



Financial Reports Water Supply Authority Central Coast Council

1 July 2019 to 30 June 2020

General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

Central Coast Council Water Supply Authority has its principle place of business at :

2 Hely Sreet, Wyong NSW 2259
49 Mann Street, Gosford NSW 2250

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

Central Coast Council - Water Supply Authority

General Purpose Financial Statements

for the year ended 30 June 2020

Statement by Interim Administrator and Management made pursuant to Section 41B of the Public Finance and Audit Act 1983 (PF&A Act)

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

- section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015,
- the Australian Accounting Standards and professional pronouncements

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

- present fairly the Central Coast Council Water Supply Authority's operating result and financial position for the year
- accord with Central Coast Council Water Supply Authority'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 30 April 2021.



Dick Persson
Interim Administrator
30 April 2021



David Farmer
Chief Executive Officer
30 April 2021



Natalia Cowley
Responsible Accounting Officer
30 April 2021

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
79,814	Rates and annual charges	2a	78,370	125,048
80,279	User charges and fees	2b	77,507	69,526
111	Other revenues	2c	179	250
797	Grants and contributions provided for operating purposes	2d,2e	593	810
24,422	Grants and contributions provided for capital purposes	2d,2e	16,765	25,877
5,430	Interest and investment income	3	4,370	5,839
<u>190,853</u>	Total income from continuing operations		<u>177,784</u>	<u>227,350</u>
Expenses from continuing operations				
31,762	Employee benefits and on-costs	4a	37,267	34,765
17,624	Borrowing costs	4b	15,302	17,228
18,249	Materials and contracts	4c	22,244	22,991
74,665	Depreciation and amortisation	4d	78,675	76,651
43,857	Other expenses	4e	53,261	41,383
–	Net losses from the disposal of assets	5	2,559	3,014
<u>186,157</u>	Total expenses from continuing operations		<u>209,308</u>	<u>196,032</u>
<u>4,696</u>	Operating result from continuing operations		<u>(31,524)</u>	<u>31,318</u>
<u>4,696</u>	Net operating result for the year		<u>(31,524)</u>	<u>31,318</u>
4,696	Net operating result attributable to Central Coast Council Water Supply Authority		(31,524)	31,318
<u>(19,726)</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>(48,289)</u>	<u>5,441</u>

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		(31,524)	31,318
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	8	24,459	41,849
Total items which will not be reclassified subsequently to the operating result		24,459	41,849
Total other comprehensive income for the year		24,459	41,849
Total comprehensive income for the year		(7,065)	73,167
Total comprehensive income attributable to Central Coast Council Water Supply Authority		(7,065)	73,167

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	52,160	12,788
Investments	6(b)	108,614	167,935
Receivables	7	44,181	39,005
Other		161	–
Total current assets		<u>205,116</u>	<u>219,728</u>
Non-current assets			
Investments	6(b)	16,377	15,041
Receivables	7	3,328	3,406
Infrastructure, property, plant and equipment	8	3,685,329	3,676,762
Intangible Assets	9	1,703	1,703
Total non-current assets		<u>3,706,737</u>	<u>3,696,912</u>
Total assets		<u>3,911,853</u>	<u>3,916,640</u>
LIABILITIES			
Current liabilities			
Payables	11	18,215	37,913
Income received in advance	11	76	137
Contract liabilities	10	3,721	–
Borrowings	11	61,486	43,105
Provisions	12	11,034	10,710
Total current liabilities		<u>94,532</u>	<u>91,865</u>
Non-current liabilities			
Income received in advance	11	2,467	2,513
Borrowings	11	198,173	196,071
Provisions	12	2,809	2,751
Total non-current liabilities		<u>203,449</u>	<u>201,335</u>
Total liabilities		<u>297,981</u>	<u>293,200</u>
Net assets		<u>3,613,872</u>	<u>3,623,440</u>
EQUITY			
Accumulated surplus	13	3,462,846	3,496,873
Revaluation reserves	13	151,026	126,567
Equity interest		<u>3,613,872</u>	<u>3,623,440</u>
Total equity		<u>3,613,872</u>	<u>3,623,440</u>

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

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

Statement of Changes in Equity
for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		3,496,873	126,567	3,623,440	3,465,555	84,718	3,550,273
Changes due to AASB 1058 and AASB 15 adoption	13	(2,503)	–	(2,503)	–	–	–
Changes due to AASB 16 adoption		–	–	–	–	–	–
Restated opening balance		3,494,370	126,567	3,620,937	3,465,555	84,718	3,550,273
Net operating result for the year		(31,524)	–	(31,524)	31,318	–	31,318
Restated net operating result for the period		(31,524)	–	(31,524)	31,318	–	31,318
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	8	–	24,459	24,459	–	41,849	41,849
Other comprehensive income		–	24,459	24,459	–	41,849	41,849
Total comprehensive income		(31,524)	24,459	(7,065)	31,318	41,849	73,167
Equity – balance at end of the reporting period		3,462,846	151,026	3,613,872	3,496,873	126,567	3,623,440

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
<i>Receipts:</i>				
84,400	Rates and annual charges		78,986	125,048
79,285	User charges and fees		73,217	76,796
5,456	Investment and interest revenue received		4,451	7,386
25,505	Grants and contributions		14,246	11,511
–	Bonds, deposits and retention amounts received		13	–
8,466	Other		–	5,545
<i>Payments:</i>				
(32,976)	Employee benefits and on-costs		(36,955)	(36,706)
(59,068)	Materials and contracts		(23,793)	(21,135)
(15,850)	Borrowing costs		(15,302)	(18,629)
–	Bonds, deposits and retention amounts refunded		–	(2,423)
(1,796)	Other		(72,947)	(36,756)
93,422	Net cash provided (or used in) operating activities	14b	21,916	110,637
Cash flows from investing activities				
<i>Receipts:</i>				
1,376	Sale of investment securities		131,307	238,704
353	Deferred debtors receipts		–	–
<i>Payments:</i>				
(13,967)	Purchase of investment securities		(73,322)	(274,029)
(46,669)	Purchase of infrastructure, property, plant and equipment		(61,012)	(64,915)
(58,907)	Net cash provided (or used in) investing activities		(3,027)	(100,240)
Cash flows from financing activities				
<i>Receipts:</i>				
30,000	Proceeds from borrowings and advances		39,453	–
<i>Payments:</i>				
(42,374)	Repayment of borrowings and advances		(18,970)	(32,326)
(12,374)	Net cash flow provided (used in) financing activities		20,483	(32,326)
22,141	Net increase/(decrease) in cash and cash equivalents		39,372	(21,929)
54,858	Plus: cash and cash equivalents – beginning of period	14a	12,788	34,717
76,999	Cash and cash equivalents – end of the year	14a	52,160	12,788
148,303	plus: Investments on hand – end of year	6(b)	124,991	182,976
225,302	Total cash, cash equivalents and investments		177,151	195,764

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Central Coast Council Water Supply Authority (CCCWSA) on 30 April 2021.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations and the *Public Finance and Audit Act 1983*.

