

## AMENDED ITEM



**Item No:** 2.1  
**Title:** Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020  
**Department:** Corporate Affairs

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11 May 2021 Ordinary Council Meeting

Reference: F2020/00030 - D14602519

Author: Peter Correy, Unit Manager, Finance

Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

### Recommendation

- 1** *That Council note that the 2019-20 Central Coast Council audited financial reports including the auditor's reports have been presented to this meeting of the Council, in accordance with s. 419(1) of the Local Government Act 1993 ("LG Act").*
- 2** *That Council note that the external auditor, addressed the Council on the auditor's report on Central Coast Council's 2019-20 Financial Reports in accordance with s. 419(2) of the LG Act.*
- 3** *That Council adopt the audited 2019-20 financial reports for Central Coast Council as presented in accordance with ss. 413(2)(c) and 377(1)(k) of the LG Act, and cl. 215(1)(a) of the Local Government (General) Regulation 2005.*
- 4** *That Council include the audited 2019-20 Central Coast Council Consolidated Financial Reports as an Addendum to Council's 2019-20 Annual Report in accordance with s.428(4)(a) of the LG Act.*
- 5** *That Council publish on Council's website the 2019-20 Annual Report including audited 2019-20 Central Coast Council Financial Reports and a copy be provided to the Minister of Local Government in accordance with s. 428 (5) of the LG Act.*
- 6** *That Council adopt the audited 2019-20 financial reports for Central Coast Council Water Supply Authority as presented in accordance with section 41B of the Public Finance and Audit Act 1983 (PF&A Act) and the Public Finance and Audit Regulation, the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board, the Local Government Act 1993 (NSW) and the Local Government Code of Accounting Practice.*

## 2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)

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### Report purpose

To report to Council, Central Coast Council's financial position as at 30 June 2020 detailed within the Financial Reports: General Purpose Financial Statements, Water Supply Authority Financial Statements, Special Purpose Financial Statements and Special Schedules.

### Executive Summary

This report, including external audit reports, presents the 2019-2020 Financial Reports for Central Coast Council and Central Coast Council Water Supply Authority. The 2019-2020 Financial Reports cover the period 1 July 2019 to 30 June 2020.

### Context

The draft financial reports for Central Coast Council and Central Coast Council Water Supply Authority were presented to Council at its meeting held on 23 March 2021 and Council resolved as follows:

78/21 Resolved

- 1 *That Council note that the draft Consolidated Financial Reports for Central Coast Council for the period from 1 July 2019 to 30 June 2020 are presented to Council. The Consolidated Financial Report includes the General Purpose financial report, Special Purpose financial report and Special Schedules, which is Attachment 1 to the business paper.*
- 2 *That Council also note that the draft Consolidated Financial Reports have been prepared in accordance with the requirements of the Local Government Act 1993 ("LG Act"), the Local Government (General) Regulation 2005 ("LG Reg") and the relevant accounting and reporting requirements of the Office of Local Government prescribed Code of Accounting Practice and Financial Reporting - Update No. 28 and Australian Accounting Standards.*
- 3 *That Council note that the draft Financial Reports for Central Coast Council Water Supply Authority for the period from 1 July 2019 to 30 June 2020 is presented to Council, which is Attachment 2 to the business paper.*
- 4 *That Council note that the draft Financial Reports for Central Coast Council Water Supply Authority as presented in accordance with section 41B of the Public Finance and Audit Act 1983 (PF&A Act) and the Public Finance, the Australian Accounting Standards and other*

**2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)**

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*pronouncements of the Australian Accounting Standards Board, the Local Government Act 1993 (NSW) and the relevant accounting and reporting requirements of the Office of Local Government prescribed Code of Accounting Practice and Financial Reporting - Update No. 28 and Australian Accounting Standards.*

- 5 *That Council authorise, the Interim Administrator, given the suspension of the Mayor, to execute all documents related to the draft Consolidated Financial Reports in accordance with s413(2)(c) of the LG Act, and cl. 215(1)(b)(i) of the LG Reg.*
- 6 *That Council authorise, the Chief Executive Officer to execute all documents related to the draft Consolidated Financial Reports in accordance with s413(2)(c) of the LG Act, and cl. 215(1)(b)(iv) of the LG Reg.*
- 7 *That Council authorise, the Responsible Accounting Officer of the Council, to execute all documents related to the draft Consolidated Financial Reports with s413(2)(c) of the LG Act, and cl. 215(1)(b)(iii) of the LG Reg.*
- 8 *That Council authorise, for the purposes of s. 41C(1C) of the Public Finance and Audit Act 1983, its Interim Administrator (given the suspension of the Mayor), Chief Executive Officer and Responsible Accounting Officer to execute all documents related to the draft Financial Reports for Central Coast Council Water Supply Authority.*
- 9 *That Council resolve, for the purposes of s. 413(1) of the LG Act, to refer the Consolidated Financial Reports for Central Coast Council and the Financial Reports for Central Coast Council Water Supply Authority for the period from 1 July 2019 to 30 June 2020 to the Audit Office of New South Wales, for external audit.*
- 10 *That Council delegate to the Chief Executive Officer to set the date for the meeting to present the audited 2019-20 financial reports, together with the auditor's reports, to the public in accordance with s418(1)(a), (b) of the LG Act.*

Analysis of Council's financial performance and financial position is contained in the Council report from the 23 March 2021 meeting.

## **2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)**

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### **Central Coast Council**

The 2019-2020 Central Coast Council Consolidated Financial Reports include the General Purpose financial statements, Special Purpose financial statements and Special Schedules, which include all of Council's business activities. The 2019-2020 Central Coast Council Consolidated Financial Reports comprise attachment 1 to this business paper.

The Central Coast Council Financial Reports have been prepared in accordance with the requirements of the *Local Government Act 1993* ("LG Act"), the *Local Government (General) Regulation 2005* ("LG Reg"), and the relevant accounting and reporting requirements of the Office of Local Government prescribed Code of Accounting Practice and Financial Reporting - Update No. 28 and Australian Accounting Standards.

In accordance with s. 413(1) of the LG Act, Council must prepare financial reports for each year, and must refer them for audit as soon as practicable after the end of that year.

The Audit, Risk and Improvement Committee met on 10 December 2020 to review the draft 2019-2020 Central Coast Council Financial Reports. The Committee recommended that Council adopt the 2019-2020 Central Coast Council Consolidated Financial Reports (that include the General Purpose financial statements, Special Purpose financial statements and Special Schedules).

It is proposed that Council consider and accept the recommendations of the Audit, Risk and Improvement Committee to formally adopt the 2019-2020 Central Coast Council Financial Reports.

Council applied for and was granted an extension of time to prepare, audit and lodge the 2019-2020 Financial Reports to 30 April 2021.

Following a formal request by the Audit Office an additional extension to 10 May 2021 was granted by the Office of Local Government to finalise and lodge the 2019-2020 Financial Reports.

Pursuant to resolution 78/21 (9) of 23 March 2021, the draft 2019-2020 Financial Reports of Central Coast Council and Central Coast Council Water Supply Authority were referred to Council's external auditor, The Audit Office of New South Wales.

Council received audit reports from The Audit Office of New South Wales. Those audit reports form part of Attachment 1 this business paper. Pursuant to s. 419(1) of the LG Act, those reports are presented to this meeting of the Council.



## **2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)**

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### **Central Coast Council Water Supply Authority**

The 2019-2020 Central Coast Council Water Supply Authority Financial Reports have been prepared in accordance with s. 41B of the Public Finance and Audit Act 1983 (PF&A Act) and the Public Finance and Audit Regulation. Council is required to prepare financial reports for Central Coast Council Water Supply Authority each year. The 2019-2020 Central Coast Council Water Supply Authority Financial Reports comprise attachment 2 to this business paper.

The Audit, Risk and Improvement Committee met on 10 December 2020 to review the draft 2019-2020 Central Coast Council Water Supply Authority Financial Reports. The Committee recommended that Council adopt the 2019-2020 Central Coast Council Water Supply Authority Financial Reports.

It is proposed that Council consider and accept the recommendations of the Audit, Risk and Improvement Committee to formally adopt the 2019-2020 Central Coast Council Water Supply Authority Financial Reports.

Council received audit reports from The Audit Office of New South Wales. Those audit reports form part of Attachment 2 to this business paper.

### **Amendments to the 2019-2020 Financial Reports**

Subsequent to the presentation of draft 2019-2020 Financial Reports to Council on 23 March 2021 a number of amendments have been made within the Reports. The tabled amendments impact a number of Notes to the Financial Statements but have no impact on the financial results for the General Purpose Financial Statements, Water Supply Authority Financial Statements, Special Purpose Financial Statements or the Special Schedules that had previously been tabled to ARIC at the meeting of 10 December 2020 and referred to Audit at the meeting of 23 March 2021. There have also been a number of minor typographical and rounding changes to improve clarity of the Notes. The following tables detail the key changes that have been made.

### **Summary of amendments - Central Coast Council Consolidated Financial Reports**

| <b>Financial Report Reference</b> | <b>Note</b>                                  | <b>Page No.</b> | <b>Amendment</b>  |
|-----------------------------------|--|-----------------|---|
| GPFS                              | Understanding Council's Financial Statements | 3               | References to 'Councillors replaced with Interim Administrator' |

## 2.1

**Presentation of Financial Reports and related Auditor's Reports for  
Central Coast Council and Central Coast Council Water Supply Authority  
for the period 1 July 2019 to 30 June 2020 (contd)**

| <b>Financial Report Reference</b> | <b>Note</b>   | <b>Page No.</b> | <b>Amendment</b>  |
|-----------------------------------|---|-----------------|---|
| GPFS                              |   | 4               | Statement by Councillors and Management updated to Statement by Interim Administrator and Management  |
| GPFS                              | Statement by Interim Administrator and Management             | 4               | Inclusion of roads and transport asset carrying value note.<br><br>Date of signing recorded as 30 April 2021  |
| GPFS                              | Statement of Comprehensive Income                             | 6               | Increase in Gain on Revaluation of IPP&E of \$36.362M following revaluation of Crown and Community land.  |
| GPFS                              | Statement of Financial Position                               | 7               | Increase in carrying value of Infrastructure, property, plant and equipment and Revaluation Reserves of \$36.362M following revaluation of Crown and Community land.  |
| GPFS                              | Statement of Financial Position                               | 7               | Reallocation between current payables and current income received in advance of \$13.443M for prepaid annual charges.   |
| GPFS                              | Statement of Financial Position                               | 7               | Reallocation between current and non-current contract liabilities \$2.352M  |
| GPFS                              | Statement of Changes in Equity                                | 8               | Increase in Gain on Revaluation of IPP&E of \$36.362M following revaluation of Crown and Community land.  |
| GPFS                              | Statement of Cash flows                                       | 8               | Reduction to sale and purchase of investment security amounts. No change to net balance of \$166.52M  |
| GPFS                              | Note 1 - Basis of Preparation                                 | 12              | Going concern commentary amended  |
| GPFS                              | Note 2(a) – Council functions/activities                      | 15              | Increase in carrying amount of assets 'Responsible' \$2.761M and 'Liveable' \$36.601M following revaluation of Crown and Community Land.  |
| GPFS                              | Note 3(g) – Disaggregation of material revenue streams        | 25              | <ul style="list-style-type: none"> <li>- Reduction in User charges and fees \$9.89M.</li> <li>- Reduction in Grant revenue and non-developer contributions \$26.588M.</li> <li>- Delete rental income line \$7.724M</li> <li>- Reallocate Grants and contributions to acquire or construct Council controlled assets from AASB 15 to AASB 1058</li> </ul> |
| GPFS                              | Note 6 - Gain or loss from disposal of assets                 | 31              | Decrease in proceeds and carrying value of Investments. No change to net balance of \$Nil   |
| GPFS                              | Note 7(c) – Restricted cash, cash equivalents and investments | 34              | Increase FY20 current external restriction balance and negative current unrestricted balance by \$83.198M in line with recognising CCCWSA unrestricted cash as restricted funds in GPFS.  |
| GPFS                              | Note 7(c) – Restricted cash, cash equivalents and investments | 34              | Increase FY19 comparative current external restriction balance and negative current unrestricted balance by \$93.957M in line with recognising CCCWSA unrestricted cash as restricted funds in GPFS.  |

## 2.1

**Presentation of Financial Reports and related Auditor's Reports for  
Central Coast Council and Central Coast Council Water Supply Authority  
for the period 1 July 2019 to 30 June 2020 (contd)**

| <b>Financial Report Reference</b> | <b>Note</b>   | <b>Page No.</b> | <b>Amendment</b>   |
|-----------------------------------|---|-----------------|--|
| GPFS                              | Note 7(c) – Restricted cash, cash equivalents and investments         | 34              | Inclusion of explanatory note addressing the change in reporting CCCWSA's unrestricted cash as restricted funds in GPFS.   |
| GPFS                              | Note 7(c) – Restricted cash, cash equivalents and investments         | 34              | Inclusion of Water Supply Authority line item amount of \$83.198M (FY20) and \$93.957M (FY19 comparative).   |
| GPFS                              | Note 8 – Externally restricted receivables                            | 36              | Removed as not required per OLG Code of Accounting Practice and Financial Reporting.   |
| GPFS                              | Note 10 - Infrastructure, property, plant and equipment               | 39              | Increase in carrying value of Infrastructure, property, plant and equipment and Revaluation Reserves of \$39.362M following revaluation of Crown and Community land. |
| GPFS                              | Note 10 - Infrastructure, property, plant and equipment               | 41              | Asset useful lives updated   |
| GPFS                              | Note 11 – Intangible assets   | 43              | Split movement detail between Software and Drainage easements  |
| GPFS                              | Note 12 - Contract Liabilities  | 44              | Reference to Contract Assets has been deleted as not applicable for GPFS   |
| GPFS                              | Note 12 - Contract Liabilities  | 44              | Reallocation of \$2.352M from current unexpended capital grants to non-current unexpended capital grants   |
| GPFS                              | Note 12 - Contract Liabilities  |                 | Reference to Contract cost assets has been deleted as not applicable for GPFS  |
| GPFS                              | Note 14 - Payables and borrowings                                     | 50              | Reallocation from payments received in advance to prepaid annual charges of \$13.443M (FY20)   |
| GPFS                              | Note 14 - Payables and borrowings                                     | 50              | Reallocation from payments received in advance to prepaid annual charges of \$12.150M (FY19 comparative)   |
| GPFS                              | Note 14(a) – Payables and borrowings relating to restricted assets    | 50              | Removed as not required per OLG Code of Accounting Practice and Financial Reporting.   |
| GPFS                              | Note 14(c) – Changes in liabilities arising from financing activities | 51              | Lease liabilities amount of \$1.839M moved from 'cash flows' to acquisition due to change in accounting policy'.   |

**2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)**

| <b>Financial Report Reference</b> | <b>Note</b>   | <b>Page No.</b> | <b>Amendment</b>   |
|-----------------------------------|---|-----------------|--|
| GPFS                              | Note 15(a) – Provisions relating to restricted assets                     | 53              | Removed as not required per OLG Code of Accounting Practice and Financial Reporting.   |
| GPFS                              | Note 15 - Provisions  | 56              | Additional commentary relevant to self-insurance provision   |
| GPFS                              | Note 16(b) – Correction of errors relating to a previous reporting period | 57              | Inclusion of Note reporting FY19 prior period adjustments attributable to recognising CCCWSA unrestricted cash as restricted funds in GPFS.  |
| GPFS                              | Note 16(c) – Comparison of financial statement line items under AASB 15   | 60              | <ul style="list-style-type: none"> <li>- Reference to Contract Assets has been deleted as not applicable for GPFS.</li> <li>- Amendments to Statement of Financial Position.</li> </ul>                  |
| GPFS                              | Note 21 - Financial risk management                                       | 71              | Change in Financial Liabilities – Payables carrying and fair values balance of \$13.443M due to reallocation between current payables and current income received in advance for prepaid annual charges. |
| GPFS                              | Note 21 - Financial risk management                                       | 73              | Amendments to Receivables – rates and annual charges gross carrying amount ageing and total balance  |
| GPFS                              | Note 21 - Financial risk management                                       | 73              | Amendments to Receivables – non-rates and annual charges gross carrying amount ageing and total balance  |
| GPFS                              | Note 22 – Material budget variations                                      | 73              | Removal of line items where variance was less than 10%   |
| GPFS                              | Note 23 - Fair Value Measurement  | 77              | Increase in carrying value of Infrastructure, property, plant and equipment and Revaluation Reserves of \$39.362M following revaluation of Crown and Community land.                                     |
| GPFS                              | Note 23 - Fair Value Measurement  | 77              | Change in FY20 fair value measurement for Operational Land and Crown and Community Land from Level 3 to Level 2.   |
| GPFS                              | Note 23 - Fair Value Measurement  | 78              | Change in FY19 fair value measurement for Operational Land and Crown and Community Land from Level 3 to Level 2.   |
| GPFS                              | Note 23 - Fair Value Measurement  | 79              | Amend Community Land commentary note to include Crown Land   |
| GPFS                              | Note 23 - Fair Value Measurement  | 83              | Remove Operational Land and Community and Crown Land as table reports level 3 fair value asset classes.  |

**2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)**

| <b>Financial Report Reference</b> | <b>Note</b>   | <b>Page No.</b> | <b>Amendment</b>   |
|-----------------------------------|---|-----------------|--|
| GPFS                              | Note 23 - Fair Value Measurement                                      | 86              | Remove Operational Land and Community and Crown Land as table reports level 3 fair value asset classes.  |
| GPFS                              | Note 25 - Events occurring after the reporting date                   | 91              | Note added   |
| GPFS                              | Note 27 – Result by fund  | 103             | Note has been updated for various adjustments through the GPFS   |
| GPFS                              | Note 27 – Result by fund  | 104             | Additional interfund loan added for \$22.96M interfund loan Drainage Fund from General Fund.   |
| GPFS                              | Note 28(a) – Statement of performance measures – consolidated results | 105             | Change in unrestricted current ratio for FY20 and FY19 comparative following adjustments attributable to recognising CCCWSA unrestricted cash as restricted funds in GPFS.                         |
| GPFS                              | Note 28(b) – Statement of performance measures – consolidated results | 106             | Change in General Fund indicators unrestricted current ratio for FY20 and FY19 comparative following adjustments attributable to recognising CCCWSA unrestricted cash as restricted funds in GPFS. |
| GPFS                              | Note 29 – Council information and contact details                     | 109             | Update Note for Officeholders  |
| SPFS                              |   |                 | Statement by Councillors and Management updated to Statement by Interim Administrator and Management   |
| SPFS                              |   |                 | Other references to 'Councillors replaced with Interim Administrator'  |
| SPFS                              |   |                 | Date of signing recorded as 30 April 2021  |
| SPFS                              | Water Supply  | 12              | Increase in carrying value of Infrastructure, property, plant and equipment and Revaluation Reserves of \$148k following revaluation of Crown and Community land.                                  |
| SPFS                              | Water Supply  | 12              | Reallocation between current and non-current provisions of \$237k  |
| SPFS                              | Sewerage  | 13              | Increase in carrying value of Infrastructure, property, plant and equipment and Revaluation Reserves of \$2.096M following revaluation of Crown and Community land.                                |
| SPFS                              | Sewerage  | 13              | Reallocation between current and non-current receivables of \$628k   |
| SPFS                              | Drainage  | 14              | Increase in carrying value of Infrastructure, property, plant and equipment and Revaluation Reserves of \$518k following revaluation of Crown and Community land.                                  |

**2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)**

| Financial Report Reference | Note     | Page No. | Amendment  |
|----------------------------|----------|----------|--|
| SPFS                       | Drainage | 14       | Reallocation between current payables and current borrowings of \$22.96M for interfund loan from General Fund. |

**Summary of amendments - Central Coast Council Water Supply Authority (CCCWSA) Financial Reports**

| Note | Title                                | Page No. | Amendment   |
|------|--------------------------------------|----------|---|
|      |                                      |          | Removal of 'Understanding Central Coast Council – WSA Financial Statements' section as Statements are prepared under the Public Finance and Audit Act, not the Local Government Act |
|      |                                      | 3        | Statement by Councillors and Management updated to Statement by Interim Administrator and Management  |
|      |                                      | 3        | Reference to Local Government Act 1993 (NSW) removed as Statements are prepared under the Public Finance and Audit Act, not the Local Government Act                                |
|      |                                      | 3        | Date of signing recorded as 30 April 2021   |
|      | Statement of Comprehensive Income    | 5        | Increase in Gain on Revaluation of IPP&E of \$2.761M following revaluation of Crown and Community land.   |
|      | Statement of Financial Position      | 6        | Increase in carrying value of Infrastructure, property, plant and equipment and Revaluation Reserves of \$2.761M following revaluation of Crown and Community land.                 |
|      | Statement of Financial Position      | 6        | Reallocation between current payables and current borrowings of \$22.96M for interfund loan from General Fund.  |
|      | Statement of Financial Position      | 6        | Reallocation between current payables and current income received in advance of \$4.262M for prepaid annual charges.  |
|      | Statement of Changes in Equity       | 7        | Increase in Gain on Revaluation of IPP&E of \$2.761M following revaluation of Crown and Community land.   |
|      | Statement of Cash flows              | 8        | Change in operating payments and financing payments arising from reallocation of current payables and current borrowings of \$22.96M for interfund loan from General Fund.          |
|      | Statement of Cash flows              | 8        | Increase to sale and purchase of investment security amounts. No change to net balance of \$57.985M   |
| 1    | Basis of Preparation                 | 11       | Going concern commentary included   |
| 5    | Gain or loss from disposal of assets | 22       | Decrease in proceeds and carrying value of Investments. No change to net balance of \$Nil   |

**2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)**

| <b>Note</b> | <b>Title</b>  | <b>Page No.</b> | <b>Amendment</b>   |
|-------------|---|-----------------|--|
| 8           | Infrastructure, property, plant and equipment   | 28              | Increase in carrying value of Infrastructure, property, plant and equipment and Revaluation Reserves of \$2.761M following revaluation of Crown and Community land.  |
| 8           | Infrastructure, property, plant and equipment   | 30              | Asset useful lives updated   |
| 10          | Contract Liabilities  | 32              | Reference to Contract Assets has been deleted as not applicable for CCCWSA   |
| 11          | Payables and borrowings   | 33              | Reallocation from payments received in advance to prepaid annual charges of \$4.262M (FY20)  |
| 11          | Payables and borrowings   | 33              | Reallocation from payments received in advance to prepaid annual charges of \$3.646M (FY19 comparative)  |
| 11          | Payables and borrowings   | 33              | Reallocation from Payable to General Fund to Loans – unsecured of \$22.96M for interfund loan from General Fund.   |
| 11c         | Payables and borrowings – Changes in liabilities arising from financing activities                                    | 34              | Increase in Loan – unsecured cash flow amount and Closing balance of \$22.96M  |
| 12          | Provisions – Self-insurance commentary  | 37              | Additional commentary relevant to self-insurance provision   |
| 13          | Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors | 39              | <ul style="list-style-type: none"> <li>- Reference to Contract Assets has been deleted as not applicable for CCCWSA.</li> <li>- Amendments to Statement of Financial Position.</li> </ul>  |
| 13          | Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors | 40              | Income Statement - Increase in Total comprehensive income of \$2.761M following revaluation of Crown and Community land.   |
| 14          | Statement of cash flow information  | 41              | Change in movement in other liabilities and increase in net cash provided from operating activities of \$22.96M for interfund loan from General Fund.  |
| 17          | Financial risk management   | 44              | Change in Financial Liabilities – Payables carrying and fair values balance of \$18.698M due to reallocation between current payables and current borrowings of \$22.96M for interfund loan from General Fund and reallocation between current payables and current income received in advance of (\$4.262M) for prepaid annual charges. |
| 17          | Financial risk management   | 44              | Change in Financial Liabilities – Loans/advances carrying and fair values due to reallocation between current payables and current borrowings of \$22.96M for interfund loan from General Fund   |

**2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)**

| <b>Note</b> | <b>Title</b>                              | <b>Page No.</b> | <b>Amendment</b>  |
|-------------|---|-----------------|---|
| 17          | Financial risk management                 | 46              | Amendments to Receivables – non annual charges gross carrying amount ageing and total balance   |
| 18          | Fair Value Measurement                    | 47              | Increase in carrying value of Infrastructure, property, plant and equipment and Revaluation Reserves of \$2.761M following revaluation of Crown and Community land. |
| 18          | Fair Value Measurement                    | 47              | Change in FY20 fair value measurement for Operational Land and Crown and Community Land from Level 3 to Level 2.  |
| 18          | Fair Value Measurement                    | 47              | Remove Operational Land and Community and Crown Land as table reports level 3 fair value asset classes.   |
| 18          | Fair Value Measurement                    | 49              | Remove Operational Land and Community and Crown Land as table reports level 3 fair value asset classes.   |
| 18          | Fair Value Measurement                    | 51              | Amend Community Land table to include Crown Land and \$2.761M increase in revaluation line.   |
| 18          | Fair Value Measurement                    | 52              | Amend Community Land fair value disclosure to include Crown Land and \$2.761M increase in value.  |
| 20          | Events occurring after the reporting date | 55              | Note added  |
|             | Statement of performance measures         |                 | This note has been deleted as WSA Financial Statements are prepared under the Public Finance and Audit Act which does not require this Note disclosure.             |

**Annual Report**

In accordance with s.428 (4)(a) of the LG Act Council is required to include the audited Central Coast Council Financial Reports in the Annual Report at the time of its adoption. As Council had requested an extension to complete Council's 2019-2020 Consolidated Financial Reports it was not possible to include the audited Financial Reports in the Annual Report. It was noted in the Interim Administrator's Briefing Note of 7 December 2020 that the audited 2019-2020 Financial Reports would subsequently form an addendum to the 2019-2020 Annual Report, following adoption by Council.

