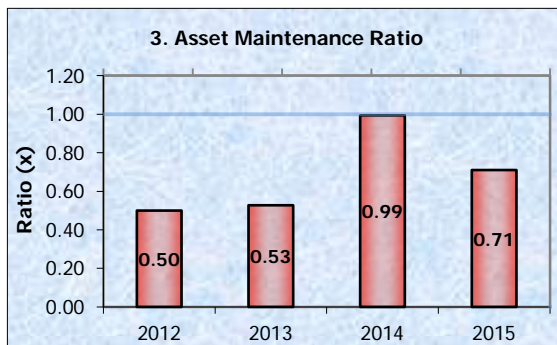
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2014/15 Result

2014/15 Ratio 0.49%

Council has reviewed the current data sets for the assets and assessed the risk of the assets. This ratio now represents Council's position on risk.

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Benchmark: ——— Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Asset Maintenance Ratio

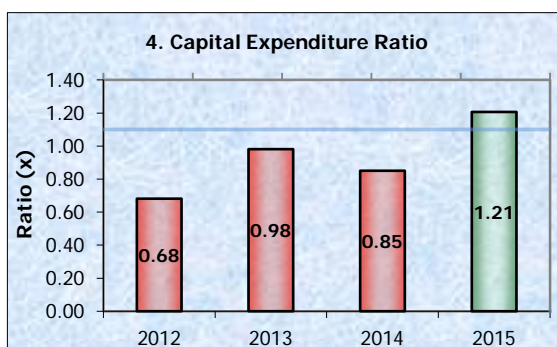
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

Commentary on 2014/15 Result

2014/15 Ratio 0.71 x

Council sustained a super storm during the financial year. This meant that Council was required to spend extra money on repairing damage from the natural disaster and not on maintenance of the assets.

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Benchmark: ——— Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2014/15 Result

2014/15 Ratio 1.21 x

This is a result of Council's commitment to increase spending on capital projects.

■ Ratio is within Benchmark
■ Ratio is outside Benchmark

Cessnock City Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	31,413	32,889
Plus or minus Adjustments ⁽²⁾	b	239	261
Notional General Income	c = (a + b)	<u>31,652</u>	<u>33,150</u>
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	9.55%	
or Rate peg percentage	e		2.40%
or Crown land adjustment (incl. rate peg percentage)	f		
less expiring Special variation amount	g	(1,725)	-
plus Special variation amount	h = d x (c-g)	2,858	-
or plus Rate peg amount	i = c x e	-	796
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	<u>32,785</u>	<u>33,946</u>
plus (or minus) last year's Carry Forward Total	l	12	6
less Valuation Objections claimed in the previous year	m	-	(98)
sub-total	n = (l + m)	<u>12</u>	<u>(92)</u>
Total Permissible income	o = k + n	<u>32,797</u>	<u>33,854</u>
less Notional General Income Yield	p	32,889	33,841
Catch-up or (excess) result	q = o - p	<u>(92)</u>	<u>13</u>
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	98	-
less Unused catch-up ⁽⁵⁾	s	-	(6)
Carry forward to next year	t = q + r - s	<u>6</u>	<u>7</u>

Notes

- The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

CESSNOCK CITY COUNCIL INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Cessnock City Council for the year ending 30 June 2016.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for preparation and fair presentation of Special No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant preparation and fair presentation of Special Schedule No. 9 that is free from material mistreatment, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standard require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 and is free from material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement on Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitation of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

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In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of the entity's internal control.

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 followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

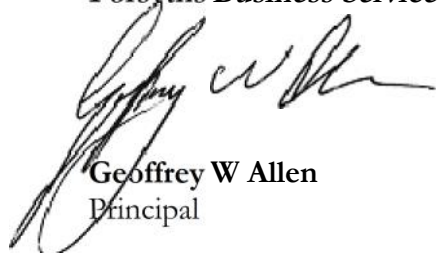
In our opinion Special Schedule No. 9 of Cessnock City Council for the year ending 30 June 2016 is properly drawn up in all material respects, in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that the Special Schedule No. 9 has been prepared for distribution to the Office of Local Government for the purposes of confirming the Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the Special Schedule No. 9 may not be suitable for another purpose

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey W Allen
Principal

29th October 2015
92 Rusden Street Armidale