Central Coast Council, within its overall statutory responsibilities, is a statutory authority for water supply and related purposes, under the *Water Management Act 2000*. CCCWSA controls resources to carry out water supply, sewerage, stormwater drainage and ancillary activities within Central Coast Council local government area and these functions have been consolidated in these financial statements.

CCCWSA is a not for profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying CCCWSA'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 CCCWSA and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

CCCWSA makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 8
- (ii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Central Coast Council Water Supply Authority's accounting policies

- (i) Impairment of receivables

CCCWSA has made a significant judgement about the impairment of a number of its receivables – refer Note 7.

COVID-19 Impact

The COVID-19 pandemic continues to impact the community where CCCWSA operates. This pandemic has had a financial impact for CCCWSA in the financial year ended 30 June 2020 which has impacted the comparability of some line items and amounts reported in this financial report.

COVID-19 has caused disruption to CCCWSA's business practices with a number of staff working remotely from home away from the main administration buildings and other CCCWSA facilities. Whilst this has caused some inconvenience it has not resulted in significant additional cost.

The impact on CCCWSA's financial performance and financial position was restricted to a decrease in developer contributions.

Additional costs (although not material), in conjunction with public health activities (e.g. cleaning, inventory purchases and other health and safety initiatives) have also been incurred.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

The financial difficulty experienced by many ratepayers led to a higher than normal level of outstanding collections for the financial year.

No material changes have been noted in asset values.

Going Concern

The Financial Statements have been prepared on a going concern basis, which assumes CCCWSA will be able to meet its debts and other financial obligations as they fall due.

Since disclosing Council's serious financial situation on 6 October 2020, Council has achieved the following:

- Obtained \$150M in bank loans - which has returned Council to a positive unrestricted cash and investment position;
- Reduced staff numbers through an organisational restructure and redundancy program;
- Implemented strategies to reduce materials and contracts expenditure;
- Placed CCCWSA-identified in underperforming assets for sale;
- Applied for a one-off 15% Special Rate Variation (SRV)

Council's forecast ten year long term financial plan is based on an expectation of receiving a one-off 15% Special Rate Variation (SRV), (13% + 2% standard rate peg) which would be applied in 2021-2022 and remaining permanently in the rate base. If approved by IPART, this SRV will ensure an additional, ongoing \$22.9M in income. If not approved by IPART, Council will have to undertake a further organisational restructure to the amount of \$22.9M - which has the potential to materially change the scale of CCCWSA's operations.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Volunteer services are services received from individuals or other entities without charge or for consideration significantly less than the fair value of those services. These may include:

- Committees with volunteer members,
- Outdoor space volunteers, and
- Volunteers at special Council events.

Volunteer services will only be recognised when:

- such services would be purchased if they had not been donated, and
- the fair value of those services can be reliably measured.

CCCWSA has not received the benefit of volunteer services throughout the reporting period.

Monies and other assets received by Central Coast Council Water Supply Authority

(a) The Consolidated Fund

These Financial Statements represent the consolidation of Water, Sewerage and Drainage funds.

The notional cash and investment assets of CCCWSA are represented in practice by an equity interest in the general cash and investment assets of Central Coast Council as a whole and all investment assets and bank accounts are held in the name of Central Coast Council.

New accounting standards and interpretations issued but not yet effective

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

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

New and amended standards adopted by Central Coast Council Water Supply Authority

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

Those newly adopted standards which had a material impact on CCCWSA's reported financial position, financial performance and/or associated financial statement disclosures are further discussed at Note 13.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations

\$ '000	2020	2019
(a) Rates and annual charges		
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Water supply services	12,415	26,435
Sewerage services	53,343	82,318
Drainage	14,345	17,791
Other	14	–
Liquid trade waste	461	429
Less: pensioner rebates (State Government funded)	(2,115)	(2,384)
Less: pensioner rebates (CCCWSA funded)	(2,091)	(1,951)
Annual charges levied	76,372	122,638
Pensioner subsidies received:		
– Water	1,004	1,214
– Sewerage	994	1,196
Total annual charges	78,370	125,048
TOTAL RATES AND ANNUAL CHARGES	78,370	125,048

Accounting policy for rates and charges

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government. Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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

\$ '000	2020	2019
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	57,351	62,406
Sewerage services	15,468	2,611
Liquid trade waste	2,212	2,369
Total specific user charges	75,031	67,386
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	209	185
Inspection services	243	23
Regulatory/ statutory fees	241	67
Registration fees	7	40
Total fees and charges – statutory/regulatory	700	315

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations (continued)

\$ '000	2020	2019
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Water connection fees	1,008	744
Sewer connection fees	350	495
Sewer application fees	–	40
Sewer diagrams	275	343
Special water meter reading fees	18	10
Water carters licence fees	51	88
Other	74	105
Total fees and charges – other	1,776	1,825
TOTAL USER CHARGES AND FEES	77,507	69,526

Accounting policy for user charges and fees

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service. There is no material obligation for CCCWSA in relation to refunds or returns.

Where an upfront fee is charged the fee is recognised on a straight-line basis over the expected life to which the fee relates.

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

2019 accounting policy

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

\$ '000	2020	2019
(c) Other revenues		
Sales – general	73	–
Property rents	25	84
Other supply/ services – water	–	114
Other supply/ services – sewer	81	52
TOTAL OTHER REVENUE	179	250

Accounting policy for other revenue

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

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

2019 accounting policy:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations (continued)

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

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

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

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants				
Specific purpose				
Drainage / environment	–	–	599	459
Environmental programs	127	–	–	–
LIRS subsidy	446	530	–	–
Water / sewer infrastructure	–	–	2,788	–
Other	20	280	–	–
Total specific purpose	593	810	3,387	459
Total grants	593	810	3,387	459
Grant revenue is attributable to:				
– Commonwealth funding	–	–	599	456
– State funding	593	810	2,788	3
	593	810	3,387	459
(e) Contributions				
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
S 64 – water supply contributions	–	–	3,429	3,459
S 64 – sewerage service contributions	–	–	3,639	4,271
S 7.11 – drainage assets	–	–	1,424	1,787
Other developer contributions	–	–	–	86
Total developer contributions – cash	–	–	8,492	9,603
Non-cash contributions				
S 64 – water supply contributions	–	–	82	–
S 7.11 – stormwater contributions	–	–	171	–
Total developer contributions non-cash	–	–	253	–
Total developer contributions	–	–	8,745	9,603
Other contributions:				
Cash contributions				
Sewerage (excl. section 64 contributions)	–	–	132	271
Water supplies (excl. section 64 contributions)	–	–	73	196
Other	–	–	98	172
Total other contributions – cash	–	–	303	639
Non-cash contributions				
Other	–	–	4,330	15,176