It is recommended that upon the adoption of the 2019-2020 Central Coast Council Financial Reports, that they be included as an addendum to Council's 2019-2020 Annual Report, Council's website be appropriately updated and a copy be provided to the Minister for Local Government.

**Consultation**

All areas of Council contribute to the information contained within the Financial Reports.



## **2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)**

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### **Options**

The adoption of Financial Reports is a legislative requirement.

### **Financial Considerations**

At its meeting held 19 October 2020, Council resolved the following:

*1036/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.*

The following statement is provided in response to this resolution of Council.

These Financial Reports set out the financial position of Central Coast Council and Central Coast Council Water Supply Authority as at 30 June 2020 and the financial performance and cash flows for the reporting period 1 July 2019 to 30 June 2020. Comparatives for the statutory reporting period 1 July 2018 to 30 June 2019 are included in accordance with requirements set down by the NSW Office of Local Government in line with accounting standards.

Council's net operating result for the financial year ended 30 June 2020 is a deficit of \$88.7M excluding Grants and Contributions for capital purposes. After adjusting for Capital Grants and Contributions, the net operating deficit was \$21.8M.

Central Coast Council Water Supply Authority's net operating result for the financial year ended 30 June 2020 is a deficit of \$48.3M excluding Grants and Contributions for capital purposes. After adjusting for Capital Grants and Contributions, the net operating deficit was \$31.5M.

### **Link to Community Strategic Plan**

Theme 4: Responsible

#### **Goal G: Good governance and great partnerships**

R-G2: Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

### **Risk Management**

Council has worked with the Audit Office of New South Wales to meet our legislative reporting requirements.

## **2.1 Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020 (contd)**

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The Central Coast Council and Central Coast Council Water Supply Authority Financial Reports are audited by the Audit Office of New South Wales who, amongst other things, form an opinion on the Financial Reports whether:

- the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- the Central Coast Council and Central Coast Council Water Supply Authority Financial Reports:
  - have been presented in accordance with the requirements of this Division;
  - are consistent with the Council's accounting records;
  - present fairly the financial position, the results of its operations and its cash flows; and
  - are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- all information relevant to the conduct of the audit has been obtained; and
- there are no material deficiencies in the accounting records or financial reports that the auditors have become aware of during the course of the audit.

### **Critical Dates or Timeframes**

It is a legislative requirement for Councils to adopt annual Financial Reports.

### **Conclusion**

The 2019-2020 Central Coast Council Financial Reports presents Council's financial performance from 1 July 2019 to 30 June 2020 and financial position as at 30 June 2020.

The net assets for Central Coast Council as at 30 June 2020 total \$7.2 billion.

The 2019-2020 Central Coast Council Water Supply Authority's Financial Reports presents CCCWSA financial performance from 1 July 2019 to 30 June 2020 and financial position as at 30 June 2020.

The net assets for Central Coast Council Water Supply Authority as at 30 June 2020 total \$3.91 billion.

The Financial Reports are a key method for Council to maintain accountability and transparency with the community.

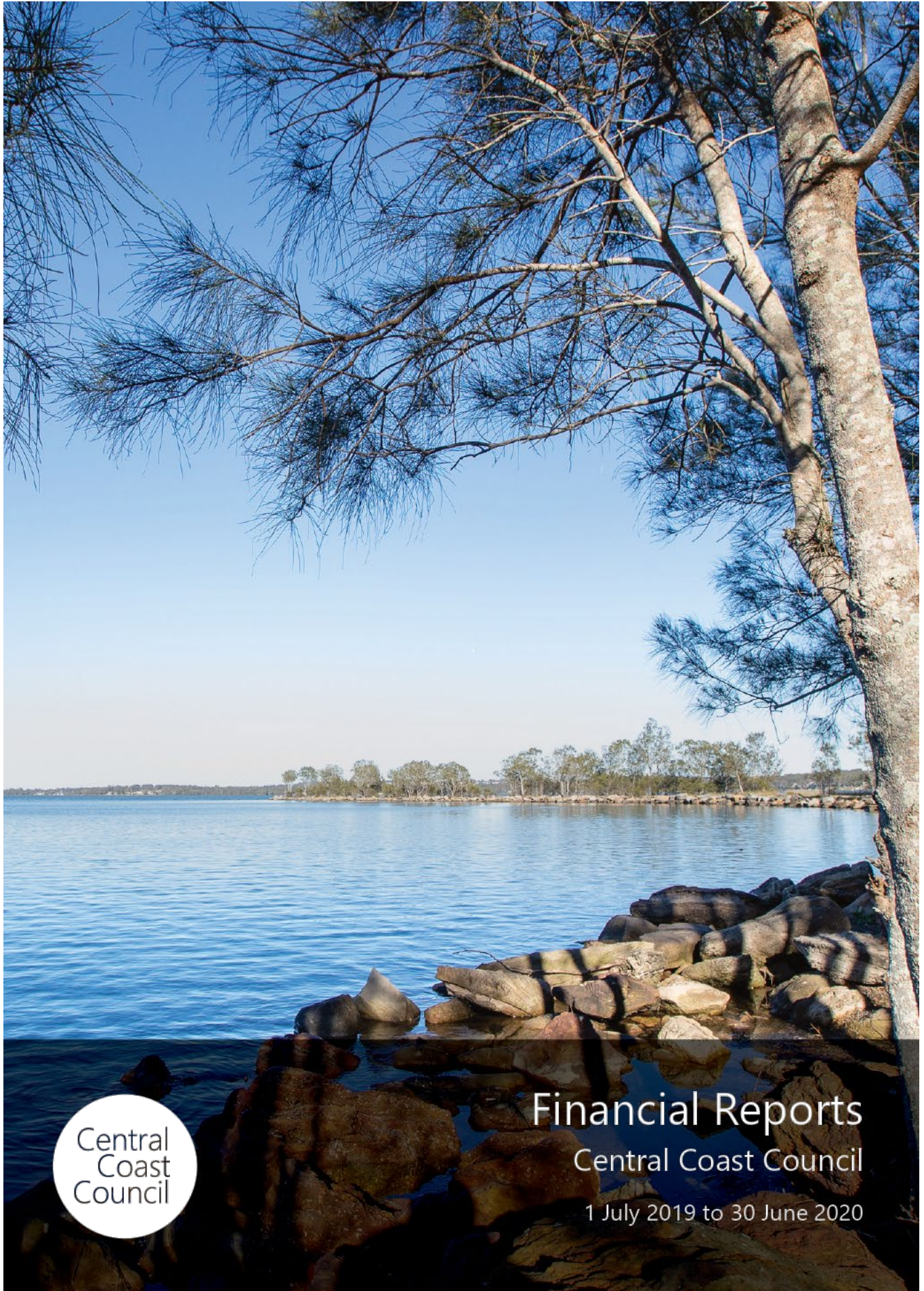
**2.1 Presentation of Financial Reports and related Auditor's Reports for  
Central Coast Council and Central Coast Council Water Supply Authority  
for the period 1 July 2019 to 30 June 2020 (contd)**

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**Attachments**

- |          |   |           |
|----------|---|-----------|
| <b>1</b> | Consolidated Financial Report               | D14628507 |
| <b>2</b> | Water Supply Authority Financial Statements | D14628508 |



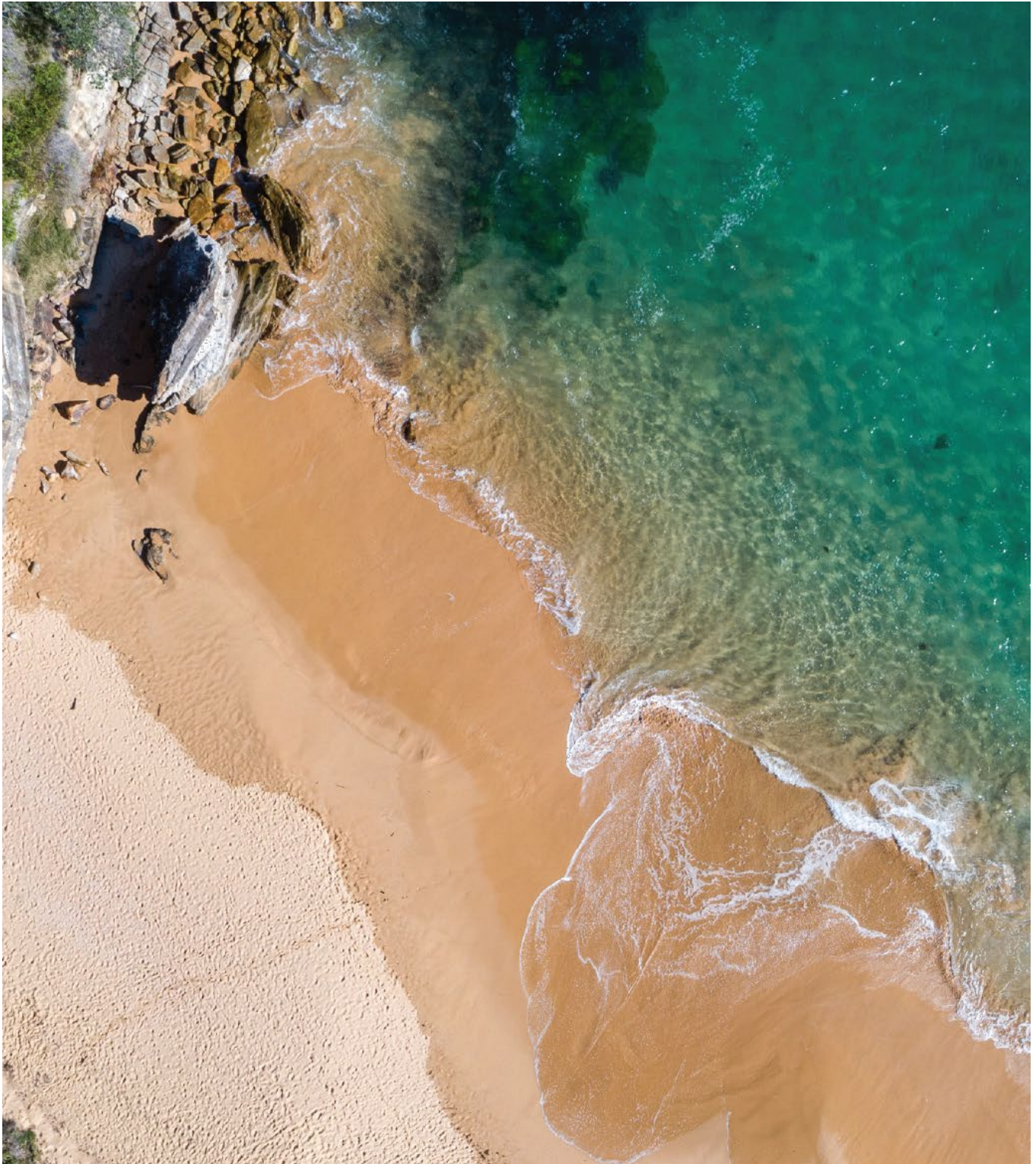


Financial Reports

Central Coast Council

1 July 2019 to 30 June 2020





General Purpose Financial Statements

Central Coast Council

1 July 2019 to 30 June 2020

## Central Coast Council

Financial Statements 2020

### General Purpose Financial Statements

for the year ended 30 June 2020

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#### Overview

Central Coast Council is constituted under the *Local Government Act 1993* (NSW) and has its principal place of business at:

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

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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



## Central Coast Council

Financial Statements 2020

### General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

#### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

#### About the Interim Administrator/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

##### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

#### About the Auditor's Reports

Council's financial statements are required to be audited by the Audit Office of NSW.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

#### Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

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

**Central Coast Council**

**General Purpose Financial Statements**  
for the year ended 30 June 2020

**Statement by Interim Administrator and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)**

At 30 June 2020, Central Coast Council recognised \$1.52B of roads and transport assets in Note 10 of the Financial Statements. Council was unable to provide sufficient evidence to audit to support the carrying value of these assets recorded in the Financial Statements as at 30 June 2020.

**Apart from the issue raised above, the attached General Purpose Financial Statements have been prepared in accordance with:**


- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

**Apart from the issue raised above, to the best of our knowledge and belief, these statements:**


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

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

**Signed in accordance with a resolution of Council made on 30 April 2021**

  
**Dick Person**  
Interim Administrator  
30 April 2021

  
**David Farmer**  
Chief Executive Officer  
30 April 2021

  
**Natalia Cowley**  
Responsible Accounting Officer  
30 April 2021



## Central Coast Council

Financial Statements 2020

## Income Statement

for the year ended 30 June 2020

| Original<br>unaudited<br>budget<br>2020    | \$ '000 | Notes | Actual<br>2020 | Actual<br>2019 |
|--|---------|-------|----------------|----------------|
| <b>Income from continuing operations</b>   |         |       |                |                |
| 324,099                                    |         | 3a    | 321,946        | 362,706        |
| 143,844                                    |         | 3b    | 129,480        | 133,925        |
| 8,507                                      |         | 3c    | 9,293          | 17,373         |
| 39,344                                     |         | 3d,3e | 44,436         | 40,618         |
| 52,419                                     |         | 3d,3e | 66,901         | 67,523         |
| 14,416                                     |         | 4     | 12,727         | 15,106         |
| 1,492                                      |         | 6     | –              | –              |
| 6,089                                      |         | 13e   | 7,724          | –              |
| 590,210                                    |         |       | 592,507        | 637,251        |
| <b>Expenses from continuing operations</b> |         |       |                |                |
| 202,249                                    |         | 5a    | 220,882        | 198,785        |
| 16,836                                     |         | 5b    | 16,151         | 18,909         |
| 100,677                                    |         | 5c    | 119,094        | 118,648        |
| 138,953                                    |         | 5d    | 157,109        | 145,649        |
| 97,666                                     |         | 5e    | 96,177         | 89,836         |
| –  |         | 6     | 4,931          | 3,027          |
| 556,381                                    |         |       | 614,344        | 574,854        |
| 33,829                                     |         |       | (21,837)       | 62,397         |
| 33,829                                     |         |       | (21,837)       | 62,397         |
| 33,829                                     |         |       | (21,837)       | 62,397         |
| (18,590)                                   |         |       | (88,738)       | (5,126)        |

The Council 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.

## Central Coast Council

Financial Statements 2020

### Statement of Comprehensive Income

for the year ended 30 June 2020

| \$ '000  | Notes | 2020            | 2019           |
|--|-------|-----------------|----------------|
| <b>Net operating result for the year (as per Income Statement)</b>               |       | <b>(21,837)</b> | <b>62,397</b>  |
| <b>Other comprehensive income:</b>   |       |                 |                |
| Amounts which will not be reclassified subsequent to operating result            |       |                 |                |
| Gain/(loss) on revaluation of infrastructure, property, plant and equipment      | 10    | 60,167          | 41,849         |
| <b>Total items which will not be reclassified subsequent to operating result</b> |       | <b>60,167</b>   | <b>41,849</b>  |
| <b>Total other comprehensive income for the year</b>                             |       | <b>60,167</b>   | <b>41,849</b>  |
| <b>Total comprehensive income for the year</b>                                   |       | <b>38,330</b>   | <b>104,246</b> |
| <br>   |       |                 |                |
| Total comprehensive income attributable to Council                               |       | 38,330          | 104,246        |

The Council 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.

## Central Coast Council

Financial Statements 2020

### Statement of Financial Position

as at 30 June 2020

| \$ '000                                       | Notes | 2020             | 2019             |
|---|-------|------------------|------------------|
| <b>ASSETS</b>                                 |       |                  |                  |
| <b>Current assets</b>                         |       |                  |                  |
| Cash and cash equivalents                     | 7(a)  | 92,296           | 44,059           |
| Investments                                   | 7(b)  | 166,210          | 340,739          |
| Receivables                                   | 8     | 81,154           | 68,807           |
| Inventories                                   | 9a    | 1,646            | 1,391            |
| Other   | 9b    | 6,459            | 5,481            |
| <b>Total current assets</b>                   |       | <b>347,765</b>   | <b>460,477</b>   |
| <b>Non-current assets</b>                     |       |                  |                  |
| Investments                                   | 7(b)  | 104,202          | 93,717           |
| Receivables                                   | 8     | 3,768            | 3,409            |
| Infrastructure, property, plant and equipment | 10    | 7,217,178        | 7,077,104        |
| Intangible Assets                             | 11    | 29,993           | 11,727           |
| Right of use assets                           | 13a   | 1,804            | -                |
| Other   | 9b    | 254              | 336              |
| <b>Total non-current assets</b>               |       | <b>7,357,199</b> | <b>7,186,293</b> |
| <b>Total assets</b>                           |       | <b>7,704,964</b> | <b>7,646,770</b> |
| <b>LIABILITIES</b>                            |       |                  |                  |
| <b>Current liabilities</b>                    |       |                  |                  |
| Payables                                      | 14    | 94,153           | 89,056           |
| Income received in advance                    | 14    | 2,795            | 3,994            |
| Contract liabilities                          | 12    | 10,644           | -                |
| Lease liabilities                             | 13b   | 287              | -                |
| Borrowings                                    | 14    | 44,790           | 47,753           |
| Provisions                                    | 15    | 64,770           | 66,418           |
| <b>Total current liabilities</b>              |       | <b>217,439</b>   | <b>207,221</b>   |
| <b>Non-current liabilities</b>                |       |                  |                  |
| Income received in advance                    | 14    | 7,381            | 7,465            |
| Contract liabilities                          | 12    | 2,352            | -                |
| Lease liabilities                             | 13b   | 1,552            | -                |
| Borrowings                                    | 14    | 191,798          | 185,404          |
| Provisions                                    | 15    | 79,596           | 65,752           |
| <b>Total non-current liabilities</b>          |       | <b>282,679</b>   | <b>258,621</b>   |
| <b>Total liabilities</b>                      |       | <b>500,118</b>   | <b>465,842</b>   |
| <b>Net assets</b>                             |       | <b>7,204,846</b> | <b>7,180,928</b> |
| <b>EQUITY</b>                                 |       |                  |                  |
| Accumulated surplus                           | 16    | 6,952,892        | 6,989,141        |
| Revaluation reserves                          | 16    | 251,954          | 191,787          |
| <b>Council interest</b>                       |       | <b>7,204,846</b> | <b>7,180,928</b> |
| <b>Total equity</b>                           |       | <b>7,204,846</b> | <b>7,180,928</b> |

The Council 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.

## Central Coast Council

Financial Statements 2020

### 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   |       | 6,989,141           | 191,787                   | 7,180,928        | 6,926,744           | 149,938                   | 7,076,682        |
| Changes due to AASB 1058 and AASB 15 adoption                                   | 16    | (14,412)            | –                         | (14,412)         | –                   | –                         | –                |
| Changes due to AASB 16 adoption   | 16    | –                   | –                         | –                | –                   | –                         | –                |
| <b>Restated opening balance</b>   |       | <b>6,974,729</b>    | <b>191,787</b>            | <b>7,166,516</b> | <b>6,926,744</b>    | <b>149,938</b>            | <b>7,076,682</b> |
| Net operating result for the year   |       | (21,837)            | –                         | (21,837)         | 62,397              | –                         | 62,397           |
| <b>Other comprehensive income</b>   |       |                     |                           |                  |                     |                           |                  |
| – Gain / (loss) on revaluation of infrastructure, property, plant and equipment | 10    | –                   | 60,167                    | 60,167           | –                   | 41,849                    | 41,849           |
| <b>Total comprehensive income</b>   |       | <b>(21,837)</b>     | <b>60,167</b>             | <b>38,330</b>    | <b>62,397</b>       | <b>41,849</b>             | <b>104,246</b>   |
| <b>Equity – balance at end of the reporting period</b>                          |       | <b>6,952,892</b>    | <b>251,954</b>            | <b>7,204,846</b> | <b>6,989,141</b>    | <b>191,787</b>            | <b>7,180,928</b> |

The Council 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.

## Central Coast Council

Financial Statements 2020

### Statement of Cash Flows

for the year ended 30 June 2020

| Original<br>unaudited<br>budget<br>2020     | \$ '000  | Notes | Actual<br>2020  | Actual<br>2019   |
|---|--|-------|-----------------|------------------|
| <b>Cash flows from operating activities</b> |  |       |                 |                  |
| <i>Receipts:</i>                            |  |       |                 |                  |
| 325,074                                     | Rates and annual charges                                     |       | 321,075         | 361,262          |
| 145,913                                     | User charges and fees  |       | 119,666         | 159,019          |
| 15,887                                      | Investment and interest revenue received                     |       | 10,274          | 20,195           |
| 95,964                                      | Grants and contributions                                     |       | 90,445          | 94,933           |
| 23,323                                      | Other  |       | 56,479          | 41,452           |
| <i>Payments:</i>                            |  |       |                 |                  |
| (209,120)                                   | Employee benefits and on-costs                               |       | (213,972)       | (201,639)        |
| (97,903)                                    | Materials and contracts                                      |       | (142,480)       | (114,972)        |
| (15,514)                                    | Borrowing costs  |       | (14,958)        | (15,200)         |
| –   | Bonds, deposits and retention amounts refunded               |       | (23)            | (5,246)          |
| (105,322)                                   | Other  |       | (105,121)       | (135,554)        |
| <b>178,302</b>                              | <b>Net cash provided (or used in) operating activities</b>   | 17b   | <b>121,385</b>  | <b>204,250</b>   |
| <b>Cash flows from investing activities</b> |  |       |                 |                  |
| <i>Receipts:</i>                            |  |       |                 |                  |
| 115,186                                     | Sale of investment securities                                |       | 336,750         | 281,453          |
| –   | Sale of infrastructure, property, plant and equipment        |       | 7,037           | 2,092            |
| <i>Payments:</i>                            |  |       |                 |                  |
| (13,967)                                    | Purchase of investment securities                            |       | (170,230)       | (298,706)        |
| (235,621)                                   | Purchase of infrastructure, property, plant and equipment    |       | (227,511)       | (169,619)        |
| –   | Purchase of intangible assets                                |       | (22,461)        | (3,233)          |
| –   | Deferred debtors and advances made                           |       | 27              | 24               |
| <b>(134,402)</b>                            | <b>Net cash provided (or used in) investing activities</b>   |       | <b>(76,388)</b> | <b>(187,989)</b> |
| <b>Cash flows from financing activities</b> |  |       |                 |                  |
| <i>Receipts:</i>                            |  |       |                 |                  |
| 30,000                                      | Proceeds from borrowings and advances                        |       | 50,000          | –                |
| <i>Payments:</i>                            |  |       |                 |                  |
| (46,464)                                    | Repayment of borrowings and advances                         |       | (46,569)        | (31,704)         |
| –   | Lease liabilities (principal repayments)                     |       | (191)           | –                |
| <b>(16,464)</b>                             | <b>Net cash flow provided (used in) financing activities</b> |       | <b>3,240</b>    | <b>(31,704)</b>  |
| <b>27,436</b>                               | <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>48,237</b>   | <b>(15,443)</b>  |
| 57,206                                      | Plus: cash and cash equivalents – beginning of period        | 17a   | 44,059          | 59,502           |
| <b>84,642</b>                               | <b>Cash and cash equivalents – end of the year</b>           | 17a   | <b>92,296</b>   | <b>44,059</b>    |
| 269,983                                     | plus: Investments on hand – end of year                      | 7(b)  | 270,412         | 434,456          |
| <b>354,625</b>                              | <b>Total cash, cash equivalents and investments</b>          |       | <b>362,708</b>  | <b>478,515</b>   |

The Council 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.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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## Central Coast Council

Financial Statements 2020

### 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 Council on 30 April 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not-for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included and are clearly marked for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 22 – Material budget variations

##### (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 Council's accounting policies.

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

##### Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated asset remediation provisions – refer Note 15
- (iii) employee benefit provisions – refer Note 15.

##### Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

##### COVID-19 Impact

The COVID-19 pandemic continues to impact the community where Council operates. This pandemic has had a financial impact for Council 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 council's business practices with a number of staff working remotely from home away from the main administration buildings and other council facilities. Whilst this has caused some inconvenience it has not resulted in significant additional cost.

continued on next page ...