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations (continued)

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
Total other contributions – non-cash	–	–	4,330	15,176
Total other contributions	–	–	4,633	15,815
Total contributions	–	–	13,378	25,418
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	593	810	16,765	25,877

Accounting policy for grants and contributions**Accounting policy from 1 July 2019****Grant income under AASB 15**

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

The performance obligations are varied based on the agreement but may include specific trigger events. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

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

Capital grants

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

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

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

Contributions

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations (continued)

Accounting policy prior to 1 July 2019

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

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

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

\$ '000	2020	2019
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(f) Unspent grants and contributions – external restrictions

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

Operating grants

Unexpended at the close of the previous reporting period	3	2,496
Add: operating grants received for the provision of goods and services in a future period	72	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(2,493)
Less: operating grants received in a previous reporting period now spent and recognised as income	(3)	–
Unexpended and held as externally restricted assets (operating grants)	72	3

Capital grants

Unexpended at the close of the previous reporting period	2,352	2,352
Add: capital grants received for the provision of goods and services in a future period	1,152	–
Unexpended and held as externally restricted assets (capital grants)	3,504	2,352

Capital grant unspent and held as a restriction at year end relates to the Climate Change Fund.

Contributions

Unexpended at the close of the previous reporting period	91,245	85,154
Add: contributions recognised as income in the current period but not yet spent	–	11,607
Add: contributions received for the provision of goods and services in a future period	4,632	–
Less: contributions recognised in a previous reporting period now spent	(9,778)	(5,516)
Unexpended and held as externally restricted assets (contributions)	86,099	91,245

Various developer contributions unspent and held as a restriction at year end.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations (continued)

\$ '000	AASB 15 2020	AASB 1058 2020
(g) Disaggregation of material revenue streams		
The following shows the revenue recognition pattern for the material revenue streams of CCCWSA.		
Revenue recognition at a point in time		
Rates and annual charges	–	78,370
User charges and fees	–	77,507
Grant revenue and non-developer contributions	–	4,923
Developer contributions	–	8,745
	<u>–</u>	<u>169,545</u>
Revenue recognised over time		
Grant revenue	131	–
Grants and contributions to acquire or construct CCCWSA controlled assets	3,559	–
	<u>3,690</u>	<u>–</u>

Note 3. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue annual charges	884	1,061
– Cash and investments	3,480	4,769
Other	6	9
Total Interest and investment income	<u>4,370</u>	<u>5,839</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue annual charges	–	1,061
Cash and investments	2,226	2,406
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	692	630
– Section 64	1,452	1,742
Total interest and investment revenue	<u>4,370</u>	<u>5,839</u>

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	32,037	29,491
Employee termination costs	121	32
Employee leave entitlements (ELE)	4,295	3,597
Superannuation	2,489	2,230
Payroll tax	2,595	2,143
Workers Compensation	615	1,324
Training costs (other than salaries and wages)	–	30
Travel expenses	–	1
Uniforms and Protective clothing	–	212
Total employee costs	42,152	39,060
Less: capitalised costs	(4,885)	(4,295)
TOTAL EMPLOYEE COSTS EXPENSED	37,267	34,765

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

CCCWSA participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore CCCWSA accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	15,277	17,209
Other debts	25	19
Total interest bearing liability costs	15,302	17,228
Total interest bearing liability costs expensed	15,302	17,228
TOTAL BORROWING COSTS EXPENSED	15,302	17,228

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	10,491	10,005
Contractor and consultancy costs	10,045	10,829
Auditors remuneration ¹	12	79
Agency Hire	1,696	2,078
Total materials and contracts	22,244	22,991
TOTAL MATERIALS AND CONTRACTS	22,244	22,991

Accounting policy for materials and contracts

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

1. Auditor remuneration

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

Auditors of CCCWSA - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	–	79
Remuneration for audit and other assurance services	–	79
Total Auditor-General remuneration	–	79

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Audit and review of financial statements	12	–
Remuneration for audit and other assurance services	12	–
Total remuneration of non NSW Auditor-General audit firms	12	–
Total Auditor remuneration	12	79

\$ '000	Notes	2020	2019
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(d) Depreciation, amortisation and impairment of non-financial assets

Depreciation and amortisation

Plant and equipment		41	14
Office equipment		35	21
Furniture and fittings		13	15
Land improvements (depreciable)		14	–
Infrastructure:	8		
– Buildings – specialised		683	682
– Other structures		54	56
– Roads		1	1
– Stormwater drainage		15,858	15,431
– Water supply network		26,833	26,032
– Sewerage network		35,143	34,399
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		78,675	76,651

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Expenses from continuing operations (continued)

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 8 for IPPE assets and Note 9 for intangible assets.

Impairment of non-financial assets

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

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	20	13
Administration support	28,946	18,826
Bad and doubtful debts	64	94
Computer software charges	220	426
Electricity and heating	8,947	8,940
Gas charges	91	13
Insurance	192	111
Licences	404	457
Plant hire	7,782	5,558
Printing and stationery	31	59
Subscriptions and publications	13	22
Telephone and communications	22	43
Tipping fees	5,773	4,910
Training costs (other than salaries and wages)	22	–
Water purchases	586	1,757
Other	148	154
Total other expenses	53,261	41,383
TOTAL OTHER EXPENSES	53,261	41,383

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		(4)	–
Net gain/(loss) on disposal		(4)	–
Infrastructure			
	8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(2,555)	(3,014)
Net gain/(loss) on disposal		(2,555)	(3,014)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		131,307	119,352
Less: carrying amount of investments sold/redeemed/matured		(131,307)	(119,352)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(2,559)</u>	<u>(3,014)</u>

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash-equivalent assets		
– Deposits at call	52,160	12,788
Total cash and cash equivalents	52,160	12,788

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	5,890	4,589	–	–
b. 'Financial assets at amortised cost'	102,724	11,788	167,935	15,041
Total Investments	108,614	16,377	167,935	15,041
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	160,774	16,377	180,723	15,041
Financial assets at fair value through the profit and loss				
Government and semi-government bonds	–	2,998	–	–
NCD's, FRN's	5,890	1,591	–	–
Total	5,890	4,589	–	–
Financial assets at amortised cost				
Long term deposits	102,724	11,788	156,664	8,025
NCD's, FRN's	–	–	11,271	7,016
Total	102,724	11,788	167,935	15,041

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6(c). Restricted cash, cash equivalents and investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	160,774	16,377	180,723	15,041
attributable to:				
External restrictions	75,618	16,377	84,872	15,041
Internal restrictions	1,958	–	1,894	–
Unrestricted	83,198	–	93,957	–
	<u>160,774</u>	<u>16,377</u>	<u>180,723</u>	<u>15,041</u>

\$ '000	2020	2019
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Details of restrictions

External restrictions

Developer contributions – water fund	27,529	38,250
Developer contributions – sewer fund	20,032	20,917
Developer contributions – drainage	34,583	32,467
Developer contributions – VPA – water	1,045	1,028
Developer contributions – VPA – sewer	491	483
Developer contributions - VPA - drainage	1,359	1,337
Specific purpose unexpended grants (recognised as revenue) – water fund	2,550	2,355
Specific purpose unexpended grants (recognised as revenue) – sewer fund	153	–
Specific purpose unexpended grants (recognised as revenue) – drainage fund	873	–
Water supplies	45	47
Drainage	100	100
Self insurance – sewer	2,027	2,131
Self insurance – water	1,208	798
External restrictions	<u>91,995</u>	<u>99,913</u>
Total external restrictions	<u>91,995</u>	<u>99,913</u>

Internal restrictions

Employee leave entitlement – water	1,026	873
Employees leave entitlement – drainage	55	66
Employee leave entitlement – sewer	877	955
Total internal restrictions	<u>1,958</u>	<u>1,894</u>
TOTAL RESTRICTIONS	<u>93,953</u>	<u>101,807</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Interest and extra charges	1,177	–	1,258	–
User charges and fees	13,122	3,034	8,522	3,406
Accrued revenues				
– User charges and fees	13,255	–	15,586	–
– Government grants and subsidies	2,182	–	2,371	–
– Other income accruals	36	–	93	–
Drainage annual charges	2,636	–	1,374	–
Sewerage annual charges	9,692	–	7,479	–
Water annual charges	2,082	–	2,094	–
Other debtors	60	294	228	–
Total	44,242	3,328	39,005	3,406
Less: provision of impairment				
User charges and fees	(45)	–	–	–
Other debtors	(16)	–	–	–
Total provision for impairment – receivables	(61)	–	–	–
<u>TOTAL NET RECEIVABLES</u>	<u>44,181</u>	<u>3,328</u>	<u>39,005</u>	<u>3,406</u>

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	–	–
+ new provisions recognised during the year	61	–
Balance at the end of the year	61	–

Accounting policy for receivables**Recognition and measurement**

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

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

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

Impairment

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

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

When considering the ECL for rates debtors, CCCWSA takes into account that unpaid annual charges represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, CCCWSA uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7. Receivables (continued)

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

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

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

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. CCCWSA writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are beyond the applicable statute of limitations period, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

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

Note 8. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19			Asset movements during the reporting period						as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	101,799	–	101,799	65,485	–	–	(69,334)	(5,759)	–	92,192	–	92,192
Plant and equipment	1,133	(1,085)	48	–	–	(41)	187	–	–	1,320	(1,126)	194
Office equipment	609	(600)	9	–	–	(35)	72	–	–	196	(149)	47
Furniture and fittings	854	(731)	123	–	–	(13)	7	–	–	866	(749)	117
Land:												
– Operational land	70,793	–	70,793	–	–	–	–	(1,847)	–	68,946	–	68,946
– Crown and Community land	7,351	–	7,351	–	–	–	290	1,847	2,761	12,249	–	12,249
Land improvements – depreciable	–	–	–	–	–	(14)	146	–	–	146	(14)	132
Infrastructure:												
– Buildings – specialised	50,167	(18,960)	31,207	–	(4)	(683)	1,544	–	–	51,689	(19,624)	32,065
– Other structures	1,699	(406)	1,293	–	–	(54)	17	–	–	1,716	(460)	1,256
– Roads	42	(20)	22	–	–	(1)	–	–	–	42	(21)	21
– Bulk earthworks (non-depreciable)	16	–	16	–	–	–	–	–	–	16	–	16
– Stormwater drainage	1,489,091	(468,579)	1,020,512	590	(293)	(15,858)	25,681	–	–	1,514,849	(484,217)	1,030,632
– Water supply network	1,823,426	(790,130)	1,033,296	1,053	(1,004)	(26,833)	19,503	682	9,041	1,857,037	(821,298)	1,035,739
– Sewerage network	2,305,734	(895,441)	1,410,293	2,688	(1,258)	(35,143)	21,887	600	12,657	2,346,757	(935,034)	1,411,723
Total Infrastructure, property, plant and equipment	5,852,714	(2,175,952)	3,676,762	69,816	(2,559)	(78,675)	–	(4,477)	24,459	5,948,021	(2,262,692)	3,685,329

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

Note 8. Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/06/18			Asset movements during the reporting period						as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	78,540	–	78,540	62,009	–	–	(38,750)	–	–	101,799	–	101,799
Plant and equipment	1,133	(1,070)	63	–	–	(14)	–	–	–	1,133	(1,085)	48
Office equipment	620	(590)	30	–	–	(21)	–	–	–	609	(600)	9
Furniture and fittings	854	(716)	138	–	–	(15)	–	–	–	854	(731)	123
Land:												
– Operational land	70,706	–	70,706	87	–	–	–	–	–	70,793	–	70,793
– Crown and Community land	7,351	–	7,351	–	–	–	–	–	–	7,351	–	7,351
Infrastructure:												
– Buildings – specialised	47,042	(18,278)	28,764	–	–	(682)	3,125	–	–	50,167	(18,960)	31,207
– Other structures	1,631	(350)	1,281	–	–	(56)	68	–	–	1,699	(406)	1,293
– Roads	42	(19)	23	–	–	(1)	–	–	–	42	(20)	22
– Bulk earthworks (non-depreciable)	16	–	16	–	–	–	–	–	–	16	–	16
– Stormwater drainage	1,464,883	(453,458)	1,011,425	13,527	(627)	(15,431)	10,110	1,508	–	1,489,091	(468,579)	1,020,512
– Water supply network	1,786,097	(753,582)	1,032,515	561	(596)	(26,032)	11,709	(1,167)	16,306	1,823,426	(790,130)	1,033,296
– Sewerage network	2,252,235	(848,600)	1,403,635	1,002	(1,791)	(34,399)	13,738	2,566	25,543	2,305,734	(895,441)	1,410,293
Total Infrastructure, property, plant and equipment	5,711,150	(2,076,663)	3,634,487	77,186	(3,014)	(76,651)	–	2,907	41,849	5,852,714	(2,175,952)	3,676,762

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Land and bulk earthworks are not depreciated. Any property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the CCCWSA will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Buildings	Years
Office furniture	10	Buildings	6 to 167
Other plant and equipment	6		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	12 to 333	Drains	5 to 122
Bores	15 to 30	Culverts	10 to 160
Reticulation pipes	25 to 256	Flood control structures	6 to 500
Transportation assets			
Bridge: concrete	100		
Bridge: other	50		

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Drainage Easements		
Opening values at 1 July		
Gross book value	4,172	4,172
Accumulated amortisation	(2,469)	(2,469)
Net book value – opening balance	1,703	1,703
Closing values at 30 June		
Gross book value	4,172	4,172
Accumulated amortisation	(2,469)	(2,469)
Total software – net book value	1,703	1,703
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	1,703	1,703

Accounting policy for intangible assets**Drainage easements**

Easements (the right of access over land) are recognised as intangible assets.