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## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 1. Basis of preparation (continued)

The impacts on Council's financial performance and financial position are outlined below and expanded in Note 22 - Material Budget Variations:

- Decrease in user charges and fees,
- Decrease in developer contributions,
- Increase in government grants

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.

The financial difficulty experienced by many ratepayers led to a higher than normal level of outstanding collections for the financial year. This is a timing issue as such debts are enforceable debts linked to the rateable property.

No material changes have been noted in asset values.

#### Going Concern

The Financial Statements have been prepared on a going concern basis, which assumes Council 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 Council-identified 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 the one-off 15% 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 Council's operations.

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of the Council.

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

- General purpose operations
- Water Supply, Sewer, Drainage and Domestic Waste funds
- Committees established under the *Local Government Act 1993 (NSW) S355*

##### (b) The Trust Fund

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

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

Trust monies and other assets held by Council in its capacity as a Trustee and not considered to be under the control of Council have been excluded from these financial statements.

A separate statement of monies held in trust fund is available for inspection at council office by any person free of charge.



## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 1. Basis of preparation (continued)

##### 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 by Council 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,
- Volunteers at art galleries or museums,
- Library volunteers,
- Childcare volunteers,
- 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.

Council has recognised the cost and associated income of volunteer services in relation to Council's Art Gallery and Theatre as Other Income and Other Expenses in Notes 3(c) and 5(e) respectively.

##### 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.

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

CCC's assessment of the impact of these new standards and interpretations relevant to them, is set out below:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059*
- AASB 2019-2 *Amendments to Australian Accounting Standards - Implementation of AASB 1059*

AASB 1059 provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators. This standard requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet. A control approach is used to assess the service concession arrangements in place.

This standard has an effective date for the 30 June 2021 reporting period.

##### New accounting standards adopted during the year

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

- AASB 15 *Revenue from contracts with customers and associated amending standards.*
- AASB 16 *Leases*

continued on next page ...

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## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 1. Basis of preparation (continued)

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- AASB 1058 *Income of Not-for-profit entities*

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

| Income, expenses and assets have been directly attributed to the following functions or activities.<br>Details of those functions or activities are provided in Note 2(b). |                                      |                |  |                |  |               |  |               |                           |                  |
|--|--------------------------------------|----------------|--|----------------|--|---------------|--|---------------|---------------------------|------------------|
| \$ '000  | Income from<br>continuing operations |                | Expenses from<br>continuing operations |                | Operating result from<br>continuing operations |               | Grants included<br>in income from<br>continuing operations |               | Carrying amount of assets |                  |
|  | 2020                                 | 2019           | 2020                                   | 2019           | 2020   | 2019          | 2020   | 2019          | 2020                      | 2019             |
| <b>Functions or activities</b>   |                                      |                |  |                |  |               |  |               |                           |                  |
| Responsible  | 353,713                              | 378,488        | 461,867                                | 434,454        | (108,154)                                      | (55,966)      | 50,732   | 42,870        | 7,054,242                 | 7,477,471        |
| Liveable   | 28,049                               | 34,672         | 91,271                                 | 81,978         | (63,222)                                       | (47,306)      | 8,371  | 12,204        | 549,504                   | 114,806          |
| Belonging  | 3,573                                | 4,659          | 19,851                                 | 19,070         | (16,278)                                       | (14,411)      | 169  | 363           | 28,673                    | 1,019            |
| Smart  | 10,805                               | 12,849         | 21,267                                 | 20,024         | (10,462)                                       | (7,175)       | 997  | 1,519         | 40,226                    | 36,584           |
| Green  | 4,591                                | 3,278          | 20,088                                 | 19,328         | (15,497)                                       | (16,050)      | 4,146  | 2,570         | 32,319                    | 16,890           |
| General Purpose Income   | 191,776                              | 203,305        | -                                      | -              | 191,776  | 203,305       | -  | -             | -                         | -                |
| <b>Total functions and activities</b>  | <b>592,507</b>                       | <b>637,251</b> | <b>614,344</b>                         | <b>574,854</b> | <b>(21,837)</b>                                | <b>62,397</b> | <b>64,415</b>  | <b>59,526</b> | <b>7,704,964</b>          | <b>7,646,770</b> |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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

##### Responsible

- Governance
- Partnerships - Plans into practice
- Communicate with community
- Engage with community
- Serve the community
- Delivering essential Infrastructure (Roads, Carparks, Energy, Water, Telecommunications)

##### Liveable

- Public transport connections
- Plans transport management options
- Shared pathways
- Signage, public facilities, amenities, playgrounds, public areas
- Waterways, wharves, jetties, boat ramps and ocean baths
- Sport, leisure, recreational facilities, open space
- Healthcare
- Learning and knowledge
- Community facilities
- Heritage
- Land use planning
- Environmental
- Housing

##### Belonging

- Community spirit
- Connect people
- Inclusion and well being
- Social and health issues
- Community safety
- Activate places
- Events
- Sporting, cultural, festivals
- Arts

##### Smart

- Economic development
- CBD, town centres
- Tourism
- Innovation and futures

##### Green

- Natural areas
- Biodiversity
- Water quality
- Litter and landfill
- Renewable energy
- Protection of environment

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 3. Revenue from continuing operations**

| <b>\$ '000</b>  | <b>2020</b>    | <b>2019</b>    |
|---|----------------|----------------|
| <b>(a) Rates and annual charges</b>                                   |                |                |
| <b>Ordinary rates</b>   |                |                |
| Residential   | 145,920        | 142,973        |
| Farmland  | 779            | 762            |
| Mining  | 943            | 922            |
| Business  | 20,311         | 19,708         |
| Less: pensioner rebates (State Government funded)                     | (2,230)        | (2,259)        |
| Less: pensioner rebates (Council funded)                              | (1,826)        | (1,850)        |
| <b>Rates levied to ratepayers</b>                                     | <b>163,897</b> | <b>160,256</b> |
| Pensioner rate subsidies received                                     | 2,243          | 2,241          |
| <b>Total ordinary rates</b>   | <b>166,140</b> | <b>162,497</b> |
| <b>Special rates</b>  |                |                |
| Town improvement  | 1,328          | 1,329          |
| Parking   | 186            | 190            |
| Tourism / business development  | 914            | 1,499          |
| <b>Rates levied to ratepayers</b>                                     | <b>2,428</b>   | <b>3,018</b>   |
| <b>Total special rates</b>  | <b>2,428</b>   | <b>3,018</b>   |
| <b>Annual charges</b>   |                |                |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small> |                |                |
| Domestic waste management services                                    | 72,464         | 69,561         |
| Water supply services   | 12,396         | 26,400         |
| Drainage  | 14,325         | 17,791         |
| Sewerage services   | 53,152         | 82,217         |
| Waste management services (non-domestic)                              | 3,607          | 3,621          |
| Section 611 charges   | 184            | 122            |
| Liquid trade waste  | 461            | 429            |
| Less: pensioner rebates (State Government funded)                     | (3,349)        | (3,624)        |
| Less: pensioner rebates (Council funded)                              | (3,102)        | (2,966)        |
| <b>Annual charges levied</b>  | <b>150,138</b> | <b>193,551</b> |
| Pensioner subsidies received:   |                |                |
| – Water   | 1,004          | 1,214          |
| – Sewerage  | 994            | 1,196          |
| – Domestic waste management   | 1,242          | 1,230          |
| <b>Total annual charges</b>   | <b>153,378</b> | <b>197,191</b> |
| <b>TOTAL RATES AND ANNUAL CHARGES</b>                                 | <b>321,946</b> | <b>362,706</b> |

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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.

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 3. Revenue from continuing operations (continued)**

**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.

| <b>\$ '000</b>   | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|
| <b>(b) User charges and fees</b>   |               |               |
| <b>Specific user charges</b>   |               |               |
| (per s.502 - specific 'actual use' charges)                                  |               |               |
| Water supply services  | 55,871        | 60,947        |
| Sewerage services  | 15,468        | 2,611         |
| Waste management services (non-domestic)                                     | 36            | 36            |
| Liquid trade waste   | 2,043         | 2,369         |
| COVID-19 waivers and refunds   | (41)          | -             |
| <b>Total specific user charges</b>   | <b>73,377</b> | <b>65,963</b> |
| <b>Other user charges and fees</b>   |               |               |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b> |               |               |
| Building services – other  | 1,939         | 2,132         |
| Inspection services  | 551           | 829           |
| Private works – section 67   | 469           | 99            |
| Regulatory/statutory fees  | 189           | 67            |
| Registration fees  | 137           | 209           |
| Section 10.7 certificates (EP&A Act)   | 809           | 847           |
| Section 603 certificates   | 606           | 607           |
| Town planning  | 234           | 303           |
| Development applications   | 2,908         | 4,151         |
| Rezoning fees  | 82            | 109           |
| Other  | 275           | 343           |
| <b>Total fees and charges – statutory/regulatory</b>                         | <b>8,199</b>  | <b>9,696</b>  |

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 3. Revenue from continuing operations (continued)**

| <b>\$ '000</b>  | <b>2020</b>    | <b>2019</b>    |
|---|----------------|----------------|
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |                |                |
| Aerodrome   | 28             | 49             |
| Camping ground  | 416            | 740            |
| Child care  | 5,183          | 6,422          |
| Community centres   | –              | 1,846          |
| Companion animals   | 307            | 368            |
| Facilities Hire Income  | –              | 334            |
| Restoration charges   | –              | 188            |
| On site sewer management (OSSM)   | 479            | 475            |
| Parking fees  | 562            | 810            |
| Parks and recreation  | 455            | 658            |
| Engineering design fees   | 409            | 562            |
| RMS works (state roads not controlled by Council)                             | 5,479          | 7,236          |
| Holiday parks   | 9,077          | 10,105         |
| Swimming centres  | 3,297          | 5,552          |
| Theatres  | 772            | 652            |
| Tipping fees  | 18,397         | 19,713         |
| Water connection fees   | 1,008          | 776            |
| Other   | 1,690          | 1,214          |
| Sewerage Connection Income  | 345            | 566            |
| <b>Total fees and charges – other</b>   | <b>47,904</b>  | <b>58,266</b>  |
| <b>TOTAL USER CHARGES AND FEES</b>  | <b>129,480</b> | <b>133,925</b> |

**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 or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council 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.

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 3. Revenue from continuing operations (continued)**

| <b>\$ '000</b>                      | <b>2020</b>         | <b>2019</b>          |
|-------------------------------------|---------------------|----------------------|
| <b>(c) Other revenues</b>           |                     |                      |
| Fines – parking                     | 2,647               | 2,498                |
| Fines – other                       | 229                 | 375                  |
| Event revenue                       | 1,248               | 1,753                |
| Diesel rebate                       | 609                 | 319                  |
| Landfill sale of scrap metal        | 1,025               | 1,019                |
| Insurance claims recoveries         | 24                  | 580                  |
| Legal fees recovery – other         | 244                 | 203                  |
| Property rents                      | –                   | 5,820                |
| Arts centre                         | 98                  | 269                  |
| Cemetery income                     | 333                 | 316                  |
| Sales – general                     | 777                 | 953                  |
| Landfill gas royalty payment        | 401                 | 598                  |
| Recreation                          | 280                 | 319                  |
| Section 355 Committee income        | 228                 | 370                  |
| Other (includes volunteer services) | 1,718               | 1,981                |
| COVID-19 waivers and refunds        | (568)               | –                    |
| <b><u>TOTAL OTHER REVENUE</u></b>   | <b><u>9,293</u></b> | <b><u>17,373</u></b> |

**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, which is earlier.

**2019 accounting policy:**

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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.



**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 3. Revenue from continuing operations (continued)**

| \$ '000  | Operating<br>2020 | Operating<br>2019 | Capital<br>2020 | Capital<br>2019 |
|--|-------------------|-------------------|-----------------|-----------------|
| <b>(d) Grants</b>                                  |                   |                   |                 |                 |
| <b>General purpose (untied)</b>                    |                   |                   |                 |                 |
| <b>Current year allocation</b>                     |                   |                   |                 |                 |
| Financial assistance – general component           | 10,706            | 10,436            | –               | –               |
| Financial assistance – local roads component       | 2,204             | 2,186             | –               | –               |
| <b>Payment in advance - future year allocation</b> |                   |                   |                 |                 |
| Financial assistance – general component           | 11,337            | 10,819            | –               | –               |
| Financial assistance – local roads component       | 2,341             | 2,268             | –               | –               |
| <b>Total general purpose</b>                       | <b>26,588</b>     | <b>25,709</b>     | <b>–</b>        | <b>–</b>        |
| <b>Specific purpose</b>                            |                   |                   |                 |                 |
| Aged and disabled                                  | 23                | 23                | 1               | 10              |
| Bushfire and emergency services                    | 4,182             | 2,184             | 256             | 241             |
| Child care   | 376               | 384               | 24              | –               |
| Community care                                     | 9                 | 118               | –               | 661             |
| Employment and training programs                   | 118               | 30                | –               | –               |
| Environmental programs                             | 1,526             | 1,815             | 971             | 198             |
| Library  | 856               | 731               | 61              | 211             |
| Health services                                    | 33                | 44                | –               | –               |
| Heritage and cultural                              | 86                | 61                | –               | 495             |
| LIRS subsidy                                       | 733               | 882               | –               | –               |
| Transport (roads to recovery)                      | –                 | –                 | 2,772           | 1,979           |
| Recreational facilities                            | 438               | 1,102             | 8,164           | 11,256          |
| Roads and bridges                                  | –                 | –                 | 10,602          | 8,663           |
| Security equipment (CCTV)                          | –                 | –                 | 5               | 155             |
| Somersby Industrial Park                           | –                 | –                 | –               | 1,259           |
| Street lighting                                    | 986               | 966               | –               | –               |
| Transport (other roads and bridges funding)        | 119               | 118               | 695             | 45              |
| Water / Sewer Infrastructure                       | –                 | –                 | 2,788           | –               |
| Youth services                                     | 39                | 131               | –               | –               |
| Other  | 71                | 55                | 1,893           | –               |
| <b>Total specific purpose</b>                      | <b>9,595</b>      | <b>8,644</b>      | <b>28,232</b>   | <b>25,173</b>   |
| <b>Total grants</b>                                | <b>36,183</b>     | <b>34,353</b>     | <b>28,232</b>   | <b>25,173</b>   |
| <b>Grant revenue is attributable to:</b>           |                   |                   |                 |                 |
| – Commonwealth funding                             | 27,282            | 26,319            | 12,614          | 13,453          |
| – State funding                                    | 8,899             | 8,033             | 15,618          | 11,699          |
| – Other funding                                    | 2                 | 1                 | –               | 21              |
|  | <b>36,183</b>     | <b>34,353</b>     | <b>28,232</b>   | <b>25,173</b>   |

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 3. Revenue from continuing operations (continued)**

| \$ '000   | Notes | Operating<br>2020 | Operating<br>2019 | Capital<br>2020 | Capital<br>2019 |
|---|-------|-------------------|-------------------|-----------------|-----------------|
| <b>(e) Contributions</b>                                  |       |                   |                   |                 |                 |
| <b>Developer contributions:</b>                           |       |                   |                   |                 |                 |
| <b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b> |       |                   |                   |                 |                 |
| <b>Cash contributions</b>                                 |       |                   |                   |                 |                 |
| S 7.11 – contributions towards amenities/services         |       | –                 | –                 | 54              | 69              |
| S 7.12 – fixed development consent levies                 |       | –                 | –                 | 2,470           | 2,675           |
| S 64 – water supply contributions                         |       | –                 | –                 | 3,429           | 3,456           |
| S 64 – sewerage service contributions                     |       | –                 | –                 | 3,639           | 4,254           |
| Other developer contributions                             |       | –                 | –                 | 320             | 286             |
| S 7.11 – stormwater contributions                         |       | –                 | –                 | 1,424           | 1,344           |
| S 7.11 – roadworks  |       | –                 | –                 | 2,094           | 2,639           |
| S 7.11 – open space                                       |       | –                 | –                 | 4,430           | 3,433           |
| S 7.11 – community facilities                             |       | –                 | –                 | 2,213           | 1,778           |
| <b>Total developer contributions – cash</b>               |       | <b>–</b>          | <b>–</b>          | <b>20,073</b>   | <b>19,934</b>   |
| <b>Non-cash contributions</b>                             |       |                   |                   |                 |                 |
| S 7.11 – contributions towards amenities/services         |       | –                 | –                 | 241             | 21              |
| S 7.11 - drainage assets                                  |       | –                 | –                 | 171             | 443             |
| S 64 – sewerage service contributions                     |       | –                 | –                 | –               | 18              |
| S 64 – water supply contributions                         |       | –                 | –                 | 82              | 2               |
| <b>Total developer contributions non-cash</b>             |       | <b>–</b>          | <b>–</b>          | <b>494</b>      | <b>484</b>      |
| <b>Total developer contributions</b>                      | 26    | <b>–</b>          | <b>–</b>          | <b>20,567</b>   | <b>20,418</b>   |
| <b>Other contributions:</b>                               |       |                   |                   |                 |                 |
| <b>Cash contributions</b>                                 |       |                   |                   |                 |                 |
| Bushfire services   |       | 443               | –                 | –               | –               |
| Business development                                      |       | –                 | –                 | –               | 2,036           |
| Childcare   |       | 1,651             | –                 | –               | –               |
| Paving  |       | –                 | –                 | 30              | 273             |
| Recreation and culture                                    |       | 10                | 39                | 367             | 575             |
| RMS contributions (regional roads, block grant)           |       | 3,939             | 3,821             | –               | –               |
| Sewerage (excl. section 64 contributions)                 |       | –                 | –                 | 132             | 271             |
| Roadworks   |       | –                 | 16                | 28              | 243             |
| Vehicle contributions by employees                        |       | 2,007             | 2,106             | –               | –               |
| Water supplies (excl. section 64 contributions)           |       | –                 | –                 | 73              | 196             |
| Other   |       | 203               | 283               | 420             | 265             |
| <b>Total other contributions – cash</b>                   |       | <b>8,253</b>      | <b>6,265</b>      | <b>1,050</b>    | <b>3,859</b>    |
| <b>Non-cash contributions</b>                             |       |                   |                   |                 |                 |
| Other   |       | –                 | –                 | 17,052          | 18,073          |
| <b>Total other contributions – non-cash</b>               |       | <b>–</b>          | <b>–</b>          | <b>17,052</b>   | <b>18,073</b>   |
| <b>Total other contributions</b>                          |       | <b>8,253</b>      | <b>6,265</b>      | <b>18,102</b>   | <b>21,932</b>   |
| <b>Total contributions</b>                                |       | <b>8,253</b>      | <b>6,265</b>      | <b>38,669</b>   | <b>42,350</b>   |
| <b>TOTAL GRANTS AND CONTRIBUTIONS</b>                     |       | <b>44,436</b>     | <b>40,618</b>     | <b>66,901</b>   | <b>67,523</b>   |

## Central Coast Council

### Notes to the Financial Statements

for the year ended 30 June 2020

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

##### 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 the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations are varied based on the agreement but include differing performance obligations within AASB 15 e.g. event milestones. 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 asset's fair value when the asset is received. Council 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 Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council'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 the Council.

##### Contributions

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

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

##### 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 undischarged 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.

**Central Coast Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 3. Revenue from continuing operations (continued)**

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

**(f) Unspent grants and contributions – external restrictions**

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

**Operating grants**

|  |              |              |
|--|--------------|--------------|
| Unexpended at the close of the previous reporting period   | 2,345        | 4,462        |
| <b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)    | –            | 1,387        |
| <b>Add:</b> operating grants received for the provision of goods and services in a future period         | 2,628        | –            |
| <b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)            | –            | (3,504)      |
| <b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income | (1,203)      | –            |
| <b>Unexpended and held as externally restricted assets (operating grants)</b>                            | <b>3,770</b> | <b>2,345</b> |

Top grants include Bushfire resilience/recovery \$1.2M, Better Waste and Recycling \$0.9M and Environmental Restoration fund \$0.3M plus various operating grants unspent and held as a restriction at year end.

**Capital grants**

|  |              |              |
|--|--------------|--------------|
| Unexpended at the close of the previous reporting period   | 8,869        | 4,608        |
| <b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)    | –            | 5,576        |
| <b>Add:</b> capital grants received for the provision of goods and services in a future period         | 3,639        | –            |
| <b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)            | –            | (1,315)      |
| <b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income | (4,518)      | –            |
| <b>Unexpended and held as externally restricted assets (capital grants)</b>                            | <b>7,990</b> | <b>8,869</b> |

Various capital grants unspent and held as a restriction at year end.

Most significant include Climate Change Fund (Water Supply Authority) \$2.4M, Woy Woy Wharf development \$1.3M, Glenrock Pde roadworks \$0.8M, Stronger Community Fund grants \$0.5M and Regional playspace at Sun Valley Reserve, Green Point \$0.4M.

**Contributions**

|   |                |                |
|---|----------------|----------------|
| Unexpended at the close of the previous reporting period                                      | 190,503        | 176,904        |
| <b>Add:</b> contributions recognised as income in the current period but not yet spent        | –              | 26,727         |
| <b>Add:</b> contributions received for the provision of goods and services in a future period | 16,191         | –              |
| <b>Less:</b> contributions recognised in a previous reporting period now spent                | (12,098)       | (13,128)       |
| <b>Unexpended and held as externally restricted assets (contributions)</b>                    | <b>194,596</b> | <b>190,503</b> |

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

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 3. Revenue from continuing operations (continued)**

| \$ '000 | AASB 15<br>2020 | AASB 1058<br>2020 |
|---------|-----------------|-------------------|
|---------|-----------------|-------------------|

**(g) Disaggregation of material revenue streams**

The following shows the revenue recognition pattern for the material revenue streams of Council.

**Revenue recognition at a point in time**

|   |          |                |
|---|----------|----------------|
| Rates and annual charges                      | –        | 321,946        |
| Financial assistance grants                   | –        | 26,588         |
| User charges and fees                         | –        | 119,590        |
| Grant revenue and non-developer contributions | –        | 51,883         |
| Developer contributions                       | –        | 20,567         |
| Fines   | –        | 2,876          |
|   | <u>–</u> | <u>543,450</u> |

**Revenue recognised over time**

|  |               |               |
|--|---------------|---------------|
| Grant and contributions revenue  | 7,179         | –             |
| Grants and contributions to acquire or construct Council controlled assets | –             | 25,687        |
| User charges and fees  | 9,890         | –             |
|  | <u>17,069</u> | <u>25,687</u> |

**Note 4. Interest and investment income**

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

**Interest on financial assets measured at amortised cost**

|  |       |        |
|--|-------|--------|
| – Overdue rates and annual charges (incl. special purpose rates) | 1,671 | 1,895  |
| – Cash and investments   | 8,547 | 13,178 |

**Fair value adjustments**

|                                    |       |   |
|------------------------------------|-------|---|
| – Movements in investments (other) | 2,476 | – |
|------------------------------------|-------|---|

**Amortisation of premiums and discounts**

|   |    |    |
|---|----|----|
| – Interest free (and interest reduced) loans provided | 27 | 24 |
|---|----|----|

**Other**

|  |   |   |
|--|---|---|
|  | 6 | 9 |
|--|---|---|

**Total Interest and investment income**

|  |               |               |
|--|---------------|---------------|
|  | <u>12,727</u> | <u>15,106</u> |
|--|---------------|---------------|

**Interest revenue is attributable to:**

**Unrestricted investments/financial assets:**

|   |       |       |
|---|-------|-------|
| Overdue rates and annual charges (general fund) | 547   | 580   |
| General Council cash and investments            | 4,421 | 6,669 |

**Restricted investments/funds – external:**

|                                      |       |       |
|--------------------------------------|-------|-------|
| Development contributions            |       |       |
| – Section 7.11                       | 3,408 | 3,131 |
| – Section 64                         | 1,452 | 1,742 |
| Domestic waste management operations | 2,899 | 2,984 |

**Total interest and investment revenue**

|  |               |               |
|--|---------------|---------------|
|  | <u>12,727</u> | <u>15,106</u> |
|--|---------------|---------------|

**Accounting policy for interest and investment revenue**

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

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 5. Expenses from continuing operations**

| \$ '000  | 2020           | 2019           |
|--|----------------|----------------|
| <b>(a) Employee benefits and on-costs</b>      |                |                |
| Salaries and wages                             | 180,017        | 157,663        |
| Employee termination costs                     | 490            | 272            |
| Travel expenses                                | –              | 45             |
| Employee leave entitlements (ELE)              | 31,168         | 26,206         |
| Superannuation                                 | 19,749         | 17,969         |
| Workers Compensation                           | 3,790          | 3,859          |
| Fringe benefit tax (FBT)                       | 405            | 245            |
| Payroll tax                                    | 2,610          | 2,148          |
| Training costs (other than salaries and wages) | –              | 2,100          |
| Uniforms and Protective clothing               | –              | 1,302          |
| Other  | 648            | 809            |
| <b>Total employee costs</b>                    | <b>238,877</b> | <b>212,618</b> |
| Less: capitalised costs                        | (17,995)       | (13,833)       |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>           | <b>220,882</b> | <b>198,785</b> |

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

*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. Council 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 Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 20 for more information.

| \$ '000  | Notes | 2020          | 2019          |
|--|-------|---------------|---------------|
| <b>(b) Borrowing costs</b>                             |       |               |               |
| <b>(i) Interest bearing liability costs</b>            |       |               |               |
| Interest on leases                                     |       | 76            | –             |
| Interest on loans                                      |       | 15,024        | 17,104        |
| Interest on other debts                                |       | 45            | 70            |
| <b>Total interest bearing liability costs</b>          |       | <b>15,145</b> | <b>17,174</b> |
| <b>Total interest bearing liability costs expensed</b> |       | <b>15,145</b> | <b>17,174</b> |
| <b>(ii) Other borrowing costs</b>                      |       |               |               |
| Remediation liabilities                                | 15    | 1,005         | 1,730         |
| Other liabilities                                      |       | 1             | 5             |
| <b>Total other borrowing costs</b>                     |       | <b>1,006</b>  | <b>1,735</b>  |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                  |       | <b>16,151</b> | <b>18,909</b> |

**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.

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**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 5. Expenses from continuing operations (continued)**

| \$ '000  | 2020           | 2019           |
|--|----------------|----------------|
| <b>(c) Materials and contracts</b>                             |                |                |
| Raw materials and consumables                                  | 26,461         | 14,400         |
| Contractor and consultancy costs                               | 29,619         | 41,370         |
| Contract costs Garbage collection                              | 30,287         | 29,916         |
| Contract costs Green waste processing                          | 4,392          | 4,094          |
| Contract costs Corporate systems                               | 3,643          | 4,298          |
| Contract costs Agency hire                                     | 9,658          | 8,979          |
| Contract costs Roads   | 11,529         | 12,301         |
| Auditors remuneration <sup>2</sup>                             | 371            | 429            |
| <b>Legal expenses:</b>   |                |                |
| – Legal expenses: planning and development                     | 254            | 297            |
| – Legal expenses: other  | 577            | 790            |
| Expenses from Peppercorn leases (2020 only)                    | 194            | –              |
| Expenses from short-term leases (2020 only)                    | 418            | –              |
| Expenses from leases of low value assets (2020 only)           | 1,691          | –              |
| <b>Operating leases expense (2019 only):</b>                   |                |                |
| – Operating lease rentals: minimum lease payments <sup>1</sup> | –              | 1,774          |
| <b>TOTAL MATERIALS AND CONTRACTS</b>                           | <b>119,094</b> | <b>118,648</b> |

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**1. Operating lease payments are attributable to:**

|                  |          |              |
|------------------|----------|--------------|
| Office Equipment | –        | 788          |
| Computers        | –        | 933          |
| Other            | –        | 53           |
|                  | <u>–</u> | <u>1,774</u> |

**2. Auditor remuneration**

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

**Auditors of the Council - NSW Auditor-General:**

**(i) Audit and other assurance services**

|  |            |            |
|--|------------|------------|
| Audit and review of financial statements                   | 281        | 373        |
| <b>Remuneration for audit and other assurance services</b> | <b>281</b> | <b>373</b> |

**Total Auditor-General remuneration**

|            |            |
|------------|------------|
| <u>281</u> | <u>373</u> |
|------------|------------|

**Non NSW Auditor-General audit firms**

**(ii) Non-assurance services**

|  |           |           |
|--|-----------|-----------|
| Other services                                 | 90        | 56        |
| <b>Remuneration for non-assurance services</b> | <b>90</b> | <b>56</b> |

**Total remuneration of non NSW Auditor-General audit firms**

|           |           |
|-----------|-----------|
| <u>90</u> | <u>56</u> |
|-----------|-----------|

**Total Auditor remuneration**

|            |            |
|------------|------------|
| <u>371</u> | <u>429</u> |
|------------|------------|

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**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 5. Expenses from continuing operations (continued)**

| \$ '000   | Notes | 2020           | 2019           |
|---|-------|----------------|----------------|
| <b>(d) Depreciation, amortisation and impairment of non-financial assets</b>    |       |                |                |
| <b>Depreciation and amortisation</b>  |       |                |                |
| Plant and equipment   |       | 7,811          | 7,341          |
| Office equipment  |       | 2,569          | 1,747          |
| Furniture and fittings  |       | 1,130          | 1,034          |
| Land improvements (depreciable)   |       | 1,903          | 1,410          |
| <b>Infrastructure:</b>  | 10    |                |                |
| – Buildings – specialised   |       | 11,769         | 11,376         |
| – Other structures  |       | 1,601          | 1,233          |
| – Roads   |       | 36,464         | 33,481         |
| – Bridges   |       | 679            | 612            |
| – Footpaths   |       | 2,659          | 2,268          |
| – Stormwater drainage   |       | 15,858         | 15,458         |
| – Water supply network  |       | 26,833         | 26,034         |
| – Sewerage network  |       | 35,143         | 34,402         |
| – Swimming pools  |       | 215            | 227            |
| – Other open space/recreational assets  |       | 4,120          | 3,315          |
| – Other infrastructure  |       | 1,346          | 1,163          |
| <b>Other assets:</b>  |       |                |                |
| – Library books   |       | 770            | 810            |
| – Other   |       | 73             | 89             |
| <b>Reinstatement, rehabilitation and restoration assets:</b>                    |       |                |                |
| – Tip assets  | 15,10 | 1,745          | 1,745          |
| <b>Right of use assets</b>  | 13    | 226            | –              |
| <b>Intangible assets</b>  | 11    | 4,195          | 1,904          |
| <b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b> |       | <b>157,109</b> | <b>145,649</b> |

**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 10 for IPPE assets, Note 11 for intangible assets and Note 13 for right of use assets.

**Impairment of non-financial assets**

Council 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.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5. Expenses from continuing operations (continued)

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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.

##### **Revaluation decrement of IPP&E**

Where the carrying value of a class of assets has been reduced as a result of a revaluation, the revaluation decrement is firstly offset against the amount in the revaluation reserve account, with the excess to be recognised in the Income Statement.

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 5. Expenses from continuing operations (continued)**

| <b>\$ '000</b>   | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|
| <b>(e) Other expenses</b>  |               |               |
| Advertising  | 1,125         | 1,521         |
| Training costs   | 1,767         | –             |
| Travel expenses  | 45            | –             |
| Bad and doubtful debts   | 404           | 1,279         |
| Bank charges   | 1,386         | 1,339         |
| Commissions  | 3,374         | 2,905         |
| Computer software charges  | 10,515        | 8,657         |
| Contributions/levies to other levels of government                           |               |               |
| – Holiday Park levy  | 439           | 485           |
| – NSW Fire and rescue levy   | 2,821         | 2,571         |
| – NSW rural fire service levy  | 1,477         | 1,175         |
| – NSW State emergency services levy  | 528           | 455           |
| – Waste levy   | 29,893        | 29,140        |
| Councillor expenses – mayoral fee  | 89            | 86            |
| Councillor expenses – councillors' fees                                      | 456           | 453           |
| Councillors' expenses (incl. mayor) – other (excluding fees above)           | 48            | 86            |
| Donations, Contributions and assistance to other organisations (Section 356) |               |               |
| – The Art House  | 1,075         | 1,057         |
| – Toukley Town Centre  | –             | 220           |
| – Wyong Town Centre  | 30            | 114           |
| – Surf Life Saving Clubs   | 213           | 208           |
| – Gosford Town Centre  | 60            | 256           |
| – Stronger communities fund  | 383           | 576           |
| – Community grants   | 1,671         | 1,706         |
| – Other contributions and donations  | 546           | 381           |
| Electricity and heating  | 12,400        | 12,652        |
| Events and promotions  | 1,843         | 1,477         |
| Gas charges  | 490           | 330           |
| Insurance  | 4,814         | 4,330         |
| Licences   | 787           | 654           |
| Planning NSW development application fees                                    | 443           | 563           |
| Postage  | 1,088         | 1,227         |
| Printing and stationery  | 1,249         | 1,047         |
| Private works  | –             | 422           |
| Property rent  | –             | 1,000         |
| Street lighting  | 4,371         | 5,679         |
| Subscriptions and publications   | 236           | 455           |
| Telephone and communications   | 2,785         | 2,672         |
| Tip rehabilitation provision adjustment                                      | 3,235         | (1,830)       |
| Valuer general fees  | 888           | 797           |
| Vehicle registrations  | 801           | 807           |
| Other  | 2,402         | 2,884         |
| <b>Total other expenses</b>  | <b>96,177</b> | <b>89,836</b> |
| <b>TOTAL OTHER EXPENSES</b>  | <b>96,177</b> | <b>89,836</b> |

**Accounting policy for other expenses**

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

**Central Coast Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 6. Gain or loss from disposal of assets**

| \$ '000   | Notes | 2020           | 2019           |
|---|-------|----------------|----------------|
| <b>Buildings</b>  |       |                |                |
| Proceeds from disposal – property   |       | –              | –              |
| Less: carrying amount of property assets sold/written off                       |       | (3,510)        | (160)          |
| <b>Net gain/(loss) on disposal</b>  |       | <b>(3,510)</b> | <b>(160)</b>   |
| <b>Plant and equipment</b>  |       |                |                |
|   | 10    |                |                |
| Proceeds from disposal – plant and equipment                                    |       | 3,058          | 2,092          |
| Less: carrying amount of plant and equipment assets sold/written off            |       | (2,991)        | (1,916)        |
| <b>Net gain/(loss) on disposal</b>  |       | <b>67</b>      | <b>176</b>     |
| <b>Infrastructure assets</b>  |       |                |                |
|   | 10    |                |                |
| Proceeds from disposal – infrastructure   |       | –              | –              |
| Less: carrying amount of infrastructure assets sold/written off                 |       | (866)          | (24)           |
| <b>Net gain/(loss) on disposal</b>  |       | <b>(866)</b>   | <b>(24)</b>    |
| <b>Investments</b>  |       |                |                |
|   | 7(b)  |                |                |
| Proceeds from disposal/redemptions/maturities – investments                     |       | 336,750        | 281,453        |
| Less: carrying amount of investments sold/redeemed/matured                      |       | (336,750)      | (281,453)      |
| <b>Net gain/(loss) on disposal</b>  |       | <b>–</b>       | <b>–</b>       |
| <b>Land</b>   |       |                |                |
|   | 10    |                |                |
| Proceeds from disposal – community and operational Land                         |       | 3,979          | –              |
| Less: carrying amount of community and operational Land assets sold/written off |       | (2,037)        | –              |
| <b>Net gain/(loss) on disposal</b>  |       | <b>1,942</b>   | <b>–</b>       |
| <b>Stormwater drainage</b>  |       |                |                |
|   | 10    |                |                |
| Proceeds from disposal – Stormwater Drainage                                    |       | –              | –              |
| Less: carrying amount of stormwater drainage assets sold/written off            |       | (293)          | (627)          |
| <b>Net gain/(loss) on disposal</b>  |       | <b>(293)</b>   | <b>(627)</b>   |
| <b>Sewerage network assets</b>  |       |                |                |
|   | 10    |                |                |
| Proceeds from disposal – Sewerage Network                                       |       | –              | –              |
| Less: carrying amount of sewerage network assets sold/written off               |       | (1,258)        | (1,791)        |
| <b>Net gain/(loss) on disposal</b>  |       | <b>(1,258)</b> | <b>(1,791)</b> |
| <b>Office equipment</b>   |       |                |                |
|   | 10    |                |                |
| Proceeds from disposal – Office Equipment                                       |       | –              | –              |
| Less: carrying amount of office equipment assets sold/written off               |       | –              | (5)            |
| <b>Net gain/(loss) on disposal</b>  |       | <b>–</b>       | <b>(5)</b>     |
| <b>Water supply assets</b>  |       |                |                |
|   | 10    |                |                |
| Proceeds from disposal – water supply assets                                    |       | –              | –              |
| Less: carrying amount of water supply assets sold/written off                   |       | (1,004)        | (596)          |
| <b>Net gain/(loss) on disposal</b>  |       | <b>(1,004)</b> | <b>(596)</b>   |
| <b>Other assets</b>   |       |                |                |
|   | 10    |                |                |
| Proceeds from disposal – Other assets   |       | –              | –              |
| Less: carrying amount of other assets sold/written off                          |       | (9)            | –              |
| <b>Net gain/(loss) on disposal</b>  |       | <b>(9)</b>     | <b>–</b>       |
| <b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>                                    |       | <b>(4,931)</b> | <b>(3,027)</b> |

**Central Coast Council**

Financial Statements 2020

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

**Note 6. Gain or loss from disposal of assets (continued)**

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**Accounting policy for disposal of assets**

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are disclosed 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 derecognised.



## Central Coast Council

Financial Statements 2020

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

#### Note 7(a). Cash and cash equivalents

| \$ '000                                | 2020          | 2019          |
|--|---------------|---------------|
| <b>Cash and cash equivalents</b>       |               |               |
| Cash on hand and at bank               | 12,422        | 18,231        |
| Deposits at call                       | 79,874        | 25,828        |
| <b>Total cash and cash equivalents</b> | <b>92,296</b> | <b>44,059</b> |

#### 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 7(b). Investments

| \$ '000  | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Investments</b>   |                 |                     |                 |                     |
| a. 'Financial assets at fair value through profit and loss'    |                 |                     |                 |                     |
| – 'Designated at fair value on initial recognition'            | 9,018           | 29,202              | –               | –                   |
| b. 'Debt Securities at amortised cost' / 'held to maturity'    | 157,192         | 75,000              | 340,739         | 93,717              |
| <b>Total Investments</b>                                       | <b>166,210</b>  | <b>104,202</b>      | <b>340,739</b>  | <b>93,717</b>       |
| <b>TOTAL CASH ASSETS, CASH<br/>EQUIVALENTS AND INVESTMENTS</b> | <b>258,506</b>  | <b>104,202</b>      | <b>384,798</b>  | <b>93,717</b>       |

#### Financial assets at fair value through the profit and loss

|                                      |              |               |          |          |
|--------------------------------------|--------------|---------------|----------|----------|
| Government and semi-government bonds | –            | 19,077        | –        | –        |
| NCD's, FRN's                         | 9,018        | 10,125        | –        | –        |
| <b>Total</b>                         | <b>9,018</b> | <b>29,202</b> | <b>–</b> | <b>–</b> |

#### Financial assets at amortised cost

|   |                |               |                |               |
|---|----------------|---------------|----------------|---------------|
| Long term deposits                        | 157,192        | 75,000        | 317,989        | 50,000        |
| NCD's, FRN's (with maturities > 3 months) | –              | –             | 22,750         | 43,717        |
| <b>Total</b>                              | <b>157,192</b> | <b>75,000</b> | <b>340,739</b> | <b>93,717</b> |

#### Accounting policy for investments

Financial instruments are recognised initially on the date that the Council 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, Council 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.

## Central Coast Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 7(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.

Council'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.

##### 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.

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

#### Note 7(c). Restricted cash, cash equivalents and investments

| \$ '000   | 2020           |                | 2019           |               |
|---|----------------|----------------|----------------|---------------|
|   | Current        | Non-current    | Current        | Non-current   |
| <b>Total cash, cash equivalents and investments</b> | <b>258,506</b> | <b>104,202</b> | <b>384,798</b> | <b>93,717</b> |
| <b>attributable to:</b>                             |                |                |                |               |
| External restrictions                               | 317,203        | 104,202        | 313,122        | 93,717        |
| Internal restrictions                               | 111,698        | –              | 114,697        | –             |
| Unrestricted <sup>1</sup>                           | (170,395)      | –              | (43,021)       | –             |
|   | <b>258,506</b> | <b>104,202</b> | <b>384,798</b> | <b>93,717</b> |

<sup>1</sup> Council will restrict funds to either meet external statutory obligations, such as those relating to grant funding or developer contributions, or in order to set aside funding for future commitments. Restricted assets that are internally developed by Council to cover commitments or obligations that are expected to arise in the future and where it is prudent for Council to hold cash in restrictions to cover these obligations (despite there being no legislative requirement) are known as internally restricted assets.

Council had previously treated and reported unrestricted cash applicable to its water and sewer operations as unrestricted in the General Purpose Financial Statements (refer Note 16(b) 'Correction of errors relating to a previous reporting period') for more detail. This treatment resulted in Council accessing \$212M of restricted monies to fund general expenditure; which was a breach of the Local Government Act.

The reported negative unrestricted balance of \$170.395M is the net amount overspent across all of Council's operating funds and is the difference between the sum of cash and investments reported by Fund in Note 27 and that reported in Note 7(c).

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 7(c). Restricted cash, cash equivalents and investments**

| <b>\$ '000</b>                                | <b>2020</b>    | <b>2019</b>    |
|---|----------------|----------------|
| <b>Details of restrictions</b>                |                |                |
| <b>External restrictions – other</b>          |                |                |
| Developer contributions – general             | 93,434         | 84,287         |
| Developer contributions – water               | 27,529         | 38,250         |
| Developer contributions – sewer               | 20,032         | 20,917         |
| Developer contributions – drainage            | 34,583         | 32,467         |
| Developer contributions – VPA – general       | 2,679          | 2,608          |
| Developer contributions – VPA – water         | 1,045          | 1,028          |
| Developer contributions – VPA – sewer         | 491            | 483            |
| Developer contributions – VPA - drainage      | 1,359          | 1,337          |
| Developer contributions – bonus provisions    | 5,407          | 5,002          |
| Developer Contributions – Sec 94A Levy        | 17,526         | 14,695         |
| Specific purpose unexpended grants – general  | 8,184          | 7,755          |
| Specific purpose unexpended grants – water    | 2,550          | 2,355          |
| Specific purpose unexpended grants - sewer    | 153            | –              |
| Specific purpose unexpended grants - drainage | 873            | –              |
| Water supplies                                | –              | 48             |
| Specific purpose unexpended grants – waste    | –              | 1,105          |
| Water Supply Authority - other                | 83,198         | 93,957         |
| Drainage                                      | –              | 100            |
| Domestic waste management                     | 86,184         | 71,133         |
| Stormwater management                         | 766            | 797            |
| Contributions to works including COSS         | 6,539          | 6,336          |
| Holiday parks                                 | 11,429         | 10,168         |
| Cemeteries                                    | 666            | 806            |
| Self insurance claims – general               | 6,519          | 5,976          |
| Self insurance claims – water                 | 1,208          | 798            |
| Tourism levies                                | 3,278          | –              |
| Gosford CBD special rate levies               | 1,142          | –              |
| Self insurance claims – sewer                 | 2,027          | 2,131          |
| Other – Crown land                            | 1,881          | 1,730          |
| Other External Restrictions                   | 723            | 570            |
| <b>Total external restrictions</b>            | <b>421,405</b> | <b>406,839</b> |
| <b>Internal restrictions</b>                  |                |                |
| Employees leave entitlement                   | 12,554         | 11,638         |
| Employment generating projects                | 432            | –              |
| Emergency services levy                       | 3,155          | –              |
| Carbon emission reserve                       | 322            | 1,066          |
| Property development                          | 15,251         | 15,251         |
| Revolving energy                              | 253            | 253            |
| Section 355/advances/deposits                 | 620            | 588            |
| Special rates and other restrictions          | 18,684         | 24,190         |
| Stronger communities fund                     | 540            | 2,459          |
| Tip replacement/rehabilitation                | 33,907         | 28,355         |
| Waste disposal facility                       | 25,489         | 30,468         |
| Drainage Licence Fee                          | 491            | 429            |
| <b>Total internal restrictions</b>            | <b>111,698</b> | <b>114,697</b> |
| <b>TOTAL RESTRICTIONS</b>                     | <b>533,103</b> | <b>521,536</b> |

**Central Coast Council**

Financial Statements 2020

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

**Note 8. Receivables**

| \$ '000   | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| <b>Purpose</b>                                      |                 |                     |                 |                     |
| Rates   | 9,950           | -                   | 7,780           | -                   |
| Interest and extra charges                          | 2,736           | -                   | 2,786           | -                   |
| User charges and fees                               | 19,839          | 3,034               | 11,461          | 3,409               |
| Accrued revenues                                    |                 |                     |                 |                     |
| - User charges and fees                             | 13,650          | -                   | 16,194          | -                   |
| - Government subsidies                              | 2,182           | -                   | 2,365           | -                   |
| - Other income accruals                             | 1,211           | -                   | 1,037           | -                   |
| Government grants and subsidies                     | 4,791           | -                   | 2,366           | -                   |
| Net GST receivable                                  | 5,005           | -                   | 8,021           | -                   |
| Waste management annual charge                      | 4,519           | -                   | 3,838           | -                   |
| Drainage annual charge                              | 2,636           | -                   | 1,374           | -                   |
| Water annual charge                                 | 2,082           | -                   | 2,094           | -                   |
| Sewerage annual charge                              | 9,886           | -                   | 7,479           | -                   |
| Other debtors                                       | 5,161           | 734                 | 4,406           | -                   |
| <b>Total</b>  | <b>83,648</b>   | <b>3,768</b>        | <b>71,201</b>   | <b>3,409</b>        |
| <b>Less: provision of impairment</b>                |                 |                     |                 |                     |
| Sewerage annual charges                             | (6)             | -                   | -               | -                   |
| User charges and fees                               | (414)           | -                   | (941)           | -                   |
| Other debtors                                       | (2,074)         | -                   | (1,453)         | -                   |
| <b>Total provision for impairment – receivables</b> | <b>(2,494)</b>  | <b>-</b>            | <b>(2,394)</b>  | <b>-</b>            |
| <b>TOTAL NET RECEIVABLES</b>                        | <b>81,154</b>   | <b>3,768</b>        | <b>68,807</b>   | <b>3,409</b>        |

| \$ '000  | 2020         | 2019         |
|--|--------------|--------------|
| <b>Movement in provision for impairment of receivables</b> |              |              |
| Balance at the beginning of the year                       | 2,394        | 1,316        |
| plus new provisions recognised during the year             | 525          | 1,159        |
| - amounts already provided for and written off this year   | (425)        | (81)         |
| <b>Balance at the end of the year</b>                      | <b>2,494</b> | <b>2,394</b> |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Receivables (continued)

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##### 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 Council 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 Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

- the other party is unlikely to pay its credit obligations to Council in full, without recourse by Council 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.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Council 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.

Where Council 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.