Easements are determined to have indefinite lives, as there is no finite period over which their use is fully consumed. They convey a right to CCCWSA to enable it to gain access to its infrastructure assets over an indefinite period of time. Unlike the infrastructure assets themselves, which are consumed over a finite period and undergo replacement to enable continuity of service, an easement can exist continuously throughout this period and beyond, and thus may never need to be released. Easements are only derecognised when a management decision has been made to relocate the relevant infrastructure asset and the need for the easement no longer exists. Since easements are viewed as having an indefinite life, they are not amortised, however, they are tested for impairment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Contract liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct CCCWSA controlled assets)	(i)	3,504	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	72	–
Unexpended capital contributions (to construct CCCWSA controlled assets)	(i)	145	–
Total grants received in advance		3,721	–
Total contract liabilities		3,721	–

Notes

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

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

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Operating grants (received prior to performance obligation being satisfied)	3
Capital contributions (to construct Council controlled assets)	3
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	6

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid annual charges	4,262	–	3,646	–
Goods and services – operating expenditure	3,917	–	5,466	–
Accrued expenses:				
– Other expenditure accruals	9,748	–	3,526	–
Security bonds, deposits and retentions	288	–	275	–
Payable to General Fund	–	–	25,000	–
Total payables	18,215	–	37,913	–
Income received in advance				
Payments received in advance	76	569	137	2,513
Other	–	1,898	–	–
Total income received in advance	76	2,467	137	2,513
Borrowings				
Loans – secured ¹	37,334	175,490	41,978	172,195
Loans – unsecured	24,152	22,683	1,127	23,876
Total borrowings	61,486	198,173	43,105	196,071
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>79,777</u>	<u>200,640</u>	<u>81,155</u>	<u>198,584</u>

(1) Loans are secured over the general rating income of Central Coast Council Water Supply Authority. Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Payables and borrowings (continued)

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

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

Payables – overpayments, security bonds, deposits and retentions	3,560	2,851
Total payables and borrowings	3,560	2,851

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	214,173	(1,349)	–	–	–	–	212,824
Loan – unsecured	25,003	21,832	–	–	–	–	46,835
TOTAL	239,176	20,483	–	–	–	–	259,659

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	245,436	(31,263)	–	–	–	214,173
Loan – unsecured	26,066	(1,063)	–	–	–	25,003
TOTAL	271,502	(32,326)	–	–	–	239,176

Accounting policy for payables and borrowings

CCCWSA measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities of the CCCWSA comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	2,761	–	2,322	–
Sick leave	1,379	–	1,807	–
Long service leave	5,046	380	5,000	217
Other leave	310	–	218	–
Sub-total – aggregate employee benefits	<u>9,496</u>	<u>380</u>	<u>9,347</u>	<u>217</u>
Other provisions				
Self insurance – workers compensation	827	2,408	407	2,522
Self insurance – public liability	64	–	–	–
Self insurance – other	21	–	23	–
Payroll tax	518	21	530	12
Other	108	–	403	–
Sub-total – other provisions	<u>1,538</u>	<u>2,429</u>	<u>1,363</u>	<u>2,534</u>
TOTAL PROVISIONS	<u>11,034</u>	<u>2,809</u>	<u>10,710</u>	<u>2,751</u>

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

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

Provisions – employees benefits	4,904	5,563
	<u>4,904</u>	<u>5,563</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Provisions (continued)

(b) Description of and movements in non-employee benefit provisions

\$ '000	Other provisions		Total
	Self insurance	Other (Payroll Tax)	
2020			
At beginning of year	2,952	945	3,897
Additional provisions	–	2,649	2,649
Amounts used (payments)	–	(2,947)	(2,947)
Other	368	–	368
Total other provisions at end of year	3,320	647	3,967
2019			
At beginning of year	1,945	595	2,540
Additional provisions	1,296	2,493	3,789
Amounts used (payments)	(289)	(2,143)	(2,432)
Total other provisions at end of year	2,952	945	3,897

Nature and purpose of non-employee benefit provisions**Self-insurance**

To recognise liabilities for outstanding claims (uninsured losses) arising from CCCWSA's decision to undertake self-insurance for certain risks faced.

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Provisions (continued)

Self-insurance

CCCWSA has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. CCCWSA also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Self Insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of CCCWSA being a self-insurer for Workers Compensation claims. Public Liability and Professional Indemnity claims are expensed as they meet the recognition criteria as set out in AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Specific uncertainties relating to the final costs and the assumptions made in determining Provisions for Self Insurance include:

- Claims escalation of 2.5% per annum for the next three years and bond yield of between 1.40% and 3.437% per annum over a 50 year period.
- All monetary amounts for past Workers Compensation claims were indexed to bring them to 'standardised' values at 30 June 2020.
- Workers Compensation claim payments projected into the future by the adopted actuarial model are in 'standardised' values as at 30 June 2020.

The last actuarial assessment of Workers Compensation Claims was undertaken in July 2020 and was performed by David A Zaman Pty Ltd. Director David Zaman, BSc, FIA, FIAA, MBA.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

(b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year ended 30 June 2020, CCCWSA has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

AASB 15 and AASB 1058

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

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

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. CCCWSA has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Licences

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Additional line items of contract liabilities has been created.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	2,503
– Under AASB 1058	–
Total Contract liabilities	<u>2,503</u>

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current liabilities					
Payables	18,215	–	–	18,215	
Income received in advance	76	72	–	148	
Contract liabilities	3,721	(72)	(3,649)	–	(i)
Borrowings	61,486	–	–	61,486	
Provisions	11,034	–	–	11,034	
Total current liabilities	<u>94,532</u>	<u>–</u>	<u>(3,649)</u>	<u>90,883</u>	
Investments	16,377	–	–	16,377	
Receivables	3,328	–	–	3,328	
Infrastructure, property, plant and equipment	3,685,329	–	–	3,685,329	
Intangible assets	1,703	–	–	1,703	
Total non-current assets	<u>3,706,737</u>	<u>–</u>	<u>–</u>	<u>3,706,737</u>	
Non-current liabilities					
Income received in advance	2,467	–	–	2,467	
Borrowings	198,173	–	–	198,173	
Provisions	2,809	–	–	2,809	
Total Non-current liabilities	<u>203,449</u>	<u>–</u>	<u>–</u>	<u>203,449</u>	
Net assets	<u>3,613,872</u>	<u>–</u>	<u>3,649</u>	<u>3,617,521</u>	
Equity					
Accumulated surplus	3,462,846	–	3,649	3,466,495	
Revaluation reserves	151,026	–	–	151,026	
Total equity	<u>3,613,872</u>	<u>–</u>	<u>3,649</u>	<u>3,617,521</u>	