**Central Coast Council**

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

**Note 9. Inventories and other assets**

| \$ '000                          | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|----------------------------------|-----------------|---------------------|-----------------|---------------------|
| <b>(a) Inventories</b>           |                 |                     |                 |                     |
| <b>(i) Inventories at cost</b>   |                 |                     |                 |                     |
| Stores and materials             | 1,646           | –                   | 1,391           | –                   |
| <b>Total inventories at cost</b> | <b>1,646</b>    | <b>–</b>            | <b>1,391</b>    | <b>–</b>            |
| <b>TOTAL INVENTORIES</b>         | <b>1,646</b>    | <b>–</b>            | <b>1,391</b>    | <b>–</b>            |
| <b>(b) Other assets</b>          |                 |                     |                 |                     |
| Prepayments                      | 6,459           | –                   | 5,481           | –                   |
| Investment in the Art House      | –               | 254                 | –               | 336                 |
| <b>TOTAL OTHER ASSETS</b>        | <b>6,459</b>    | <b>254</b>          | <b>5,481</b>    | <b>336</b>          |

**Accounting policy for inventories and other assets**

**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



## Central Coast Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 10. Infrastructure, property, plant and equipment

|  | as at 30/06/19        |   |                     | Asset movements during the reporting period |                             |                      |               |                           |  |  | as at 30/06/20        |   |                     |
|--|-----------------------|---|---------------------|---|-----------------------------|----------------------|---------------|---------------------------|--|--|-----------------------|---|---------------------|
|  | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions new assets                        | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation decrements to equity (ARR) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| Capital work in progress   | 237,238               | –                                       | 237,238             | 243,416                                     | –                           | –                    | (234,245)     | (22,461)                  | –                                      | –                                      | 223,948               | –                                       | 223,948             |
| Plant and equipment  | 100,253               | (50,403)                                | 49,850              | –   | (2,991)                     | (7,811)              | 19,537        | (516)                     | –                                      | –                                      | 105,440               | (47,371)                                | 58,069              |
| Office equipment   | 18,885                | (14,470)                                | 4,415               | –   | –                           | (2,569)              | 7,966         | (75)                      | –                                      | –                                      | 24,549                | (14,812)                                | 9,737               |
| Furniture and fittings   | 18,847                | (12,139)                                | 6,708               | –   | –                           | (1,130)              | 3,665         | (22)                      | –                                      | –                                      | 22,477                | (13,256)                                | 9,221               |
| <b>Land:</b>   |                       |   |                     |   |                             |                      |               |                           |  |  |                       |   |                     |
| – Operational land   | 430,967               | –                                       | 430,967             | –   | (2,032)                     | –                    | 14,390        | 18                        | –                                      | –                                      | 443,343               | –                                       | 443,343             |
| – Crown and Community land   | 383,795               | –                                       | 383,795             | 111   | (5)                         | –                    | 308           | (579)                     | –                                      | 39,362                                 | 422,992               | –                                       | 422,992             |
| – Land under roads (post 30/6/08)  | 1,586                 | –                                       | 1,586               | –   | –                           | –                    | –             | –                         | –                                      | –                                      | 1,586                 | –                                       | 1,586               |
| Land improvements – depreciable  | 41,415                | (15,927)                                | 25,488              | –   | –                           | (1,903)              | 4,177         | 561                       | –                                      | –                                      | 46,153                | (17,830)                                | 28,323              |
| <b>Infrastructure:</b>   |                       |   |                     |   |                             |                      |               |                           |  |  |                       |   |                     |
| – Buildings – specialised  | 800,422               | (329,723)                               | 470,699             | –   | (3,510)                     | (11,769)             | 16,757        | 351                       | (893)                                  | –                                      | 805,452               | (333,817)                               | 471,635             |
| – Other structures   | 36,343                | (11,909)                                | 24,434              | –   | (7)                         | (1,601)              | 7,449         | 242                       | –                                      | –                                      | 44,156                | (13,639)                                | 30,517              |
| – Roads  | 1,974,503             | (619,648)                               | 1,354,855           | 9,603                                       | (670)                       | (36,464)             | 58,806        | 4                         | –                                      | –                                      | 2,042,041             | (655,907)                               | 1,386,134           |
| – Bridges  | 54,431                | (19,414)                                | 35,017              | –   | (38)                        | (679)                | 2,805         | –                         | –                                      | –                                      | 57,126                | (20,021)                                | 37,105              |
| – Footpaths  | 117,288               | (27,452)                                | 89,836              | 1,857                                       | –                           | (2,659)              | 10,078        | –                         | –                                      | –                                      | 129,223               | (30,111)                                | 99,112              |
| – Other road assets  | 5                     | –                                       | 5                   | –   | –                           | –                    | –             | (5)                       | –                                      | –                                      | –                     | –                                       | –                   |
| – Bulk earthworks (non-depreciable)  | 377,894               | –                                       | 377,894             | 1,027                                       | (70)                        | –                    | 3,900         | –                         | –                                      | –                                      | 382,751               | –                                       | 382,751             |
| – 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)             | 19,504        | 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)             | 21,886        | 800                       | –                                      | 12,657                                 | 2,346,757             | (935,034)                               | 1,411,723           |
| – Swimming pools   | 8,685                 | (5,063)                                 | 3,622               | –   | (7)                         | (215)                | 1,471         | 266                       | –                                      | –                                      | 11,215                | (6,078)                                 | 5,137               |
| – Other open space/recreational assets                                       | 111,351               | (38,639)                                | 72,712              | –   | –                           | (4,120)              | 8,994         | (248)                     | –                                      | –                                      | 120,017               | (42,679)                                | 77,338              |
| – Other infrastructure   | 42,831                | (18,380)                                | 24,451              | –   | (80)                        | (1,346)              | 5,913         | –                         | –                                      | –                                      | 48,508                | (19,570)                                | 28,938              |
| <b>Other assets:</b>   |                       |   |                     |   |                             |                      |               |                           |  |  |                       |   |                     |
| – Library books  | 17,930                | (15,805)                                | 2,125               | –   | (1)                         | (770)                | 833           | –                         | –                                      | –                                      | 8,260                 | (6,073)                                 | 2,187               |
| – Other  | 1,833                 | (1,026)                                 | 807                 | –   | –                           | (73)                 | 124           | –                         | –                                      | –                                      | 1,957                 | (1,099)                                 | 858                 |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 15):</b> |                       |   |                     |   |                             |                      |               |                           |  |  |                       |   |                     |
| – Tip assets   | 34,345                | (17,846)                                | 16,499              | 5,398                                       | –                           | (1,745)              | 1             | –                         | –                                      | –                                      | 39,743                | (19,590)                                | 20,153              |
| <b>Total Infrastructure, property, plant and equipment</b>                   | <b>10,429,098</b>     | <b>(3,351,994)</b>                      | <b>7,077,104</b>    | <b>265,743</b>                              | <b>(11,966)</b>             | <b>(152,688)</b>     | <b>–</b>      | <b>(21,182)</b>           | <b>(893)</b>                           | <b>61,060</b>                          | <b>10,699,580</b>     | <b>(3,482,402)</b>                      | <b>7,217,178</b>    |

Financial Statements 2020

## Central Coast Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 10. Infrastructure, property, plant and equipment (continued)

|  | 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 renewals <sup>(1)</sup>           | 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   | 249,405               | –                        | 249,405             | 172,913                                     | –                    | –                           | –                    | (181,835)     | (3,245)                   | –                                      | 237,238               | –                        | 237,238             |
| Plant and equipment  | 93,248                | (47,687)                 | 45,561              | –   | –                    | (1,916)                     | (7,341)              | 13,546        | –                         | –                                      | 100,253               | (50,403)                 | 49,850              |
| Office equipment   | 20,831                | (16,330)                 | 4,501               | –   | –                    | (5)                         | (1,747)              | 1,666         | –                         | –                                      | 18,885                | (14,470)                 | 4,415               |
| Furniture and fittings   | 14,874                | (11,159)                 | 3,715               | –   | –                    | –                           | (1,034)              | 4,027         | –                         | –                                      | 18,847                | (12,139)                 | 6,708               |
| <b>Land:</b>   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Operational land   | 467,665               | –                        | 467,665             | –   | 122                  | –                           | –                    | –             | (36,820)                  | –                                      | 430,967               | –                        | 430,967             |
| – Crown and Community land   | 346,338               | –                        | 346,338             | –   | 76                   | –                           | –                    | 561           | 36,820                    | –                                      | 383,795               | –                        | 383,795             |
| – Land under roads (post 30/6/08)  | 1,404                 | –                        | 1,404               | –   | 182                  | –                           | –                    | –             | –                         | –                                      | 1,586                 | –                        | 1,586               |
| Land improvements – depreciable  | 33,560                | (14,521)                 | 19,039              | –   | –                    | (4)                         | (1,410)              | 7,863         | –                         | –                                      | 41,415                | (15,927)                 | 25,488              |
| <b>Infrastructure:</b>   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Buildings – specialised  | 783,880               | (318,915)                | 464,965             | –   | –                    | (160)                       | (11,376)             | 17,270        | –                         | –                                      | 800,422               | (329,723)                | 470,699             |
| – Other structures   | 33,312                | (10,896)                 | 22,416              | –   | –                    | (20)                        | (1,233)              | 3,271         | –                         | –                                      | 36,343                | (11,909)                 | 24,434              |
| – Roads  | 1,912,805             | (586,167)                | 1,326,638           | –   | 2,374                | –                           | (33,481)             | 59,324        | –                         | –                                      | 1,974,503             | (619,648)                | 1,354,855           |
| – Bridges  | 54,366                | (18,802)                 | 35,564              | –   | –                    | –                           | (612)                | 65            | –                         | –                                      | 54,431                | (19,414)                 | 35,017              |
| – Footpaths  | 110,412               | (25,185)                 | 85,227              | –   | –                    | –                           | (2,268)              | 6,877         | –                         | –                                      | 117,288               | (27,452)                 | 89,836              |
| – Other road assets  | –                     | –                        | –                   | –   | –                    | –                           | –                    | 5             | –                         | –                                      | 5                     | –                        | 5                   |
| – Bulk earthworks (non-depreciable)  | 367,233               | –                        | 367,233             | –   | –                    | –                           | –                    | 10,661        | –                         | –                                      | 377,894               | –                        | 377,894             |
| – Stormwater drainage  | 1,464,883             | (453,458)                | 1,011,425           | –   | 13,527               | (627)                       | (15,458)             | 11,645        | –                         | –                                      | 1,489,091             | (468,579)                | 1,020,512           |
| – Water supply network   | 1,786,097             | (753,582)                | 1,032,515           | –   | 561                  | (596)                       | (26,034)             | 12,170        | (1,626)                   | 16,306                                 | 1,823,426             | (790,130)                | 1,033,296           |
| – Sewerage network   | 2,252,235             | (848,600)                | 1,403,635           | –   | 1,002                | (1,791)                     | (34,402)             | 14,680        | 1,626                     | 25,543                                 | 2,305,734             | (895,441)                | 1,410,293           |
| – Swimming pools   | 7,684                 | (4,836)                  | 2,848               | –   | –                    | –                           | (227)                | 1,001         | –                         | –                                      | 8,685                 | (5,063)                  | 3,622               |
| – Other open space/recreational assets                                       | 97,877                | (36,864)                 | 61,013              | –   | 180                  | –                           | (3,315)              | 14,834        | –                         | –                                      | 111,351               | (38,639)                 | 72,712              |
| – Other infrastructure   | 41,602                | (17,216)                 | 24,386              | –   | –                    | –                           | (1,163)              | 1,228         | –                         | –                                      | 42,831                | (18,380)                 | 24,451              |
| <b>Other assets:</b>   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Library books  | 16,819                | (14,995)                 | 1,824               | –   | –                    | –                           | (810)                | 1,111         | –                         | –                                      | 17,930                | (15,805)                 | 2,125               |
| – Other  | 1,803                 | (937)                    | 866                 | –   | –                    | –                           | (89)                 | 30            | –                         | –                                      | 1,833                 | (1,026)                  | 807                 |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 15):</b> |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Tip assets   | 34,345                | (16,101)                 | 18,244              | –   | –                    | –                           | (1,745)              | –             | –                         | –                                      | 34,345                | (17,846)                 | 16,499              |
| <b>Total Infrastructure, property, plant and equipment</b>                   | <b>10,192,678</b>     | <b>(3,196,251)</b>       | <b>6,996,427</b>    | <b>172,913</b>                              | <b>18,024</b>        | <b>(5,119)</b>              | <b>(143,745)</b>     | <b>–</b>      | <b>(3,245)</b>            | <b>41,849</b>                          | <b>10,429,098</b>     | <b>(3,351,994)</b>       | <b>7,077,104</b>    |

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

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 10. Infrastructure, property, plant and equipment (continued)

##### Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed on a regular basis as determined by Council, however the carrying amount of assets is assessed 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 Planning, Industry and Environment.

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 directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

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

Land and bulk earthworks are not depreciated. 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:

| <b>Plant and equipment</b>    | <b>Years</b> | <b>Other equipment</b>               | <b>Years</b> |
|-------------------------------|--------------|--------------------------------------|--------------|
| Office equipment              | 3 to 12      | Playground equipment                 | 10 to 40     |
| Office furniture              | 5 to 30      | Benches, seats etc.                  | 10 to 50     |
| Computer equipment            | 2 to 26      |                                      |              |
| Vehicles                      | 2 to 10      | <b>Buildings</b>                     | 6 to 170     |
| Heavy equipment               | 5 to 50      |                                      |              |
| Other plant and equipment     | 2 to 40      |                                      |              |
| <b>Water and sewer assets</b> |              | <b>Stormwater assets</b>             |              |
| Dams and reservoirs           | 80 to 100    | Drains                               | 6 to 122     |
| Bores                         | 15 to 30     | Culverts                             | 10 to 160    |
| Reticulation pipes            | 25 to 256    | Flood control structures             | 6 to 500     |
| Pumps and telemetry           | 15 to 66     |                                      |              |
| <b>Transportation assets</b>  |              | <b>Other infrastructure assets</b>   |              |
| Sealed roads: surface         | 5 to 96      | Swimming pools                       | 5 to 100     |
| Sealed roads: structure       | 16 to 180    | Other open space/recreational assets | 5 to 100     |
| Unsealed roads                | 20 to 100    | Other infrastructure                 | 10 to 109    |
| Bridges                       | 15 to 100    |                                      |              |
| Road pavements                | 16 to 125    |                                      |              |
| Kerb, gutter and footpaths    | 5 to 116     |                                      |              |

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

##### Land under roads

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

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

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

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 10. Infrastructure, property, plant and equipment (continued)

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##### **Crown reserves**

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 *Leases*, refer to Note 13.

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

##### **Rural Fire Service assets**

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 11. Intangible assets**

Intangible assets are as follows:

| \$ '000  | 2020          | 2019          |
|--|---------------|---------------|
| <b>(a) Software</b>                              |               |               |
| <b>Opening values at 1 July</b>                  |               |               |
| Gross book value                                 | 22,011        | 18,778        |
| Accumulated amortisation                         | (11,987)      | (10,083)      |
| <b>Net book value – opening balance</b>          | <b>10,024</b> | <b>8,695</b>  |
| <b>Movements for the year</b>                    |               |               |
| – Development costs (transfers from WIP)         | 22,461        | 3,233         |
| – Amortisation charges                           | (4,195)       | (1,904)       |
| <b>Closing values at 30 June</b>                 |               |               |
| Gross book value                                 | 44,472        | 22,011        |
| Accumulated amortisation                         | (16,182)      | (11,987)      |
| <b>Total software – net book value</b>           | <b>28,290</b> | <b>10,024</b> |
| <b>(b) Drainage easements</b>                    |               |               |
| <b>Opening values at 1 July</b>                  |               |               |
| Gross book value                                 | 1,703         | 1,703         |
| <b>Net book value – opening balance</b>          | <b>1,703</b>  | <b>1,703</b>  |
| <b>Closing values at 30 June</b>                 |               |               |
| Gross book value                                 | 1,703         | 1,703         |
| <b>Total Drainage easements – net book value</b> | <b>1,703</b>  | <b>1,703</b>  |
| <b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>  | <b>29,993</b> | <b>11,727</b> |

**Accounting policy for intangible assets****IT development and software**

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

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

**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 the Council 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.

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Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 11. Intangible assets (continued)

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.

#### Note 12. Contract liabilities

| \$ '000   | Notes | 2020<br>Current | 2020<br>Non-current |
|---|-------|-----------------|---------------------|
| <b>Contract liabilities</b>   |       |                 |                     |
| <b>Grants and contributions received in advance:</b>  |       |                 |                     |
| Unexpended capital grants (to construct Council controlled assets)                            | (i)   | 5,638           | 2,352               |
| Unexpended operating grants (received prior to performance obligation being satisfied)        | (ii)  | 3,770           | –                   |
| Unexpended capital contributions (to construct Council controlled assets)                     | (i)   | 705             | –                   |
| Unexpended operating contributions (received prior to performance obligation being satisfied) | (ii)  | 511             | –                   |
| <b>Total grants received in advance</b>   |       | <b>10,624</b>   | <b>2,352</b>        |
| <b>User fees and charges received in advance:</b>   |       |                 |                     |
| Upfront fees – leisure centre   | (iii) | 20              | –                   |
| <b>Total user fees and charges received in advance</b>  |       | <b>20</b>       | <b>–</b>            |
| <b>Total contract liabilities</b>   |       | <b>10,644</b>   | <b>2,352</b>        |

#### Notes

(i) Council has received funding to construct assets including sporting facilities, open space areas and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council 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.

(iii) Upfront membership fees for Council leisure centres and swimming pools do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

| \$ '000  | 2020         |
|--|--------------|
| <b>Revenue recognised (during the financial year) from opening contract liability balances</b>   |              |
| <b>Grants and contributions received in advance:</b>   |              |
| Capital grants (to construct Council controlled assets)  | 6,436        |
| Operating grants (received prior to performance obligation being satisfied)  | 1,202        |
| Capital contributions (to construct Council controlled assets)   | 28           |
| Operating contributions (received prior to performance obligation being satisfied)   | 53           |
| <b>User Fees and Charges received in advance:</b>  |              |
| Upfront fees – leisure centre  | 21           |
| <b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b> | <b>7,740</b> |

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**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 12. Contract liabilities (continued)**

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**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 Council to acquire or construct assets which will be under Council'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, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

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

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 13. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

##### (i) Council as a lessee

Council has leases over a range of assets including land and buildings and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

##### Terms and conditions of leases

###### Buildings

Council leases land and buildings to support some of its operational activities. The leases are generally between 3 and 50 years and some of them include a renewal option to allow Council to renew the noncancellable lease term at their discretion. A number of leases contain an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

###### Office and IT equipment

Leases for office and IT equipment are generally for low value assets. The leases are for between 1 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

###### Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations; the extension options are at Council's discretion. At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised. No additional amounts have been included in potential future lease payments in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

| \$ '000   | Plant and<br>Equipment | Land and<br>Buildings | Total               |
|---|------------------------|-----------------------|---------------------|
| <b>(a) Right of use assets</b>                                    |                        |                       |                     |
| Opening balance at 30 June 2019                                   | -                      | -                     | -                   |
| Adoption of AASB 16 at 1 July 2019 – first time lease recognition | 28                     | 1,338                 | 1,366               |
| Additions to right-of-use assets                                  | -                      | 663                   | 663                 |
| Depreciation charge   | (7)                    | (218)                 | (225)               |
| <b><u>RIGHT OF USE ASSETS</u></b>                                 | <b><u>21</u></b>       | <b><u>1,783</u></b>   | <b><u>1,804</u></b> |

| \$ '000                               | 2020<br>Current   | 2020<br>Non-current |
|---------------------------------------|-------------------|---------------------|
| <b>(b) Lease liabilities</b>          |                   |                     |
| Lease liabilities                     | 287               | 1,552               |
| <b><u>TOTAL LEASE LIABILITIES</u></b> | <b><u>287</u></b> | <b><u>1,552</u></b> |

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 13. Leases (continued)****(i) The maturity analysis**

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

| \$ '000        | < 1 year | 1 – 5 years | > 5 years | Total | Total per<br>Statement of<br>Financial<br>Position |
|----------------|----------|-------------|-----------|-------|--|
| Cash flows     | 287      | 726         | 826       | 1,839 | 1,839  |
| <b>\$ '000</b> |          |             |           |       | <b>2020</b>  |

**(c) Income Statement**

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

|  |              |
|--|--------------|
| Interest on lease liabilities          | 76           |
| Depreciation of right of use assets    | 226          |
| Expenses relating to short-term leases | 418          |
| Expenses relating to low-value leases  | 1,691        |
| Expenses relating to Peppercorn leases | 194          |
|  | <b>2,605</b> |

**(d) Statement of Cash Flows**

|                               |              |
|-------------------------------|--------------|
| Total cash outflow for leases | 2,433        |
|                               | <b>2,433</b> |

**Leases at significantly below market value – concessionary / peppercorn leases**

Council has a number of leases at significantly below market for land and buildings which are used for:

- libraries
- university
- child care centres
- youth centres
- boat ramps

The leases are generally between 10 and 99 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

**Accounting policy****Accounting policies under AASB 16 – applicable from 1 July 2019**

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 13. Leases (continued)

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

#### **Exceptions to lease accounting**

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Leases at significantly below market value / concessionary leases**

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

#### **Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)**

Refer to Note 5c and Note 19.

#### (ii) Council as a lessor

##### (e) Operating leases

Council leases out a number of outdoor spaces and properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as infrastructure, property, plant and equipment in the Statement of Financial Position (refer note 10).

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

| \$ '000  | 2020         |
|--|--------------|
| <b>(i) Operating lease income</b>                  |              |
| Properties not held for investment                 | 4,966        |
| Room/Facility Hire                                 | 2,615        |
| Outdoor space                                      | 118          |
| Other  | 25           |
| <b>Total income relating to operating leases</b>   | <b>7,724</b> |
| <b>(ii) Operating lease expenses</b>               |              |
| <b>Other leased assets</b>                         |              |
| Community Infrastructure                           | 1,458        |
| Facilities and Asset Management                    | 1,140        |
| Leasing and Property                               | 781          |
| <b>Total expenses relating to operating leases</b> | <b>3,379</b> |

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## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 13. Leases (continued)

| \$ '000 | 2020 |
|---------|------|
|---------|------|

##### (iii) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

|   |               |
|---|---------------|
| < 1 year  | 3,137         |
| 1–2 years   | 2,690         |
| 2–3 years   | 2,278         |
| 3–4 years   | 2,002         |
| 4–5 years   | 1,488         |
| > 5 years   | 9,126         |
| <b>Total undiscounted contractual lease income receivable</b> | <b>20,721</b> |

##### Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 14. Payables and borrowings**

| \$ '000                                    | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Payables</b>                            |                 |                     |                 |                     |
| Prepaid rates and annual charges           | 13,443          | –                   | 12,150          | –                   |
| Goods and services – operating expenditure | 29,230          | –                   | 30,730          | –                   |
| Accrued expenses:                          |                 |                     |                 |                     |
| – Salaries and wages                       | 7,472           | –                   | 4,670           | –                   |
| – Other expenditure accruals               | 32,267          | –                   | 29,641          | –                   |
| Security bonds, deposits and retentions    | 4,635           | –                   | 4,658           | –                   |
| Developer bonds                            | 6,273           | –                   | 6,243           | –                   |
| Overpayments                               | 670             | –                   | 428             | –                   |
| Other                                      | 163             | –                   | 536             | –                   |
| <b>Total payables</b>                      | <b>94,153</b>   | <b>–</b>            | <b>89,056</b>   | <b>–</b>            |
| <b>Income received in advance</b>          |                 |                     |                 |                     |
| Payments received in advance               | 2,795           | 1,067               | 3,994           | 7,465               |
| Other                                      | –               | 6,314               | –               | –                   |
| <b>Total income received in advance</b>    | <b>2,795</b>    | <b>7,381</b>        | <b>3,994</b>    | <b>7,465</b>        |
| <b>Borrowings</b>                          |                 |                     |                 |                     |
| Loans – secured <sup>(1)</sup>             | 44,790          | 191,798             | 47,753          | 185,404             |
| <b>Total borrowings</b>                    | <b>44,790</b>   | <b>191,798</b>      | <b>47,753</b>   | <b>185,404</b>      |
| <b>TOTAL PAYABLES AND<br/>BORROWINGS</b>   | <b>141,738</b>  | <b>199,179</b>      | <b>140,803</b>  | <b>192,869</b>      |

<sup>(1)</sup> Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 21.

| \$ '000   | 2020          | 2019          |
|---|---------------|---------------|
| <b>(a) Current payables and borrowings not anticipated to be settled within the next twelve months</b>              |               |               |
| 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  | 25,115        | 21,893        |
| <b>Total payables and borrowings</b>  | <b>25,115</b> | <b>21,893</b> |



## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 14. Payables and borrowings (continued)

##### (b) Changes in liabilities arising from financing activities

|                   | 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 |
| \$'000            |                 |              |                  |                    |  |                         |                 |
| Loans – secured   | 233,157         | 3,431        | –                | –                  | –  | –                       | 236,588         |
| Lease liabilities | –               | –            | –                | –                  | 1,839  | –                       | 1,839           |
| <b>TOTAL</b>      | <b>233,157</b>  | <b>3,431</b> | <b>–</b>         | <b>–</b>           | <b>1,839</b>                                   | <b>–</b>                | <b>238,427</b>  |

|                 | 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 |
| \$'000          |                 |                 |                  |                    |                         |                 |
| Loans – secured | 264,861         | (31,704)        | –                | –                  | –                       | 233,157         |
| <b>TOTAL</b>    | <b>264,861</b>  | <b>(31,704)</b> | <b>–</b>         | <b>–</b>           | <b>–</b>                | <b>233,157</b>  |

| \$'000 | 2020 | 2019 |
|--------|------|------|
|        |      |      |

##### (c) Financing arrangements

###### (i) Unrestricted access was available at balance date to the following lines of credit:

|  |              |              |
|--|--------------|--------------|
| Bank overdraft facilities <sup>1</sup> | 500          | 500          |
| Credit cards/purchase cards            | 1,240        | 1,240        |
| Master lease facilities                | 2,000        | 2,000        |
| <b>Total financing arrangements</b>    | <b>3,740</b> | <b>3,740</b> |

###### Drawn facilities as at balance date:

|   |           |            |
|---|-----------|------------|
| – Credit cards/purchase cards             | 73        | 113        |
| – Lease facilities                        | –         | 148        |
| <b>Total drawn financing arrangements</b> | <b>73</b> | <b>261</b> |

###### Undrawn facilities as at balance date:

|   |              |              |
|---|--------------|--------------|
| – Bank overdraft facilities                 | 500          | 500          |
| – Credit cards/purchase cards               | 1,167        | 1,127        |
| – Lease facilities                          | 2,000        | 1,852        |
| <b>Total undrawn financing arrangements</b> | <b>3,667</b> | <b>3,479</b> |

##### Additional financing arrangements information

###### Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

###### Security over loans

Loans are secured over future cash flows of the Council.  
Lease liabilities are secured by the underlying leased assets.

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 14. Payables and borrowings (continued)****Accounting policy for payables and borrowings**

Council 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 Council comprise trade payables, bank and other loans and finance lease liabilities.