(i) Elimination of contract liability which arises under AASB 15 for funds received to construct an asset to be controlled by
continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

CCCWSA and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	78,370	–	–	78,370	
User charges and fees	77,507	–	–	77,507	
Other revenues	179	–	–	179	
Grants and contributions provided for operating purposes	593	–	69	662	(i)
Grants and contributions provided for capital purposes	16,765	–	1,149	17,914	(i)
Interest and investment income	4,370	–	–	4,370	
Total Income from continuing operations	177,784	–	1,218	179,002	
Net operating result for the year	(31,524)	–	1,218	(30,306)	
Total comprehensive income	(7,065)	–	1,218	(5,847)	

(i) Difference in revenue between recognition on receipt under the old standards and as / when performance obligations are met under the new standards.

Statement of Cash Flows for the year ended 30 June 2020

\$ '000	AASB 15 cash flows per Statement of Cash Flows	Reclassification	Remeasurement
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The adoption of AASB 15 and AASB 1058 has not materially changed the Statement of Cash Flows for the year ended 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	6(a)	52,160	12,788
Balance as per the Statement of Cash Flows		52,160	12,788
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(31,524)	31,318
Adjust for non-cash items:			
Depreciation and amortisation		78,675	76,651
Net losses/(gains) on disposal of assets		2,559	3,014
Non-cash capital grants and contributions		(4,330)	(15,176)
Adoption of AASB 15/1058		(2,503)	-
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(5,159)	10,060
Increase/(decrease) in provision for impairment of receivables		61	-
Decrease/(increase) in other current assets		(161)	-
Increase/(decrease) in payables		(1,549)	1,856
Increase/(decrease) in accrued interest payable		-	(1,401)
Increase/(decrease) in other accrued expenses payable		6,222	(257)
Increase/(decrease) in other liabilities		(24,478)	4,542
Increase/(decrease) in contract liabilities		3,721	-
Increase/(decrease) in provision for employee benefits		312	(1,327)
Increase/(decrease) in other provisions		70	1,357
Net cash provided from operating activities from the Statement of Cash Flows		21,916	110,637
(c) Non-cash investing and financing activities			
Other dedications		4,330	15,176
Total non-cash investing and financing activities		4,330	15,176

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Commitments

\$ '000	2020	2019
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Other – Stormwater Management	406	980
Infrastructure	41,229	10,150
Total commitments	41,635	11,130
These expenditures are payable as follows:		
Within the next year	41,635	11,130
Total payable	41,635	11,130
Sources for funding of capital commitments:		
Unrestricted general funds	41,635	11,130
Total sources of funding	41,635	11,130

Details of capital commitments

Major projects include:

- * Mardi to Warnervale water trunk main preconstruction \$32.9 million
- * Clarke Rd, Noraville sewer pump station upgrade \$7.7 million
- * Sewer Infrastructure Reinforcements - Gosford CBD \$0.6 million

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

Defined benefit superannuation contribution plans

Council, on behalf of CCCWSA is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a “multi-employer fund” for purposes of *AASB119 Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

Employer contributions paid to the defined benefit section of the Scheme during 2019-20 were recognised as an expense. The last valuation of the Scheme was performed by Mercer Consulting (Australia) and covers the year ended 30 June 2020.

The position is monitored annually and the actuary has estimated that, as at 30 June 2020, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit.

CCCWSA's share of the deficit cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all members. For this reason, no liability for the deficit has been recognised in CCCWSA's accounts. CCCWSA has a possible obligation that may arise should the Scheme require immediate payment to correct the deficit.

2. Other liabilities

Developer contributions

CCCWSA levies Section 64 contributions upon various developments across the local government area through the required contributions plans. As part of these plans, CCCWSA 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 CCCWSA, which will be funded by making levies and receipting funds in future years. It is possible that funds contributed may be less than the cost of the infrastructure requiring CCCWSA to borrow or use general revenue to fund the difference.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Financial risk management

Risk management

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

CCCWSA 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 CCCWSA's finance section under policies approved by the CCCWSA.

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	52,160	12,788	52,160	12,788
Receivables	47,509	42,411	47,509	42,411
Investments				
– 'Financial assets at amortised cost'	114,512	182,976	114,512	182,976
Fair value through profit and loss				
Investments				
– 'Designated at fair value on initial recognition'	10,479	–	10,479	–
Total financial assets	224,660	238,175	224,660	238,175
Financial liabilities				
Payables	18,215	37,913	18,215	37,912
Loans/advances	259,659	239,176	330,414	275,358
Total financial liabilities	277,874	277,089	348,629	313,270

Fair value is determined as follows:

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

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

CCCWSA has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order 625. This policy is regularly reviewed by CCCWSA and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these 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.
- **Liquidity risk** – the risk that CCCWSA will not be able to pay its debts as and when they fall due
- **Credit risk** – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to CCCWSA – be it of a capital or income nature.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Financial risk management (continued)

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	17,709	17,709	(17,709)	(17,709)
Possible impact of a 1% movement in interest rates	1,771	1,771	(1,771)	(1,771)
2019				
Possible impact of a 10% movement in market values	18,102	18,102	(18,102)	(18,102)
Possible impact of a 1% movement in interest rates	1,810	1,810	(1,810)	(1,810)

(b) Credit risk

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

CCCWSA manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

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

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

Credit risk profile

Receivables – annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	166	13,275	653	409	101	14,604
2019						
Gross carrying amount	9,981	6,212	2,747	5,419	491	24,850

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Financial risk management (continued)

Receivables - non annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	3,381	16,340	577	5,005	7,663	32,966
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.79%	0.18%
ECL provision	–	–	–	–	61	61
2019						
Gross carrying amount	956	533	343	212	648	2,692
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. CCCWSA manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. CCCWSA manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows. The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	288	36,625	–	–	36,913	13,953
Loans and advances	5.77%	–	50,548	109,067	147,839	307,454	259,659
Total financial liabilities		288	87,173	109,067	147,839	344,367	273,612
2019							
Trade/other payables	0.00%	275	13,817	–	–	14,092	34,267
Loans and advances	6.60%	–	54,467	122,103	122,741	299,311	202,431
Total financial liabilities		275	68,284	122,103	122,741	313,403	236,698