**Payables**

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

**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 finance cost.

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

## Central Coast Council

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Provisions

| \$ '000  | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Provisions</b>                                |                 |                     |                 |                     |
| <b>Employee benefits</b>                         |                 |                     |                 |                     |
| Annual leave                                     | 17,231          | –                   | 14,005          | –                   |
| Sick leave                                       | 9,465           | –                   | 10,436          | –                   |
| Long service leave                               | 30,069          | 2,900               | 29,484          | 1,844               |
| Other leave                                      | 1,247           | –                   | 1,035           | –                   |
| <b>Sub-total – aggregate employee benefits</b>   | <b>58,012</b>   | <b>2,900</b>        | <b>54,960</b>   | <b>1,844</b>        |
| <b>Asset remediation/restoration:</b>            |                 |                     |                 |                     |
| Asset remediation/restoration (future works)     | 2,397           | 69,222              | 6,473           | 56,832              |
| <b>Sub-total – asset remediation/restoration</b> | <b>2,397</b>    | <b>69,222</b>       | <b>6,473</b>    | <b>56,832</b>       |
| <b>Other provisions</b>                          |                 |                     |                 |                     |
| Self insurance – workers compensation            | 2,301           | 7,453               | 1,841           | 7,064               |
| Self insurance – public liability                | 885             | –                   | 530             | –                   |
| Self insurance – other                           | 84              | –                   | 30              | –                   |
| Payroll tax                                      | 518             | 21                  | 530             | 12                  |
| Other  | 573             | –                   | 2,054           | –                   |
| <b>Sub-total – other provisions</b>              | <b>4,361</b>    | <b>7,474</b>        | <b>4,985</b>    | <b>7,076</b>        |
| <b>TOTAL PROVISIONS</b>                          | <b>64,770</b>   | <b>79,596</b>       | <b>66,418</b>   | <b>65,752</b>       |

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

**(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 | 31,454        | 32,858        |
|                                 | <u>31,454</u> | <u>32,858</u> |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Provisions (continued)

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

| \$ '000                               | Other provisions |                   |                       | Total   |
|---------------------------------------|------------------|-------------------|-----------------------|---------|
|                                       | Self insurance   | Asset remediation | Payroll Tax and Other |         |
| <b>2020</b>                           |                  |                   |                       |         |
| At beginning of year                  | 9,465            | 63,305            | 2,595                 | 75,365  |
| <b>Changes to provision:</b>          |                  |                   |                       |         |
| – Amounts capitalised                 | –                | 5,397             | –                     | 5,397   |
| – Revised costs                       | –                | 3,047             | –                     | 3,047   |
| – Revised discount rate               | –                | 188               | –                     | 188     |
| Additional provisions                 | 4,741            | –                 | 2,643                 | 7,384   |
| Amounts used (payments)               | (3,483)          | (1,323)           | (4,126)               | (8,932) |
| Unwinding of discount                 | –                | 1,005             | –                     | 1,005   |
| Total other provisions at end of year | 10,723           | 71,619            | 1,112                 | 83,454  |
| <b>2019</b>                           |                  |                   |                       |         |
| At beginning of year                  | 8,377            | 65,383            | 1,202                 | 74,962  |
| – Revised costs                       | –                | (5,800)           | –                     | (5,800) |
| – Revised discount rate               | –                | 3,509             | –                     | 3,509   |
| Additional provisions                 | 6,121            | 461               | 4,143                 | 10,725  |
| Amounts used (payments)               | (5,033)          | (1,978)           | (2,750)               | (9,761) |
| Unwinding of discount                 | –                | 1,730             | –                     | 1,730   |
| Total other provisions at end of year | 9,465            | 63,305            | 2,595                 | 75,365  |

##### Nature and purpose of non-employee benefit provisions

###### Asset remediation

The asset remediation provision represents the present value estimate of future costs that Council will incur to restore, rehabilitate and reinstate tips as a result of past operations.

###### Self-insurance

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

###### Payroll tax and other

To recognise liabilities for outstanding payroll tax arising from Council's water, sewer, drainage and cemetery activities.

##### Accounting policy for provisions

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

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

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

##### 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

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Provisions (continued)

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 Council 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.

#### **Provisions for close-down and restoration, and environmental clean-up costs – tips**

##### **Restoration**

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

##### **Rehabilitation**

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

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

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

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

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

##### **Self-insurance**

Council 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. Council also maintains cash and investments to meet expected future claims; refer to Note 7(c).

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Provisions (continued)

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Self Insurance Provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council 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 Yields 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 June 2020.

- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in "standardised" values as at 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.



## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 16. 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) Correction of errors relating to a previous reporting period

###### Nature of prior-period error

For the financial year ended 30 June 2019 and for prior years since the amalgamation of the former Wyong Shire Council and the former Gosford City Council, Council had incorrectly treated unrestricted monies applicable to the Water Supply Authority (WSA) operating business as unrestricted monies in the General Purpose Financial Statements (GPFS).

Council is of the view that monies received by the Water Supply Authority under the Water Management Act is within the scope of s.409(3) of the Local Government Act and are therefore externally restricted by s.409(3)(a) of that Act. This means Council accessed restricted funds during 2019 - 2020 without the approval of Council (for internal restrictions) or the Minister (for external restrictions), as required by *the Local Government Act 1993*.

The error identified above has been corrected by restating the prior year comparative of the restricted and unrestricted balances in Note 7(c) of the Financial Statements.

The impact on each line item is shown in the table below.

##### Adjustments to the comparative figures for the year ended 30 June 2019

###### Note 7(c) Restricted cash, cash equivalents and investments

| \$ '000                            | Original<br>Balance<br>30 June, 2019 | Impact<br>Increase/<br>(decrease) | Restated<br>Balance<br>30 June, 2019 |
|------------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
| Water Supply Authority - other     | -                                    | 93,957                            | 93,957                               |
| <b>Total external restrictions</b> | <b>312,882</b>                       | <b>93,957</b>                     | <b>406,839</b>                       |
| <b>Total unrestricted</b>          | <b>50,936</b>                        | <b>(93,957)</b>                   | <b>(43,021)</b>                      |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

During the year ended 30 June 2020, Council 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:

##### (i) AASB 15 and AASB 1058

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

- Council 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
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

##### Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15, Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, when applicable, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

##### Upfront fees – Council leisure centre

Prior to adopting AASB 15, Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

##### 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. Council has reviewed its contracts and concluded that if the criteria for recognition over time is not met, then 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

Council 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.

##### Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

##### 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.

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies,  
changes in accounting estimates and errors (continued)**

**Grants – capital**

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council 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, Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line item of contract liabilities has been created.

| <b>\$ '000</b>                                  | <b>Balance at<br/>1 July 2019</b> |
|---|-----------------------------------|
| <b>Opening contract balances at 1 July 2019</b> |                                   |
| <b>Contract liabilities</b>                     |                                   |
| – Under AASB 15                                 | 14,412                            |
| – Under AASB 1058                               | –                                 |
| <b>Total Contract liabilities</b>               | <b>14,412</b>                     |

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)****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 the Council's financial statements for the year ended 30 June 2020.

**Statement of Financial Position**

| \$ '000                              | Carrying<br>amount per<br>Statement of<br>Financial<br>Position under<br>AASB 15 and<br>AASB 1058 | Reclassific-<br>ation | Remeasur-e<br>ment | Carrying<br>amount under<br>previous<br>revenue<br>standards | Notes <sup>i</sup> |
|--------------------------------------|---|-----------------------|--------------------|--|--------------------|
| <b>Current liabilities</b>           |   |                       |                    |  |                    |
| Payables                             | 94,153  | –                     | –                  | 94,153   |                    |
| Income received in advance           | 2,795   | 4,301                 | –                  | 7,096  |                    |
| Contract liabilities                 | 10,644  | (4,301)               | (8,695)            | (2,352)  | (i)                |
| Lease liabilities                    | 287   | –                     | –                  | 287  |                    |
| Borrowings                           | 44,790  | –                     | –                  | 44,790   |                    |
| Provisions                           | 64,770  | –                     | –                  | 64,770   |                    |
| <b>Total current liabilities</b>     | <b>217,439</b>  | <b>–</b>              | <b>(8,695)</b>     | <b>208,744</b>   |                    |
| Contract liabilities                 | 2,352   | –                     | –                  | 2,352  |                    |
| <b>Total Non-current liabilities</b> | <b>282,679</b>  | <b>–</b>              | <b>–</b>           | <b>282,679</b>   |                    |
| <b>Net assets</b>                    | <b>7,204,846</b>  | <b>–</b>              | <b>8,695</b>       | <b>7,213,541</b>   |                    |
| <b>Equity</b>                        |   |                       |                    |  |                    |
| Accumulated surplus                  | 6,952,892   | –                     | 8,695              | 6,961,587  |                    |
| Revaluation reserves                 | 251,954   | –                     | –                  | 251,954  |                    |
| <b>Council interest</b>              | <b>7,204,846</b>  | <b>–</b>              | <b>8,695</b>       | <b>7,213,541</b>   |                    |
| <b>Total equity</b>                  | <b>7,204,846</b>  | <b>–</b>              | <b>8,695</b>       | <b>7,213,541</b>   |                    |

(i) Transfer of part of the contract liability to income received in advance and elimination of contract liability which arises under AASB 15 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies,  
changes in accounting estimates and errors (continued)****Income Statement**

| \$ '000   | Income<br>Statement and<br>comprehen-<br>sive income<br>under AASB 15<br>and AASB<br>1058 | Reclassific-<br>ation | Remeasur-<br>ement | Income<br>Statement and<br>comprehen-<br>sive income<br>under previous<br>revenue<br>standards | Notes |
|---|---|-----------------------|--------------------|--|-------|
| <b>Income from continuing operations</b>                    |   |                       |                    |  |       |
| Rates and annual charges                                    | 321,946   | -                     | -                  | 321,946  |       |
| User charges and fees                                       | 129,480   | -                     | (1)                | 129,479  | (i)   |
| Other revenues  | 9,293   | -                     | -                  | 9,293  |       |
| Grants and contributions provided for<br>operating purposes | 44,436  | -                     | 1,412              | 45,848   | (i)   |
| Grants and contributions provided for<br>capital purposes   | 66,901  | -                     | (2,828)            | 64,073   | (i)   |
| Interest and investment income                              | 12,727  | -                     | -                  | 12,727   |       |
| Rental income   | 7,724   | -                     | -                  | 7,724  |       |
| <b>Total Income from continuing<br/>operations</b>          | <b>592,507</b>  | <b>-</b>              | <b>(1,417)</b>     | <b>591,090</b>   |       |
| <b>Net operating result for the year</b>                    | <b>(21,837)</b>   | <b>-</b>              | <b>(1,417)</b>     | <b>(23,254)</b>  |       |
| <b>Total comprehensive income</b>                           | <b>38,330</b>   | <b>-</b>              | <b>(1,417)</b>     | <b>36,913</b>  |       |

(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**

The adoption of AASB 15 and AASB 1058 has not materially changed the statement of cash flows for the year ended 30 June 2020.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

##### (iii) AASB 16 Leases

###### Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the Statement of Financial Position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

###### Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

###### Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$1.366 million at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.7%.

| \$ '000   | Balance at<br>1 July 2019 |
|---|---------------------------|
| <b>Operating lease commitments at 30 June 2019 per Council financial statements</b>               | <b>6,226</b>              |
| <b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>               |                           |
| <b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b> | <b>4,510</b>              |
| <b>Less:</b>  |                           |
| Short-term leases included in commitments note  | (192)                     |
| Leases for low-value assets included in commitments note  | (2,952)                   |
| <b>Lease liabilities recognised at 1 July 2019</b>  | <b>1,366</b>              |

###### Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.



**Central Coast Council**

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**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 17. 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 | 7(a) | 92,296        | 44,059        |
| <b>Balance as per the Statement of Cash Flows</b>                   |      | <b>92,296</b> | <b>44,059</b> |

**(b) Reconciliation of net operating result to cash provided from operating activities**

|   |  |                |                |
|---|--|----------------|----------------|
| <b>Net operating result from Income Statement</b>   |  | (21,837)       | 62,397         |
| <b>Adjust for non-cash items:</b>   |  |                |                |
| Depreciation, amortisation and impairment   |  | 157,109        | 145,649        |
| Net losses/(gains) on disposal of assets  |  | 4,931          | 3,027          |
| Non-cash capital grants and contributions   |  | (17,052)       | (18,073)       |
| Adoption of AASB 15/1058  |  | (14,412)       | -              |
| Investments classified as 'at fair value'   |  | (2,476)        | -              |
| Interest on all fair value adjusted interest free advances made by Council                    |  | (27)           | (24)           |
| Unwinding of discount rates on reinstatement provisions                                       |  | 1,193          | 5,239          |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                 |  |                |                |
| Decrease/(increase) in receivables  |  | (12,806)       | 16,380         |
| Increase/(decrease) in provision for impairment of receivables                                |  | 100            | 1,078          |
| Decrease/(increase) in inventories  |  | (255)          | 40             |
| Decrease/(increase) in other current assets   |  | (896)          | (1,730)        |
| Increase/(decrease) in payables   |  | (1,500)        | 3,636          |
| Increase/(decrease) in accrued interest payable   |  | -              | (1,530)        |
| Increase/(decrease) in other accrued expenses payable   |  | 5,428          | (3,766)        |
| Increase/(decrease) in other liabilities  |  | (114)          | (1,010)        |
| Increase/(decrease) in contract liabilities   |  | 12,996         | -              |
| Increase/(decrease) in provision for employee benefits  |  | 4,108          | (2,228)        |
| Increase/(decrease) in other provisions   |  | 6,895          | (4,835)        |
| <b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b> |  | <b>121,385</b> | <b>204,250</b> |

**(c) Non-cash investing and financing activities**

|  |  |               |               |
|--|--|---------------|---------------|
| Other dedications  |  | 17,052        | 18,073        |
| <b>Total non-cash investing and financing activities</b> |  | <b>17,052</b> | <b>18,073</b> |

## Central Coast Council

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. Interests in other entities

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

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 128 using the equity method and the accounting policy notes below.

| Name of Operation/Entity  | Principal activity  |
|---|---|
| <b>The Art House, Wyong Shire Performing Arts and Conference Centre Limited</b> | Operations undertaken - Performing Arts<br>Place of business - 19-21 Margaret Street, Wyong |

| Interests in Subsidiary          | Ownership<br>2020 | Ownership<br>2019 | Voting<br>rights<br>2020 | Voting<br>rights<br>2019 |
|----------------------------------|-------------------|-------------------|--------------------------|--------------------------|
| Council's interest in Subsidiary | 100%              | 100%              | 100%                     | 100%                     |

##### The nature of risks associated with Council's interests in the Subsidiary

The Art House is managed by an independent Incorporated Association with Council as a board member via a funding agreement with Council. The Art House delivers its services through a formal agreement with Council. This provides The Art House with the required autonomy and sector peer involvement to service the creative, media and business sectors as well as deliver a creative entertainment program for local, regional and national markets. Its performance is monitored via clear Key Performance Indicators (KPIs). Business Plan targets are reported to Council as required.

Council provided financial support of \$1.075M during the financial year (\$1.0M indexed per annum for ten years from 2015/16 onwards).

##### Reporting dates of Subsidiary

The Art House prepares audited financial statements on a calendar year basis.

##### Summarised financial information for the Subsidiary

| \$ '000   | 2020           | 2019           |
|---|----------------|----------------|
| <b>Summarised statement of comprehensive income</b> |                |                |
| Revenue   | 2,309          | 2,307          |
| Expenses  | <u>(2,391)</u> | <u>(2,451)</u> |
| <b>Profit/(loss) for the period</b>                 | <u>(82)</u>    | <u>(144)</u>   |
| <b>Total comprehensive income</b>                   | <u>(82)</u>    | <u>(144)</u>   |
| <b>Summarised statement of financial position</b>   |                |                |
| Current assets                                      | 391            | 588            |
| Non-current assets                                  | <u>221</u>     | <u>145</u>     |
| <b>Total assets</b>                                 | <u>612</u>     | <u>733</u>     |
| Current liabilities                                 | 287            | 398            |
| Non-current liabilities                             | <u>71</u>      | <u>-</u>       |
| <b>Total liabilities</b>                            | <u>358</u>     | <u>398</u>     |
| <b>Net assets</b>                                   | <u>254</u>     | <u>335</u>     |

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## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. Interests in other entities (continued)

| \$ '000   | 2020         | 2019         |
|---|--------------|--------------|
| <b>Summarised statement of cash flows</b>                   |              |              |
| Cash flows from operating activities                        | (163)        | (190)        |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(163)</b> | <b>(190)</b> |

#### Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

#### (b) Unconsolidated structured entities

The following structured entities that were not consolidated but were financially supported by Council are no longer reportable as the funding agreement was terminated by Council as at 30 June 2019:

- Greater Toukley Vision Incorporated
- Wyong Regional Chamber of Commerce Incorporated
- Gosford Central Business District Improvement Incorporated

**Central Coast Council**

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**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 19. Commitments**

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

**(a) Capital commitments (exclusive of GST)**

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

**Property, plant and equipment**

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Plant and equipment                  | 2,289         | 265           |
| Land and buildings                   | 10,900        | 4,777         |
| Technology                           | 5,264         | 12,420        |
| Tip assets                           | 1,187         | 1,408         |
| Stormwater Management infrastructure | 406           | 1,880         |
| Open Space infrastructure            | 3,372         | 4,927         |
| Road infrastructure                  | 4,641         | 6,483         |
| Sewerage and water infrastructure    | 41,294        | 10,150        |
| <b>Total commitments</b>             | <b>69,353</b> | <b>42,310</b> |

**Details of capital commitments**

Major projects to continue next year include:

- \* Mardi to Warnervale water trunk main preconstruction \$32.9 million
- \* Clarke Rd, Noraville sewer pump station upgrade \$7.7 million
- \* Information Management and Technology workstream assets \$5.0 million
- \* Terrigal boardwalk \$4.7 million
- \* Adcock Park West Gosford sporting facility redevelopment \$1.9 million
- \* Gosford Regional Library and Innovation Hub \$1.3 million
- \* Installation of solar power systems \$0.9 million
- \* Central Coast Stadium lighting towers upgrade \$0.9 million
- \* Lake Rd and Bryant Drive intersection upgrade \$0.9 million
- \* Road Safety improvements \$0.7 million
- \* Norah Head masterplan implementation stage 2 \$0.7 million
- \* Road preservation program \$0.7 million
- \* Central Coast Stadium pitch resurface \$0.7 million
- \* Sewer Infrastructure Reinforcements - Gosford CBD \$0.6 million
- \* Warnervale Rehabilitation \$0.6 million
- \* Local, District and Regional playgrounds \$0.6 million
- \* Everglades Catchment drainage renewal stage 3 \$0.6 million
- \* Terrigal pool upgrade \$0.4 million
- \* Don Small Oval amenities and clubhouse \$0.4 million

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

**(b) Non-cancellable operating lease commitments (2019 only)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

|  |          |              |
|--|----------|--------------|
| Within the next year                                     | –        | 1,499        |
| Later than one year and not later than 5 years           | –        | 2,453        |
| Later than 5 years                                       | –        | 2,274        |
| <b>Total non-cancellable operating lease commitments</b> | <b>–</b> | <b>6,226</b> |

**b. Non-cancellable operating leases include the following assets:**

Refer to Note 15 for information relating to leases for 2020.

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 19. Commitments (continued)**

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Computer equipment - Desktop, monitor and laptop operating leases with Macquarie Leasing. A number of contracts exist and all are due to mature within the next five years.

**Conditions relating to operating leases:**

All finance agreements are secured only against the leased asset. No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Central Coast Council

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 20. Contingencies

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

##### CONTINGENT LIABILITIES

###### 1. Guarantees

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

Council 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* for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

###### *Description of the funding arrangements.*

Pooled employers are required to pay future service employer contributions and past service employer contributions to the fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

|            |  |
|------------|--|
| Division B | 1.9 times member contributions for non-180 Point Members;<br>Nil for 180 Point Members * |
| Division C | 2.5% salaries  |
| Division D | 1.64 times member contributions  |

\* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The additional lump sum contribution for each pooled employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These lump sum contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

###### *Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan*

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.



## Central Coast Council

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 20. Contingencies (continued)

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$3.2 million. The last formal valuation of the Scheme was performed by Fund Actuary, Richard Boyfield FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$1.9 million. Council's expected contribution to the plan for the next annual reporting period is \$3.1 million.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

| Employer reserves only * | \$millions | Asset Coverage |
|--------------------------|------------|----------------|
| Assets                   | 1,695.2    |                |
| Past Service Liabilities | 1,773.2    | 95.6%          |
| Vested Benefits          | 1,757.5    | 96.5%          |

\* excluding member accounts and reserves in both assets and liabilities.

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

The key economic long term assumptions used to calculate the present value of accrued benefits are:

|                    |                 |
|--------------------|-----------------|
| Investment return  | 5.75% per annum |
| Salary inflation * | 3.5% per annum  |
| Increase in CPI    | 2.5% per annum  |

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

#### (ii) Statewide Limited

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

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

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

#### (iii) Other guarantees

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

### 2. Other liabilities

#### (i) Third party claims

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

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

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**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 20. Contingencies (continued)****Developer Contributions**

Council has significant obligations to provide section 7.11 infrastructure across the local government area, and levies fees accordingly. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference.

These future expenses do not yet qualify as liabilities as at the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans (refer Note 26).

**Contaminated lands**

Council is required by law to remediate its contaminated sites. The projected costs associated with this remediation are provided for within the financial statements at Note 15 and are based on certain estimates and assumptions. Prior to remediation works being carried out, monitoring works are required to manage site risks while post remediation there is a period of validation to ensure that the remediation has been successful. These costs are included within the projections provided for within the financial statements at Note 15. Post remediation and validation, Council will continue to monitor each site for at least an additional 10 years. This monitoring will vary between each site and cannot be reliably estimate at this time however may approximate \$1,127,000. This estimate is based on the former landfill sites actual monitoring costs for 2019-20 of \$112,700 multiplied by 10 years.

**Waste Remediation**

Council commenced preliminary environmental investigations of six retired landfill sites in 2017/18 and in 2018/19 Council made notifications to the NSW Environmental Protection Authority under Section 60 of the *Contaminated Land Management Act 1997* for each of these sites. In March 2020 Council was advised that three of these sites (Hylton Moore Oval, Frost Reserve and Adcock Park) would require regulation under the *Contaminated Land Management Act 1997*. In August 2020 the NSW EPA approved Councils Voluntary Management Proposals for each of these three sites which requires Council to undertake detailed site investigations and develop remediation action plans during 2020/21. The estimated cost to undertake the detailed site investigations and develop the remediation plans across all three sites is an additional \$801,269 and this has been fully provided for within the financial statements at Note 15. At this stage there is no reliable way to estimate the cost of any further remediation activities that may be required at these sites.

**Legal Expenses**

The Council is a party to a number of legal proceedings in various jurisdictions. All known costs have been recognised, however as the various legal proceedings are still in progress, it is not possible to estimate the ultimate financial impact. For example, legal costs that the Council may be awarded, or ordered to pay; and other financial penalties that may be imposed, subject to the powers of the Court or Tribunal in the relevant jurisdiction.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 21. Financial risk management

##### Risk management

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

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

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

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

| \$ '000   | Carrying value<br>2020 | Carrying value<br>2019 | Fair value<br>2020 | Fair value<br>2019 |
|---|------------------------|------------------------|--------------------|--------------------|
| <b>Financial assets</b>                             |                        |                        |                    |                    |
| <b>Measured at amortised cost</b>                   |                        |                        |                    |                    |
| Cash and cash equivalents                           | 92,296                 | 44,059                 | 92,296             | 44,059             |
| Receivables   | 84,922                 | 72,216                 | 84,922             | 72,216             |
| Investments   |                        |                        |                    |                    |
| – 'Financial assets at amortised cost'              | 232,192                | 434,456                | 232,192            | 434,456            |
| <b>Fair value through profit and loss</b>           |                        |                        |                    |                    |
| Investments   |                        |                        |                    |                    |
| – 'Designated at fair value on initial recognition' | 38,220                 | –                      | 38,220             | –                  |
| <b>Total financial assets</b>                       | <b>447,630</b>         | <b>550,731</b>         | <b>447,630</b>     | <b>550,731</b>     |
| <b>Financial liabilities</b>                        |                        |                        |                    |                    |
| Payables  | 94,153                 | 76,906                 | 94,153             | 76,906             |
| Loans/advances                                      | 236,588                | 233,157                | 311,043            | 299,527            |
| Lease liabilities                                   | 1,839                  | –                      | 1,839              | –                  |
| <b>Total financial liabilities</b>                  | <b>332,580</b>         | <b>310,063</b>         | <b>407,035</b>     | <b>376,433</b>     |

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manage the cash and investment portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's Investment Order 625. This policy is regularly reviewed by Council 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.
- **Liquidity risk** – the risk that Council 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 Council.