Loan agreement breaches

There have been no breaches to loan agreements during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement

Central Coast Council Water Supply Authority (CCCWSA) 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) Assets and liabilities that have been measured and recognised at fair values

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	12/05/16	–	–	194	194
Office equipment	12/05/16	–	–	47	47
Furniture and fittings	12/05/16	–	–	117	117
Crown and Community land	01/07/19	–	12,249	–	12,249
Operational land	30/06/18	–	68,946	–	68,946
Land improvements - depreciable	30/06/18	–	–	132	132
Buildings – specialised	30/06/18	–	–	32,065	32,065
Other structures	12/05/16	–	–	1,256	1,256
Roads	12/05/16	–	–	21	21
Bulk earthworks (non depreciable)	12/05/16	–	–	16	16
Stormwater drainage	12/05/16	–	–	1,030,632	1,030,632
Water supply network	30/06/16	–	–	1,035,739	1,035,739
Sewerage network	30/06/16	–	–	1,411,723	1,411,723
Total infrastructure, property, plant and equipment		–	81,195	3,511,942	3,593,137

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	12/05/16	–	–	48	48
Office equipment	12/05/16	–	–	9	9
Furniture and fittings	12/05/16	–	–	123	123
Crown and Community land	12/05/16	–	7,351	–	7,351
Operational land	30/06/18	–	70,793	–	70,793
Buildings – specialised	30/06/18	–	–	31,207	31,207

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

2019 \$ '000	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	Total
Other structures	12/05/16	–	–	1,293	1,293
Roads	12/05/16	–	–	22	22
Bulk earthworks (non depreciable)	12/05/16	–	–	16	16
Stormwater drainage	12/05/16	–	–	1,020,512	1,020,512
Water supply network	30/06/16	–	–	1,033,296	1,033,296
Sewerage network	30/06/16	–	–	1,410,293	1,410,293
Total infrastructure, property, plant and equipment		–	78,144	3,496,819	3,574,963

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

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

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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

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

Where Central Coast Council Water Supply Authority (CCCWSA) is unable to derive fair valuations using quoted market prices of identical assets (ie. Level 1 inputs), or observable inputs (Level 2 inputs), it utilises unobservable inputs (Level 3 inputs).

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

Infrastructure, property, plant and equipment (IPP&E)**Plant and equipment, office equipment and furniture and fittings**

Plant and equipment, office equipment and furniture and fittings assets are recognised and valued at cost. CCCWSA assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. Therefore these assets are disclosed at fair value in the notes.

These asset categories include:

- plant and equipment
 - o Major plant items – tractors, excavators, street sweepers, tippers, rollers, forklifts, backhoes, beach cleaners
 - o Minor plant items – generators, mowers, weed harvester, trailers, chainsaws, wood chippers, power hand tools
 - o Fleet vehicles – trucks, commercial vehicles and passenger vehicles
- office equipment – computer hardware, communications equipment, digital cameras, photocopiers
- furniture and fittings – work stations, storage cabinets, CCTV, air conditioning units.

The unobservable level 3 inputs used include:

- pattern of consumption
- useful life
- residual value.

CCCWSA reviews the value of these assets based on the gross replacement cost of similar assets.

There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

Operational land

This asset class is comprised of all CCCWSA's land classified as operational land under the *Local Government Act 1993*. CCCWSA's accounting policy is to value the freehold land on a market value basis.

CCCWSA engaged Scott Fullarton Valuation Pty Ltd to value operational land in 2018. The land was valued using level 2 inputs that would be taken into account by buyers and sellers in setting the price, including but not limited to dimensions, land use and zoning, exposure to traffic and topography.

There has been no change to the valuation process during the reporting period.

Crown and Community land

Community Land assets are comprised of CCCWSA owned land classified as Community Land under the *Local Government Act 1993*. Crown land is under the care and management of CCCWSA on behalf of the Crown.

CCCWSA accounting policy is to value Crown and Community land based on the unimproved land values provided by the Valuer General or an average unit rate based on the land values for similar properties (land use, land size, shape and location) where the Valuer General has not provided a land value based on the highest and best use for the land.

These are considered level 2 observable inputs.

Crown and Community land have been valued at 30 June 2020 using the VG valuations published on 1 July 2019.

Buildings – specialised

It is CCCWSA's accounting policy to value buildings for which a market exists using the best estimate of the price reasonably obtainable in the market at the date of valuation. Where there is no depth in market the buildings will be determined on the depreciated current replacement cost basis.

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and firefighting equipment, and general lighting). The buildings and site improvements were physically inspected and measured. The building valuations incorporate a gross current value, net current value and residual value for each asset.

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

CCCWSA engaged Scott Fullarton Valuation Pty Ltd to value all buildings in 2018. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account CCCWSA's asset management practices.

Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other outputs (such as estimates of residual value, useful life, asset condition and componentisation including the split between short and long life components) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, this asset class has been valued utilising Level 3 inputs.

Other structures

This asset class is comprised of fencing and structures which did not meet the definition of a building.

CCCWSA's accounting policy is to value other structures based on the technical knowledge and experience of engineers and asset management staff. Unobservable Level 3 inputs used include useful life, asset condition and pattern of consumption.

There has been no change to the valuation process during the reporting period.

Stormwater drainage

The Stormwater drainage asset class consists of CCCWSA's pits, pipes, detention basins, open drains, culverts, floodgates, wetlands, headwalls and gross pollutant traps.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

The valuation of this asset class uses the cost assets approach. Replacement cost is assessed using the Modern Engineering Equivalent Replacement Asset (MEERA) approach.

Significant inputs considered in the valuation of these assets are asset condition, remaining useful life and pattern of consumption.

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

There has been no change to the valuation process during the reporting period.

Water supply network

This asset class is comprised of water treatment plants, water pump stations, reservoirs, water mains, tunnels, dams, weirs and water meters.

The gross replacement cost approach has been utilised to value the water supply network. This approach estimates the gross replacement cost based on MEERA techniques and equipment that would result in recognising an asset to serve the same function as the existing asset, rather than replicate the existing asset.

Assets have been componentised as per AASB 116 *Property, Plant and Equipment*.

Based on the technical nature of the assets, CCCWSA will engage technical experts as required.

Unobservable Level 3 inputs used include materials used in the construction of the asset, useful life, asset condition, unit rates and pattern of consumption.

Asset values have been indexed using the annual indexation rate from the Rates Reference Manual issued by the Crown Lands and Water (CLAW) to reflect changes the gross replacement cost of these infrastructure assets.

There has been no change to the valuation process during the reporting period.

Sewerage network

This asset class is comprised of sewer treatment plants, sewer pump stations, sewer vacuum systems and sewer mains.

The gross replacement cost approach has been utilised to value the sewerage network. This approach estimates the gross replacement cost based on MEERA techniques and equipment that would yield an asset to serve the same function as the existing asset, rather than replicate the existing asset. Assets have been componentised as per AASB 116 *Property, Plant and Equipment*.

Unobservable Level 3 inputs used include materials used in the construction of the asset, residual value, useful life, asset condition, unit rates and pattern of consumption.

Asset values have been indexed using the annual indexation rate from the Rates Reference Manual issued by the Crown Lands and Water (CLAW) to reflect changes the gross replacement cost of these infrastructure assets.

There have been no other changes to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Buildings specialised	Other structures
2019					
Opening balance	64	30	138	28,764	1,281
Transfers from/(to) another asset class	–	–	–	–	68
Purchases (GBV)	–	–	–	3,125	–
Depreciation and impairment	(14)	(21)	(15)	(682)	(56)
Closing balance	50	9	123	31,207	1,293
2020					
Opening balance	50	9	123	31,207	1,293
Purchases (GBV)	185	73	7	1,545	17
Disposals (WDV)	–	–	–	(4)	–
Depreciation and impairment	(41)	(35)	(13)	(683)	(54)
Closing balance	194	47	117	32,065	1,256

\$ '000	Roads	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network
2019					
Opening balance	23	16	1,011,425	1,032,515	1,403,635
Transfers from/(to) another asset class	–	–	1,508	(1,167)	2,566
Purchases (GBV)	–	–	23,637	12,270	14,739
Disposals (WDV)	–	–	(627)	(596)	(1,791)
Depreciation and impairment	(1)	–	(15,431)	(26,032)	(34,399)
Revaluation increments to equity (ARR)	–	–	–	16,306	25,543
Closing balance	22	16	1,020,512	1,033,296	1,410,293
2020					
Opening balance	22	16	1,020,512	1,033,296	1,410,293
Transfers from/(to) another asset class	–	–	–	682	600
Purchases (GBV)	–	–	26,271	20,557	24,574
Disposals (WDV)	–	–	(293)	(1,004)	(1,258)
Depreciation and impairment	(1)	–	(15,858)	(26,833)	(35,143)
Revaluation increments to equity (ARR)	–	–	–	9,041	12,657
Closing balance	21	16	1,030,632	1,035,739	1,411,723

\$ '000	Land improvement - depreciable	Total
2019		
Opening balance	–	3,477,891
Transfers from/(to) another asset class	–	2,975
Purchases (GBV)	–	53,771

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

\$ '000	Land improvement - depreciable	Total
Disposals (WDV)	–	(3,014)
Depreciation and impairment	–	(76,651)
Revaluation increments to equity (ARR)	–	41,849
Closing balance	–	3,496,821
2020		
Opening balance	–	3,496,821
Transfers from/(to) another asset class	–	1,282
Purchases (GBV)	146	73,375
Disposals (WDV)	–	(2,559)
Depreciation and impairment	(14)	(78,675)
Revaluation increments to equity (ARR)	–	21,698
Closing balance	132	3,511,942

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and equipment	194	Cost approach	Pattern of consumption, useful life and residual value
Office equipment	47	Cost approach	Pattern of consumption, useful life and residual value
Furniture and fittings	117	Cost approach	Pattern of consumption, useful life and residual value
Land improvements - depreciable	132	Cost approach	Pattern of consumption, useful life and residual value
Buildings specialised	32,065	Market value	Pattern of consumption, useful life, residual value, asset condition and componentisation
Other structures	1,256	Cost approach	Useful life, pattern of consumption and asset condition
Roads	21	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Bulk earthworks	16	Cost approach	Useful life, pattern of consumption and asset condition
Stormwater drainage	1,030,632	Cost approach	Current replacement cost of modern equivalent asset, asset condition and remaining lives
Water supply network	1,035,739	Cost approach	Current replacement cost of modern equivalent asset, asset condition and remaining lives
Sewerage network	1,411,723	Cost approach	Current replacement cost of modern equivalent asset, asset condition and remaining lives

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

(5) Highest and best use

The following non-financial assets of CCCWSA are being utilised at other than their highest and best use:

Community based assets

CCCWSA undertakes a number of services with a strong focus of providing community benefits to its constituents. These services are based meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Crown land under CCCWSA's care and control as well as CCCWSA - owned land that has been classified as community land under the provisions of the Local Government Act 1993.

Furthermore, CCCWSA has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to CCCWSA.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Related party disclosures

(a) Key management personnel

Key management personnel (KMP) of Central Coast Council Water Supply Authority (CCCWSA) are those persons having the authority and responsibility for planning, directing and controlling the activities of the CCCWSA, directly or indirectly. KMP include the following positions Councillors, Chief Executive Officer and Executive Leadership Team members.

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,198	913
Other long-term benefits	56	44
Termination benefits	133	–
Total	1,387	957

(b) Other transactions with KMP and their related parties

CCCWSA has determined that transactions at arm's length between KMP and CCCWSA as part of CCCWSA delivering a public service objective will not be disclosed.

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Employee expenses relating to close family members of KMP	1	–	–	Local Government (State) Award 2017	–	–
2019						
Employee expenses relating to close family members of KMP	1	11	–	Local Government (State) Award 2017	–	–

1. Close family members of CCCWSA's KMP are employed by CCCWSA under the relevant pay award on an arms length basis. As at June 2020 there were no close family members of KMP employed by the CCCWSA. At June 2019 there was one close family member of KMP employed by the CCCWSA.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Events occurring after the reporting date

Council formally noted its serious financial situation and liquidity issues at its meeting held 12 October 2020 with Councillors having been briefed on 6 October 2020. Council was advised that the severe liquidity issue had resulted in an inability to pay staff without the use of restricted funds. On 21 October 2020, the Minister for Local Government advanced Council \$6.2M to meet payroll expenses and gave Notice of Intention to suspend the Council. On 30 October 2020, Central Coast Council was suspended for three months and an Interim Administrator appointed. The Interim Administrator appointed an Acting Chief Executive Officer having terminated the employment of Mr Gary Murphy. On 25 January 2021, the Minister extended the suspension for a further three months to 29 April 2021.

Council resolved to accept secured loans to address the financial situation (11 November 2020 - \$50M and 18 December 2020 - \$100M).



INDEPENDENT AUDITOR'S REPORT

Central Coast Council Water Supply Authority

To the Minister for the Central Coast Council Water Supply Authority

Opinion

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

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

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

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

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

Other Information

The Authority's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Interim Administrator of the Authority is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by Interim Administrator and Management.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

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

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

I have nothing to report in this regard.

The Interim Administrator's Responsibilities for the Financial Statements

The Interim Administrator is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Interim Administrator determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

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

- that the Authority carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'D Daniels'.

David Daniels
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 May 2021
SYDNEY