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

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 21. Financial risk management (continued)

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

The impact on 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   |
| <b>2020</b>  |                          |        |                          |          |
| Possible impact of a 10% movement in market values | 36,271                   | 36,271 | (36,271)                 | (36,271) |
| Possible impact of a 1% movement in interest rates | 3,627                    | 3,627  | (3,627)                  | (3,627)  |
| <b>2019</b>  |                          |        |                          |          |
| Possible impact of a 10% movement in market values | 47,852                   | 47,852 | (47,852)                 | (47,852) |
| Possible impact of a 1% movement in interest rates | 4,785                    | 4,785  | (4,785)                  | (4,785)  |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 21. Financial risk management (continued)

##### (b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery policies.

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 other than Council has significant credit risk exposures in its local area given the nature of the business.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

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

##### Credit risk profile

##### Receivables – rates and annual charges

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

| \$ '000               | Not yet due | < 1 year<br>overdue | 1 - 2 years<br>overdue | 2 - 5 years<br>overdue | > 5 years<br>overdue | Total  |
|-----------------------|-------------|---------------------|------------------------|------------------------|----------------------|--------|
| <b>2020</b>           |             |                     |                        |                        |                      |        |
| Gross carrying amount | 173         | 23,790              | 3,928                  | 897                    | 285                  | 29,073 |
| <b>2019</b>           |             |                     |                        |                        |                      |        |
| Gross carrying amount | –           | 18,063              | 1,245                  | 2,899                  | 358                  | 22,565 |

##### Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and 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-rates and 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 due | 0 - 30 days<br>overdue | 31 - 60 days<br>overdue | 61 - 90 days<br>overdue | > 91 days<br>overdue | Total        |
|------------------------|-------------|------------------------|-------------------------|-------------------------|----------------------|--------------|
| <b>2020</b>            |             |                        |                         |                         |                      |              |
| Gross carrying amount  | 5,539       | 33,094                 | 1,514                   | 5,535                   | 12,662               | 58,344       |
| Expected loss rate (%) | 0.00%       | 0.00%                  | 0.00%                   | 0.00%                   | 19.70%               | 4.28%        |
| <b>ECL provision</b>   | –           | –                      | –                       | –                       | <b>2,494</b>         | <b>2,494</b> |
| <b>2019</b>            |             |                        |                         |                         |                      |              |
| Gross carrying amount  | 15,747      | 10,320                 | 6,379                   | 4,029                   | 13,176               | 49,651       |
| Expected loss rate (%) | 0.00%       | 0.00%                  | 0.00%                   | 0.00%                   | 18.17%               | 4.82%        |
| <b>ECL provision</b>   | –           | –                      | –                       | –                       | <b>2,394</b>         | <b>2,394</b> |

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## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 21. Financial risk management (continued)

##### (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.

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through 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<br>average<br>interest<br>rate | Subject<br>to no<br>maturity | ≤ 1 Year       | payable in:    |                | Total cash<br>outflows | Actual<br>carrying<br>values |
|------------------------------------|---|------------------------------|----------------|----------------|----------------|------------------------|------------------------------|
|                                    |   |                              |                | 1 - 5<br>Years | > 5 Years      |                        |                              |
| <b>2020</b>                        |   |                              |                |                |                |                        |                              |
| Trade/other payables               | 0.00%                                   | 10,908                       | 69,730         | 61             | 11             | 80,710                 | 80,710                       |
| Loans and advances                 | 5.70%                                   | –                            | 57,862         | 111,521        | 141,660        | 311,043                | 236,588                      |
| <b>Total financial liabilities</b> |   | <u>10,908</u>                | <u>127,592</u> | <u>111,582</u> | <u>141,671</u> | <u>391,753</u>         | <u>317,298</u>               |
| <b>2019</b>                        |   |                              |                |                |                |                        |                              |
| Trade/other payables               | 0.00%                                   | 10,901                       | 65,908         | 68             | 29             | 76,906                 | 76,906                       |
| Loans and advances                 | 6.60%                                   | –                            | 61,747         | 136,992        | 125,848        | 324,587                | 233,157                      |
| <b>Total financial liabilities</b> |   | <u>10,901</u>                | <u>127,655</u> | <u>137,060</u> | <u>125,877</u> | <u>401,493</u>         | <u>310,063</u>               |

##### Loan agreement breaches

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



## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 22. Material budget variations

Council's original financial budget was adopted by the Council on 11 June 2019 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, the weather, the impact of Covid 19 and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so it is able to manage the various variations between actuals versus budget that invariably occur during the year.

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

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

**Variation Key:** **F** = Favourable budget variation, **U** = Unfavourable budget variation.

| \$ '000 | 2020<br>Budget | 2020<br>Actual | 2020<br>----- Variance ----- |  |
|---------|----------------|----------------|------------------------------|--|
|---------|----------------|----------------|------------------------------|--|

#### REVENUES

|                              |         |         |          |                |
|------------------------------|---------|---------|----------|----------------|
| <b>User charges and fees</b> | 143,844 | 129,480 | (14,364) | (10)% <b>U</b> |
|------------------------------|---------|---------|----------|----------------|

The most significant variances in this category relate to:

Water and Sewer usage charges that were impacted by IPART determination and lower demand in 2019-20 (\$3.1 million)

Leisure and Pools and Child Care Fees and charges were impacted in the fourth quarter of the year due to the closure of facilities and business disruption as a result of COVID19 (\$4.3 million)

Development related fees and charges and tipping fees that did not achieve original budget expectations (\$5.9 million)

These unfavourable variances were partially offset by reduced expenditures and in Child Care by contributions from the Federal and State Governments during COVID19.

|   |        |        |       |              |
|---|--------|--------|-------|--------------|
| <b>Operating grants and contributions</b> | 39,344 | 44,436 | 5,092 | 13% <b>F</b> |
|---|--------|--------|-------|--------------|

The favourable variance in Operating Grants and Contributions is due to additional grants funds being received throughout the year for Bushfire and Flood events that occurred in 2019-20. (\$3.5 million). Council also received additional environmental and rural fire service grant funds during the year (\$1.1 million). These grants were not included in the original budget, as Council only includes grants and contributions in the original budget if they have been approved at the time that the annual budget is developed each year.

Operating contributions of \$1.7 million were received for Child Care services from Federal and State Governments during COVID19 that were not forecast in the original budget and partially offset the reduced fee revenue received in the fourth quarter of 2019-20.

|   |        |        |        |              |
|---|--------|--------|--------|--------------|
| <b>Capital grants and contributions</b> | 52,419 | 66,901 | 14,482 | 28% <b>F</b> |
|---|--------|--------|--------|--------------|

The favourable variance in Capital Grants and Contributions is made up of an unfavourable variance in Developer Contributions of \$8.3 million, a favourable variance of \$8.8 million in capital grants and \$14.0 million favourable variance in contributed and donated assets and miscellaneous capital contributions.

Developer Contributions are difficult to forecast as they are subject to external development activity and on top of that in the last quarter of 2019-20 were significantly impacted by COVID19 which resulted in an unfavourable position compared to the original budget forecast.

Additional grant funds were received throughout the year that were not included in the original budget. Council only includes grants and contributions in the original budget if they have been approved at the time that the annual budget is adopted each year and then recognises additional grants received throughout the year in quarterly budget reviews.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 22. Material budget variations (continued)

| \$ '000   | 2020<br>Budget   | 2020<br>Actual  | 2020<br>----- Variance ----- |                 |
|---|------------------|-----------------|------------------------------|-----------------|
| <b>Interest and investment revenue</b>  | <b>14,416</b>    | <b>12,727</b>   | <b>(1,689)</b>               | <b>(12)% U</b>  |
| Income received from interest on investments was negatively impacted by reductions to the official cash rate (0.75%) by the Reserve Bank of Australia (RBA) following the development of Council's 2019-20 budget, which reduced returns across Council's investment portfolio.   |                  |                 |                              |                 |
| <b>Net gains from disposal of assets</b>  | <b>1,492</b>     | <b>-</b>        | <b>(1,492)</b>               | <b>100% U</b>   |
| Council recognised \$1.9 million gain on sale from land sales identified for 2019-20, however losses were incurred from the disposal of other infrastructure assets which resulted in a Net Loss from Disposal of Assets in 2019-20.  |                  |                 |                              |                 |
| <b>Rental income</b>  | <b>6,089</b>     | <b>7,724</b>    | <b>1,635</b>                 | <b>27% F</b>    |
| The variance in the Rental Income category relates Community Facilities income of \$1.8 million that was budgeted for in User Charges in the original budget and transferred to Rental Income in a quarterly budget review.   |                  |                 |                              |                 |
| <b>EXPENSES</b>   |                  |                 |                              |                 |
| <b>Materials and contracts</b>  | <b>100,677</b>   | <b>119,094</b>  | <b>(18,417)</b>              | <b>(18)% U</b>  |
| Forecast expenditure savings targets were not achieved in Materials and Contracts expense across the organisation in 2019-20 which resulted in actual expenditure exceeding the original budget.  |                  |                 |                              |                 |
| <b>Depreciation and amortisation</b>  | <b>138,953</b>   | <b>157,109</b>  | <b>(18,156)</b>              | <b>(13)% U</b>  |
| The variance in depreciation expense is due to the large number of completed projects that were capitalised throughout the year that resulted in additional depreciation expense that was not forecast in original projections for 2019-20.   |                  |                 |                              |                 |
| In addition, due to a change in Accounting Standards depreciation expense was recognised for Right Of Use Assets that was not included in Council's original 2019-20 budget (\$0.2 million).  |                  |                 |                              |                 |
| <b>Net losses from disposal of assets</b>   | <b>-</b>         | <b>4,931</b>    | <b>(4,931)</b>               | <b>∞ U</b>      |
| Net losses from the disposal of assets relates to the disposal of assets in buildings, sewer, water, sewer, roads and stormwater drainage asset categories that were not forecast in the 2019-20 original budget.   |                  |                 |                              |                 |
| <b>STATEMENT OF CASH FLOWS</b>  |                  |                 |                              |                 |
| <b>Cash flows from operating activities</b>   | <b>178,302</b>   | <b>121,385</b>  | <b>(56,917)</b>              | <b>(32)% U</b>  |
| The unfavourable cash flow variance from operating activities is due to the variations in Income Statement categories described above.  |                  |                 |                              |                 |
| <b>Cash flows from investing activities</b>   | <b>(134,402)</b> | <b>(76,388)</b> | <b>58,014</b>                | <b>(43)% F</b>  |
| The net positive position in sale/purchase of investment securities (\$65.3 million), underspend in capital works (\$8.1 million), net favourable position of sale of infrastructure (\$7.0 million) was partially offset by purchase of intangible assets (\$22.5 million) that resulted in a favourable comparison to original budget in 2019-20. |                  |                 |                              |                 |
| <b>Cash flows from financing activities</b>   | <b>(16,464)</b>  | <b>3,240</b>    | <b>19,704</b>                | <b>(120)% F</b> |
| The favourable variance in net cash provided from financing activities is because the original budget forecast for external borrowing was \$30 million however \$50 million was drawn down in Q4 2019-20.   |                  |                 |                              |                 |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

##### Fair Value Hierarchy

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 Council 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:** Unobservable inputs for the asset or liability.

#### (1) Assets and liabilities that have been measured and recognised at fair values

| 2020   | Notes | 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 |
| <b>\$ '000</b>   |       |                                  |                                      |                                       |           |   |
| <b>Recurring fair value measurements</b>                   |       |                                  |                                      |                                       |           |   |
| <b>Infrastructure, property, plant and equipment</b>       |       |                                  |                                      |                                       |           |   |
| Plant and equipment  |       | 12/05/16                         | -                                    | -                                     | 58,069    | 58,069                                  |
| Office equipment   |       | 12/05/16                         | -                                    | -                                     | 9,737     | 9,737                                   |
| Furniture and fittings                                     |       | 12/05/16                         | -                                    | -                                     | 9,221     | 9,221                                   |
| Operational land   |       | 30/06/18                         | -                                    | 443,343                               | -         | 443,343                                 |
| Crown and Community land                                   |       | 01/07/19                         | -                                    | 422,992                               | -         | 422,992                                 |
| Land under Roads   |       | 12/05/16                         | -                                    | -                                     | 1,586     | 1,586                                   |
| Land improvements – depreciable                            |       | 12/05/16                         | -                                    | -                                     | 28,323    | 28,323                                  |
| Buildings – specialised                                    |       | 30/06/18                         | -                                    | -                                     | 471,635   | 471,635                                 |
| Other structures   |       | 12/05/16                         | -                                    | -                                     | 30,517    | 30,517                                  |
| Roads  |       | 12/05/16                         | -                                    | -                                     | 1,386,134 | 1,386,134                               |
| Bridges  |       | 12/05/16                         | -                                    | -                                     | 37,105    | 37,105                                  |
| Footpaths  |       | 12/05/16                         | -                                    | -                                     | 99,112    | 99,112                                  |
| Bulk earthworks – non depreciable                          |       | 12/05/16                         | -                                    | -                                     | 382,751   | 382,751                                 |
| 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                               |
| Swimming pools   |       | 12/05/16                         | -                                    | -                                     | 5,137     | 5,137                                   |
| Other open space/recreational assets                       |       | 12/05/16                         | -                                    | -                                     | 77,338    | 77,338                                  |
| Other infrastructure                                       |       | 12/05/16                         | -                                    | -                                     | 28,938    | 28,938                                  |
| Library books  |       | 12/05/16                         | -                                    | -                                     | 2,187     | 2,187                                   |
| Other  |       | 12/05/16                         | -                                    | -                                     | 858       | 858                                     |
| Tip assets   |       | 12/05/16                         | -                                    | -                                     | 20,153    | 20,153                                  |
| <b>Total infrastructure, property, plant and equipment</b> | 10    |                                  | -                                    | 866,335                               | 6,126,895 | 6,993,230                               |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

| 2019   |       | Fair value measurement hierarchy |                                      |                                       | Total     |
|--|-------|----------------------------------|--------------------------------------|---------------------------------------|-----------|
|  |       | Date of latest valuation         | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs |           |
| \$ '000  | Notes |                                  |                                      |                                       |           |
| <b>Recurring fair value measurements</b>                   |       |                                  |                                      |                                       |           |
| <b>Infrastructure, property, plant and equipment</b>       |       |                                  |                                      |                                       |           |
| Plant and equipment  |       | 12/05/16                         | –                                    | –                                     | 49,850    |
| Office equipment   |       | 12/05/16                         | –                                    | –                                     | 4,415     |
| Furniture and fittings                                     |       | 12/05/16                         | –                                    | –                                     | 6,708     |
| Operational land   |       | 30/06/18                         | –                                    | 430,967                               | –         |
| Crown and Community land                                   |       | 12/05/16                         | –                                    | 383,795                               | –         |
| Land under Roads   |       | 12/05/16                         | –                                    | –                                     | 1,586     |
| Land improvements – depreciable                            |       | 12/05/16                         | –                                    | –                                     | 25,488    |
| Buildings – specialised                                    |       | 30/06/18                         | –                                    | –                                     | 470,699   |
| Other structures   |       | 12/05/16                         | –                                    | –                                     | 24,434    |
| Roads  |       | 12/05/16                         | –                                    | –                                     | 1,354,860 |
| Bridges  |       | 12/05/16                         | –                                    | –                                     | 35,017    |
| Footpaths  |       | 12/05/16                         | –                                    | –                                     | 89,836    |
| Bulk earthworks – non depreciable                          |       | 12/05/16                         | –                                    | –                                     | 377,894   |
| Stormwater drainage  |       | 12/05/16                         | –                                    | –                                     | 1,020,512 |
| Water supply network                                       |       | 30/06/16                         | –                                    | –                                     | 1,033,296 |
| Sewerage network   |       | 30/06/16                         | –                                    | –                                     | 1,410,293 |
| Swimming pools   |       | 12/05/16                         | –                                    | –                                     | 3,622     |
| Other open space/recreational assets                       |       | 12/05/16                         | –                                    | –                                     | 72,712    |
| Other infrastructure                                       |       | 12/05/16                         | –                                    | –                                     | 24,451    |
| Library books  |       | 12/05/16                         | –                                    | –                                     | 2,125     |
| Other  |       | 12/05/16                         | –                                    | –                                     | 807       |
| Tip assets   |       | 12/05/16                         | –                                    | –                                     | 16,499    |
| <b>Total infrastructure, property, plant and equipment</b> | 10    |                                  | –                                    | 814,762                               | 6,025,104 |
|  |       |                                  |                                      |                                       | 6,839,866 |

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

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are based on the valuation techniques employed by the former Councils.

#### Infrastructure, property, plant and equipment (IPP&E)

##### Plant and equipment, office equipment, furniture and fittings

Plant and equipment, office equipment, furniture and fittings assets are recognised and valued at cost. Council 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 and weed harvester
  - o Minor plant items – generators, mowers, trailers, chainsaws, wood chippers and 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.

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## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

The unobservable level 3 inputs used include:

- pattern of consumption
- useful life
- residual value.

Council 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.

##### **Operational land**

This asset class is comprised of all Council's land classified as Operational Land under the *Local Government Act 1993*. Council's accounting policy is to value the freehold land at market value basis.

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

Council's 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.

##### **Land under roads**

Land under roads consists of land under roadways and road reserves including land under footpaths, nature strips and median strips as per AASB 1051. Council has elected not to recognise as an asset land under roads acquired before 1 July 2008.

Land under roads acquired since 1 July 2008 has been recognised in accordance with AASB 116 Property, Plant and Equipment. Where Council has acquired land under roads it is recognised at cost where the cost represents fair value. Where the land under roads is dedicated or acquired at nominal value the land is recognised at its fair value.

Council's accounting policy is to value land under roads using the Englobo method, (which is a discounted method). This asset class is classified as Level 3 as significant inputs used in the Englobo methodology are unobservable.

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

##### **Land improvements**

This asset class is comprised of landscaping, estuary protection works, access works, water features and paved public areas.

This asset class is classified as Level 3 as significant inputs used in the valuation are unobservable.

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

##### **Buildings – specialised**

It is Council'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 will be physically inspected and measured.



## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

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.

Council 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 Council'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 shade shelters, retaining walls, playground equipment, fencing, fountains, sea walls and structures which did not meet the definition of a building.

Council'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.

##### **Roads**

This asset class is comprised of the road carriageway, car parks, and other road related assets. Council's roads are separated into segments for inspection and valuation and componentised into the surface, subbase, base and associated earthworks. Other road related assets include bus shelters, footpaths, guard rails, speed humps, kerb and gutter, medians, pedestrian refuges and roundabouts.

The gross replacement cost for each asset will be calculated based on a Modern Engineering Equivalent Replacement Asset (MEERA) approach. The replacement cost, useful lives and asset conditions will be determined by extracting technical information contained in Council's asset management system.

Unit rates will be determined based on data available including the cost to construct similar assets from recent Council projects and Industry Unit rates. Some of the other significant inputs are remaining useful life, pattern of consumption, dimensions and road classification.

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

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

##### **Bridges**

This asset class is comprised of road and foot bridges.

Bridges are inspected and valued using the cost approach. The significant inputs used in valuing bridges included useful life, pattern of consumption and asset condition.

Bridges are assessed by physical inspection in accordance with Roads and Maritime Services guidelines.

Condition information is updated as changes are observed through regular inspections.

Unit rates will be determined based on internal data available.

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

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

##### **Footpaths**

This asset class is comprised of pedestrian walkways and cycle ways (shared paths).



## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

The assets in this class will be valued using a cost approach and replacement costs (unit rates) and useful lives will be determined using technical knowledge and experience of Council's staff. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption and asset condition.

The assets in this class are assessed by physical inspection. Condition information is updated as changes are observed through regular inspections.

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

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

##### **Bulk earthworks (non-depreciable)**

This asset class contains the formation costs for roads, buildings and sporting facilities. Buildings and sporting facilities are recognised and valued at cost and Council assumes that the carrying amount reflects the fair value of these assets.

This asset class has been recognised as non-depreciable as it is not expected that bulk earthworks will need to be renewed during the normal operational use of the assets.

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

##### **Stormwater drainage**

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

The valuation of this asset class uses the cost assets approach. Replacement cost is assessed using the 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 as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

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 will be 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, Council 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 Department of Planning, Industry and Environment 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 will be 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.

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## Central Coast Council

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

Unobservable Level 3 inputs 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 Department of Planning, Industry and Environment 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.

##### **Swimming pools**

Assets within this class are comprised of ocean baths, swimming pools and associated structures.

The gross replacement cost approach will be utilised to value this asset class. This approach estimates the gross replacement cost based on MEERA techniques. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption and asset condition.

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

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

##### **Other open space/recreational assets**

This asset class is comprised of life guard towers, tennis courts, athletics tracks, picnic shelters, playground equipment, skate parks, fencing and sporting facilities.

This asset class will be valued using the gross replacement cost approach based on MEERA techniques.

Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption and asset condition. Asset conditions are determined by field inspections using ratings of 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. There has been no change to the valuation process during the reporting period.

##### **Library books**

Assets included in this asset class consist of library books, journals, magazines, CDs and DVDs which are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. There are no major variances between the fair value and carrying amount of these assets and these assets are disclosed at fair value in the notes.

Whilst these assets are recognised at cost with supporting supplier invoices (observable input) the remaining significant inputs (useful life, pattern of consumption and asset condition) are unobservable and therefore categorised as Level 3. There has been no change to the valuation process during the reporting period.

##### **Other assets**

Other assets include miscellaneous assets which are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items.

During the year Council transferred assets from the Heritage Collection which comprised of artwork and sculptures which are recognised at cost and valued every 5 years to Other Assets.

The replacement cost approach will be utilised to value other assets. Significant unobservable inputs considered in the valuation of these assets are useful life, pattern of consumption and asset condition and therefore categorised as Level 3. There has been no change to the valuation process during the reporting period.

##### **Tip asset**

This asset class includes the tip cells at Council's Waste Facilities which is recognised and valued at cost.

Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the item.

Significant unobservable inputs considered in the valuation of these assets are useful life and pattern of consumption and therefore categorised as Level 3. There has been no change to the valuation process during the reporting period.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

##### (3) 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<br>equipment | Office<br>equipment | Furniture and<br>fittings | Land under<br>Roads | Tip assets    |
|---|------------------------|---------------------|---------------------------|---------------------|---------------|
| <b>2019</b>                             |                        |                     |                           |                     |               |
| <b>Opening balance</b>                  | 45,561                 | 4,501               | 3,715                     | 1,404               | 18,244        |
| Purchases (GBV)                         | 13,546                 | 1,666               | 4,027                     | 182                 | -             |
| Disposals (WDV)                         | (1,916)                | (5)                 | -                         | -                   | -             |
| Depreciation and impairment             | (7,341)                | (1,747)             | (1,034)                   | -                   | (1,745)       |
| <b>Closing balance</b>                  | <b>49,850</b>          | <b>4,415</b>        | <b>6,708</b>              | <b>1,586</b>        | <b>16,499</b> |
| <b>2020</b>                             |                        |                     |                           |                     |               |
| <b>Opening balance</b>                  | 49,850                 | 4,415               | 6,708                     | 1,586               | 16,499        |
| Transfers from/(to) another asset class | (515)                  | (75)                | (22)                      | -                   | -             |
| Purchases (GBV)                         | 19,536                 | 7,966               | 3,665                     | -                   | 5,399         |
| Disposals (WDV)                         | (2,991)                | -                   | -                         | -                   | -             |
| Depreciation and impairment             | (7,811)                | (2,569)             | (1,130)                   | -                   | (1,745)       |
| <b>Closing balance</b>                  | <b>58,069</b>          | <b>9,737</b>        | <b>9,221</b>              | <b>1,586</b>        | <b>20,153</b> |

| \$ '000                                 | Land improve-<br>ments | Buildings      | Other<br>structures | Roads            | Bridges       |
|---|------------------------|----------------|---------------------|------------------|---------------|
| <b>2019</b>                             |                        |                |                     |                  |               |
| <b>Opening balance</b>                  | 19,039                 | 464,965        | 22,416              | 1,326,638        | 35,564        |
| Purchases (GBV)                         | 7,863                  | 17,270         | 3,271               | 61,703           | 65            |
| Disposals (WDV)                         | (4)                    | (160)          | (20)                | -                | -             |
| Depreciation and impairment             | (1,410)                | (11,376)       | (1,233)             | (33,481)         | (612)         |
| <b>Closing balance</b>                  | <b>25,488</b>          | <b>470,699</b> | <b>24,434</b>       | <b>1,354,860</b> | <b>35,017</b> |
| <b>2020</b>                             |                        |                |                     |                  |               |
| <b>Opening balance</b>                  | 25,488                 | 470,699        | 24,434              | 1,354,860        | 35,017        |
| Transfers from/(to) another asset class | 561                    | 352            | 243                 | -                | -             |
| Purchases (GBV)                         | 4,177                  | 16,755         | 7,448               | 68,408           | 2,805         |
| Disposals (WDV)                         | -                      | (3,510)        | (7)                 | (670)            | (38)          |
| Depreciation and impairment             | (1,903)                | (11,769)       | (1,601)             | (36,464)         | (679)         |
| Revaluation increments to Equity (ARR)  | -                      | (893)          | -                   | -                | -             |
| <b>Closing balance</b>                  | <b>28,323</b>          | <b>471,634</b> | <b>30,517</b>       | <b>1,386,134</b> | <b>37,105</b> |

**Central Coast Council**

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**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 23. Fair Value Measurement (continued)**

| \$ '000                                 | Footpaths     | Bulk earthworks | Stormwater drainage | Water supply network | Sewerage network |
|---|---------------|-----------------|---------------------|----------------------|------------------|
| <b>2019</b>                             |               |                 |                     |                      |                  |
| <b>Opening balance</b>                  | 85,227        | 367,233         | 1,011,425           | 1,032,515            | 1,403,635        |
| Transfers from/(to) another asset class | -             | -               | -                   | (1,626)              | 1,626            |
| Purchases (GBV)                         | 6,877         | 10,661          | 25,172              | 12,732               | 15,683           |
| Disposals (WDV)                         | -             | -               | (627)               | (596)                | (1,791)          |
| Depreciation and impairment             | (2,268)       | -               | (15,458)            | (26,034)             | (34,403)         |
| Revaluation increments to Equity (ARR)  | -             | -               | -                   | 16,305               | 25,543           |
| <b>Closing balance</b>                  | <b>89,836</b> | <b>377,894</b>  | <b>1,020,512</b>    | <b>1,033,296</b>     | <b>1,410,293</b> |
| <b>2020</b>                             |               |                 |                     |                      |                  |
| <b>Opening balance</b>                  | 89,836        | 377,894         | 1,020,512           | 1,033,296            | 1,410,293        |
| Transfers from/(to) another asset class | -             | -               | -                   | 682                  | 600              |
| Purchases (GBV)                         | 11,935        | 4,927           | 26,271              | 20,557               | 24,574           |
| Disposals (WDV)                         | -             | (70)            | (293)               | (1,004)              | (1,258)          |
| Depreciation and impairment             | (2,659)       | -               | (15,858)            | (26,833)             | (35,143)         |
| Revaluation increments to Equity (ARR)  | -             | -               | -                   | 9,041                | 12,657           |
| <b>Closing balance</b>                  | <b>99,112</b> | <b>382,751</b>  | <b>1,030,632</b>    | <b>1,035,739</b>     | <b>1,411,723</b> |

| \$ '000                                 | Swimming pools | Open space / recreational | Other infrastructure |
|---|----------------|---------------------------|----------------------|
| <b>2019</b>                             |                |                           |                      |
| <b>Opening balance</b>                  | 2,848          | 61,013                    | 24,386               |
| Purchases (GBV)                         | 1,001          | 15,014                    | 1,228                |
| Depreciation and impairment             | (227)          | (3,315)                   | (1,163)              |
| <b>Closing balance</b>                  | <b>3,622</b>   | <b>72,712</b>             | <b>24,451</b>        |
| <b>2020</b>                             |                |                           |                      |
| <b>Opening balance</b>                  | 3,622          | 72,712                    | 24,451               |
| Transfers from/(to) another asset class | 266            | (248)                     | -                    |
| Purchases (GBV)                         | 1,471          | 8,994                     | 5,913                |
| Disposals (WDV)                         | (7)            | -                         | (80)                 |
| Depreciation and impairment             | (215)          | (4,120)                   | (1,346)              |
| <b>Closing balance</b>                  | <b>5,137</b>   | <b>77,338</b>             | <b>28,938</b>        |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

| \$ '000                                 | Library books | Other      | Total            |
|---|---------------|------------|------------------|
| <b>2019</b>                             |               |            |                  |
| <b>Opening balance</b>                  | 1,824         | 866        | 5,933,019        |
| Transfers from/(to) another asset class | -             | 28         | 28               |
| Purchases (GBV)                         | 1,111         | -          | 199,072          |
| Disposals (WDV)                         | -             | -          | (5,119)          |
| Depreciation and impairment             | (810)         | (87)       | (143,744)        |
| Revaluation increments to Equity (ARR)  | -             | -          | 41,848           |
| <b>Closing balance</b>                  | <b>2,125</b>  | <b>807</b> | <b>6,025,104</b> |
| <b>2020</b>                             |               |            |                  |
| <b>Opening balance</b>                  | 2,125         | 807        | 6,025,104        |
| Transfers from/(to) another asset class | -             | -          | 1,844            |
| Purchases (GBV)                         | 833           | 124        | 241,758          |
| Disposals (WDV)                         | (1)           | -          | (9,929)          |
| Depreciation and impairment             | (770)         | (73)       | (152,688)        |
| Revaluation increments to Equity (ARR)  | -             | -          | 20,805           |
| <b>Closing balance</b>                  | <b>2,187</b>  | <b>858</b> | <b>6,126,894</b> |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

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

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

| \$ '000  | Fair value<br>(30/6/20) | Valuation technique/s | Unobservable inputs  |
|--|-------------------------|-----------------------|--|
| <b>Infrastructure, property, plant and equipment</b> |                         |                       |  |
| Plant and equipment                                  | 58,069                  | Cost approach         | Pattern of consumption, useful life and residual value   |
| Office equipment                                     | 9,737                   | Cost approach         | Pattern of consumption, useful life and residual value   |
| Furniture and fittings                               | 9,221                   | Cost approach         | Pattern of consumption, useful life and residual value   |
| Land under Roads                                     | 1,586                   | Cost approach         | The market value of land varies significantly depending on the location of the land and current market conditions. |
| Land improvements                                    | 28,323                  | Cost approach         | Pattern of consumption, useful life and residual value   |
| Buildings  | 471,635                 | Market value          | Pattern of consumption, useful life, residual value, asset condition and componentisation                          |
| Other structures                                     | 30,517                  | Cost approach         | Useful life, pattern of consumption and asset condition  |
| Roads  | 1,386,134               | Cost approach         | Current replacement cost of modern equivalent asset, asset condition, and remaining lives                          |
| Bridges  | 37,105                  | Cost approach         | Current replacement cost of modern equivalent asset, asset condition, and remaining lives                          |
| Footpaths  | 99,112                  | Cost approach         | Current replacement cost of modern equivalent asset, asset condition, and remaining lives                          |
| Bulk earthworks                                      | 382,751                 | 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                          |
| Swimming pools                                       | 5,137                   | Cost approach         | Current replacement cost of modern equivalent asset, asset condition, and remaining lives                          |
| Open space / recreational                            | 77,338                  | Cost approach         | Current replacement cost of modern equivalent asset, asset condition, and remaining lives                          |
| Other infrastructure                                 | 28,938                  | Cost approach         | Current replacement cost of modern equivalent asset, asset condition, and remaining lives                          |
| Library books  | 2,187                   | Cost approach         | Useful life, pattern of consumption and asset condition  |
| Other  | 858                     | Cost approach         | Useful life, pattern of consumption and asset condition  |

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## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

| \$ '000    | Fair value<br>(30/6/20) | Valuation technique/s | Unobservable inputs                    |
|------------|-------------------------|-----------------------|--|
| Tip assets | 20,153                  | Cost approach         | Pattern of consumption and useful life |

#### (4) Highest and best use

The following non-financial assets of Council are being utilised for purposes that do not generate commercial revenues:

##### Community based assets

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

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

Furthermore, Council 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 Council.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 24. Related party disclosures

##### (a) Key management personnel

Key management personnel (KMP) of Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, 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         |
|--------------------------|--------------|--------------|
| <b>Compensation:</b>     |              |              |
| Short-term benefits      | 4,308        | 4,371        |
| Other long-term benefits | 346          | 188          |
| Termination benefits     | 445          | -            |
| <b>Total</b>             | <b>5,099</b> | <b>4,559</b> |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 24. Related party disclosures (continued)

##### (b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council delivering a public service objective (e.g. rates and annual charges, water usage, access to library services or Council leisure centres by KMP) 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   |     |                                   |   |                                     |  |  |
| <b>2020</b>   |     |                                   |   |                                     |  |  |
| Employee expenses relating to close family members of KMP | 1   | –                                 | –   | Local Government (State) Award 2017 | –  | –  |
| Asphalt services  | 2   | –                                 | –   | 7 days                              | –  | –  |
| Supply of apprentices and support services                | 3   | 459                               | 6   | 7 days                              | –  | –  |
| Insurance services  | 4   | 109                               | 58  | 7 days                              | –  | –  |
| <b>2019</b>   |     |                                   |   |                                     |  |  |
| Employee expenses relating to close family members of KMP | 1   | 200                               | –   | Local Government (State) Award 2017 | –  | –  |
| Asphalt services  | 2   | 122                               | –   | 7 days                              | –  | –  |
| Supply of apprentices and support services                | 3   | 624                               | 16  | 7 days                              | –  | –  |

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

2 During FY 2019, Council purchased asphalt and related services from Brisbane Water Bitumen (BWB), a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such suppliers and were due and payable under normal payment terms. Council did not transact with BWB during financial year ended 30 June 2020.

3 On 1 October 2019 Council entered into a new 3 year contract with Central Coast Group Training Limited, a company which is controlled by a member of the KMP of Council. The contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable based on 7 day terms for the duration of the contract.

4 The Council paid for insurance services during the year from Statewide Mutual, a company which has a member of Councils KMP as an elected Board Member. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 24. Related party disclosures (continued)

##### (c) Other related party transactions

| \$ '000                              | 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 |
|--------------------------------------|--|-----------------------------------|---|--|--|--|
| <b>2020</b>                          |  |                                   |   |  |  |  |
| Funding and in-kind support services | 5  | 1,075                             | -   | Funding and support services provided in line with the funding agreement | -  | -  |
| <b>2019</b>                          |  |                                   |   |  |  |  |
| Funding and in-kind support services | 5  | 1,100                             | 1   | Funding and support services provided in line with the funding agreement | -  | -  |
| 5                                    | The former Wyong Shire Council entered into a funding and service level agreement with The Art House, Wyong Shire Performing Arts and Conference Centre Limited in 2016 to provide funding and in-kind services. |                                   |   |  |  |  |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 25. Events occurring after the reporting date

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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). Council resolved to apply for a special rate variation on 26 November 2020 and 14 December 2020, which was admitted to IPART for an increase of 15% on 8 February 2021 after being adopted by Council. As part of the same application, Council completed and documented the harmonisation of rates across the two former local government areas.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

Under the *Local Government Act 1993*, Council levies S64 contributions for Water and Sewer Infrastructure assets. These contributions are outlined in the relevant Development Servicing Plans (DSPs) and in accordance with the *Water Management Act 2000*.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

#### Summary of contributions and levies

|   | as at 30/06/19  |               |            | Interest earned in year | (Expenditure) / Reimbursements during year | Internal borrowing (to)/from | as at 30/06/20           |  |
|---|-----------------|---------------|------------|-------------------------|--|------------------------------|--------------------------|--|
|   | Opening Balance | Cash          | Non-cash   |                         |  |                              | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| <b>\$ '000</b>                            |                 |               |            |                         |  |                              |                          |  |
| Drainage                                  | 21,375          | 1,206         | 171        | 421                     | –  | –                            | 23,002                   | –  |
| Roads                                     | 12,139          | 1,793         | 241        | 382                     | –  | 43                           | 14,357                   | (111)  |
| Parking                                   | 5,295           | 35            | –          | 115                     | –  | –                            | 5,445                    | 77   |
| Open space                                | 10,230          | 3,622         | –          | 441                     | (105)                                      | (750)                        | 13,438                   | (1,183)                                      |
| Community facilities                      | 23,003          | 1,950         | –          | 500                     | –  | 723                          | 26,176                   | (553)  |
| Other                                     | 414             | 312           | –          | 8                       | (275)                                      | (16)                         | 443                      | –  |
| Drainage Capital                          | 6,419           | 181           | –          | 156                     | –  | –                            | 6,756                    | –  |
| Drainage Land                             | 3,017           | 41            | –          | 74                      | –  | –                            | 3,132                    | –  |
| Storm Water/Flood Mitigation              | 1,656           | (4)           | –          | 40                      | –  | –                            | 1,692                    | –  |
| Roads Capital                             | 5,230           | 266           | –          | 130                     | –  | –                            | 5,626                    | –  |
| Roads Land                                | 84              | –             | –          | 2                       | –  | –                            | 86                       | –  |
| Open Space Land                           | 6,952           | 187           | –          | 170                     | (10)                                       | –                            | 7,299                    | –  |
| Open Space Embellishment                  | 1,349           | 472           | –          | 39                      | (9)  | –                            | 1,851                    | –  |
| Community Capital                         | 7,470           | 252           | –          | 185                     | –  | –                            | 7,907                    | –  |
| Community Land                            | 415             | 9             | –          | 11                      | –  | –                            | 435                      | –  |
| Recreation                                | 2,290           | 149           | –          | 58                      | –  | –                            | 2,497                    | –  |
| Footpaths                                 | 676             | 7             | –          | 16                      | –  | –                            | 699                      | –  |
| Environment Protection                    | 744             | 54            | –          | 20                      | –  | –                            | 818                      | –  |
| Towncentre Improvements                   | 1,356           | (5)           | –          | 32                      | –  | –                            | 1,383                    | –  |
| Car Parking Administration                | 61              | 8             | –          | 2                       | –  | –                            | 71                       | –  |
| <b>S7.11 contributions – under a plan</b> | <b>110,175</b>  | <b>10,535</b> | <b>412</b> | <b>2,802</b>            | <b>(399)</b>                               | <b>–</b>                     | <b>123,113</b>           | <b>(1,770)</b>                               |

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## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Statement of developer contributions (continued)

|  | as at 30/06/19  |  |            |                         |  |                              | as at 30/06/20           |  |
|--|-----------------|--|------------|-------------------------|--|------------------------------|--------------------------|--|
|  | Opening Balance | Contributions received during the year |            | Interest earned in year | (Expenditure) / Reimbursements during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| \$ '000  |                 | Cash                                   | Non-cash   |                         |  |                              |                          |  |
| <b>S7.12 levies – under a plan</b>               | 14,695          | 2,470                                  | –          | 361                     | –  | –                            | 17,526                   | –  |
| <b>Total S7.11 and S7.12 revenue under plans</b> | 124,870         | 13,005                                 | 412        | 3,163                   | (399)                                      | –                            | 140,639                  | (1,770)                                      |
| S7.11 not under plans                            | 4,777           | –                                      | –          | 126                     | –  | –                            | 4,903                    | –  |
| S7.4 planning agreements                         | 5,456           | –                                      | –          | 119                     | –  | –                            | 5,575                    | 1,770  |
| S64 contributions - Water                        | 38,192          | 3,429                                  | 83         | 827                     | (14,919)                                   | –                            | 27,529                   | –  |
| S64 contributions - Sewer                        | 20,917          | 3,639                                  | –          | 625                     | (5,150)                                    | –                            | 20,031                   | –  |
| <b>Total contributions</b>                       | <b>194,212</b>  | <b>20,073</b>                          | <b>495</b> | <b>4,860</b>            | <b>(20,468)</b>                            | <b>–</b>                     | <b>198,677</b>           | <b>–</b>                                     |

#### S7.11 Contributions – under a plan

##### CONTRIBUTION PLAN NUMBER 5 - WEST NARARA

|                   |              |          |          |           |          |          |              |          |
|-------------------|--------------|----------|----------|-----------|----------|----------|--------------|----------|
| Drainage Capital  | 976          | –        | –        | 23        | –        | –        | 999          | –        |
| Drainage Land     | 120          | –        | –        | 3         | –        | –        | 123          | –        |
| Roads Capital     | 255          | –        | –        | 6         | –        | –        | 261          | –        |
| Open Space Land   | 414          | –        | –        | 10        | –        | –        | 424          | –        |
| Community Capital | 375          | –        | –        | 9         | –        | –        | 384          | –        |
| Recreation        | 197          | –        | –        | 5         | –        | –        | 202          | –        |
| <b>Total</b>      | <b>2,337</b> | <b>–</b> | <b>–</b> | <b>56</b> | <b>–</b> | <b>–</b> | <b>2,393</b> | <b>–</b> |

##### CONTRIBUTION PLAN NUMBER 7 - NIAGARA PARK

|                   |            |           |          |           |          |          |            |          |
|-------------------|------------|-----------|----------|-----------|----------|----------|------------|----------|
| Drainage Capital  | 278        | 22        | –        | 7         | –        | –        | 307        | –        |
| Roads Capital     | 39         | 22        | –        | 1         | –        | –        | 62         | –        |
| Open Space Land   | 23         | 17        | –        | 1         | –        | –        | 41         | –        |
| Community Capital | 104        | –         | –        | 3         | –        | –        | 107        | –        |
| Recreation        | 13         | 19        | –        | 1         | –        | –        | 33         | –        |
| <b>Total</b>      | <b>457</b> | <b>80</b> | <b>–</b> | <b>13</b> | <b>–</b> | <b>–</b> | <b>550</b> | <b>–</b> |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Statement of developer contributions (continued)

| \$ '000  | as at 30/06/19  |  |          |                         |  |                              | as at 30/06/20           |  |
|--|-----------------|--|----------|-------------------------|--|------------------------------|--------------------------|--|
|  | Opening Balance | Contributions received during the year |          | Interest earned in year | (Expenditure) / Reimbursements during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|  |                 | Cash                                   | Non-cash |                         |  |                              |                          |  |
| <b>CONTRIBUTION PLAN NUMBER 8 - LISAROW</b>      |                 |  |          |                         |  |                              |                          |  |
| Drainage Capital                                 | 555             | -                                      | -        | 13                      | -  | -                            | 568                      | -  |
| Drainage Land                                    | 830             | -                                      | -        | 20                      | -  | -                            | 850                      | -  |
| Roads Capital                                    | 579             | -                                      | -        | 14                      | -  | -                            | 593                      | -  |
| Open Space Land                                  | 138             | -                                      | -        | 3                       | -  | -                            | 141                      | -  |
| Community Capital                                | 3,135           | -                                      | -        | 76                      | -  | -                            | 3,211                    | -  |
| Recreation                                       | 218             | -                                      | -        | 5                       | -  | -                            | 223                      | -  |
| <b>Total</b>                                     | <b>5,455</b>    | <b>-</b>                               | <b>-</b> | <b>131</b>              | <b>-</b>                                   | <b>-</b>                     | <b>5,586</b>             | <b>-</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 16 - KINCUMBER</b>   |                 |  |          |                         |  |                              |                          |  |
| Drainage Capital                                 | 414             | -                                      | -        | 10                      | -  | -                            | 424                      | -  |
| Drainage Land                                    | 55              | -                                      | -        | 2                       | -  | -                            | 57                       | -  |
| Roads Capital                                    | 502             | -                                      | -        | 12                      | -  | -                            | 514                      | -  |
| Open Space Land                                  | 539             | -                                      | -        | 13                      | -  | -                            | 552                      | -  |
| <b>Total</b>                                     | <b>1,510</b>    | <b>-</b>                               | <b>-</b> | <b>37</b>               | <b>-</b>                                   | <b>-</b>                     | <b>1,547</b>             | <b>-</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 21 - KARIONG</b>     |                 |  |          |                         |  |                              |                          |  |
| Drainage Capital                                 | 372             | -                                      | -        | 9                       | -  | -                            | 381                      | -  |
| Roads Capital                                    | 30              | -                                      | -        | 1                       | -  | -                            | 31                       | -  |
| Open Space Land                                  | 999             | -                                      | -        | 24                      | (10)                                       | -                            | 1,013                    | -  |
| Community Capital                                | 499             | -                                      | -        | 12                      | -  | -                            | 511                      | -  |
| <b>Total</b>                                     | <b>1,900</b>    | <b>-</b>                               | <b>-</b> | <b>46</b>               | <b>(10)</b>                                | <b>-</b>                     | <b>1,936</b>             | <b>-</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 23 - SPRINGFIELD</b> |                 |  |          |                         |  |                              |                          |  |
| Drainage Capital                                 | 40              | -                                      | -        | 1                       | -  | -                            | 41                       | -  |
| Drainage Land                                    | 34              | -                                      | -        | 1                       | -  | -                            | 35                       | -  |
| Roads Capital                                    | 335             | -                                      | -        | 8                       | -  | -                            | 343                      | -  |
| Open Space Land                                  | 460             | -                                      | -        | 11                      | -  | -                            | 471                      | -  |
| <b>Total</b>                                     | <b>869</b>      | <b>-</b>                               | <b>-</b> | <b>21</b>               | <b>-</b>                                   | <b>-</b>                     | <b>890</b>               | <b>-</b>                                     |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Statement of developer contributions (continued)

| \$ '000  | as at 30/06/19  |  |          |                         |  |                              | as at 30/06/20           |  |
|--|-----------------|--|----------|-------------------------|--|------------------------------|--------------------------|--|
|  | Opening Balance | Contributions received during the year |          | Interest earned in year | (Expenditure) / Reimbursements during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|  |                 | Cash                                   | Non-cash |                         |  |                              |                          |  |
| <b>CONTRIBUTION PLAN NUMBER 31 - PENINSULA</b>                         |                 |  |          |                         |  |                              |                          |  |
| Drainage Capital   | 2,660           | 159                                    | –        | 66                      | –  | –                            | 2,885                    | –  |
| Drainage Land  | 1,615           | 41                                     | –        | 39                      | –  | –                            | 1,695                    | –  |
| Roads Capital  | 327             | 57                                     | –        | 8                       | –  | –                            | 392                      | –  |
| Open Space Land  | 2,831           | 170                                    | –        | 71                      | –  | –                            | 3,072                    | –  |
| Community Land   | 415             | 9                                      | –        | 11                      | –  | –                            | 435                      | –  |
| Open Space Embellishment   | 391             | 468                                    | –        | 16                      | (9)  | –                            | 866                      | –  |
| Community Capital  | 1,502           | 146                                    | –        | 38                      | –  | –                            | 1,686                    | –  |
| <b>Total</b>   | <b>9,741</b>    | <b>1,050</b>                           | <b>–</b> | <b>249</b>              | <b>(9)</b>                                 | <b>–</b>                     | <b>11,031</b>            | <b>–</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 36 - ERINA VALLEY</b>                      |                 |  |          |                         |  |                              |                          |  |
| Other  | 29              | –                                      | –        | 1                       | –  | –                            | 30                       | –  |
| <b>Total</b>   | <b>29</b>       | <b>–</b>                               | <b>–</b> | <b>1</b>                | <b>–</b>                                   | <b>–</b>                     | <b>30</b>                | <b>–</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 42 - ERINA</b>                             |                 |  |          |                         |  |                              |                          |  |
| Drainage Capital   | 1,124           | –                                      | –        | 27                      | –  | –                            | 1,151                    | –  |
| Drainage Land  | 363             | –                                      | –        | 9                       | –  | –                            | 372                      | –  |
| Roads Capital  | 406             | –                                      | –        | 10                      | –  | –                            | 416                      | –  |
| Roads Land   | 84              | –                                      | –        | 2                       | –  | –                            | 86                       | –  |
| Open Space Land  | 1,139           | –                                      | –        | 27                      | –  | –                            | 1,166                    | –  |
| Community Capital  | 1,092           | –                                      | –        | 26                      | –  | –                            | 1,118                    | –  |
| Recreation   | 1,342           | –                                      | –        | 32                      | –  | –                            | 1,374                    | –  |
| <b>Total</b>   | <b>5,550</b>    | <b>–</b>                               | <b>–</b> | <b>133</b>              | <b>–</b>                                   | <b>–</b>                     | <b>5,683</b>             | <b>–</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 43 - EAST GOSFORD (PARTIALLY REPEALED)</b> |                 |  |          |                         |  |                              |                          |  |
| Roads Capital  | 283             | 4                                      | –        | 7                       | –  | –                            | 294                      | –  |
| Open Space Embellishment   | 782             | 4                                      | –        | 19                      | –  | –                            | 805                      | –  |
| Footpaths  | 256             | 7                                      | –        | 6                       | –  | –                            | 269                      | –  |
| <b>Total</b>   | <b>1,321</b>    | <b>15</b>                              | <b>–</b> | <b>32</b>               | <b>–</b>                                   | <b>–</b>                     | <b>1,368</b>             | <b>–</b>                                     |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Statement of developer contributions (continued)

|   | as at 30/06/19  |  |          |                         |  |                              | as at 30/06/20           |  |
|---|-----------------|--|----------|-------------------------|--|------------------------------|--------------------------|--|
|   | Opening Balance | Contributions received during the year |          | Interest earned in year | (Expenditure) / Reimbursements during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| \$ '000   |                 | Cash                                   | Non-cash |                         |  |                              |                          |  |
| <b>CONTRIBUTION PLAN NUMBER 47A - TERRIGAL</b>                      |                 |  |          |                         |  |                              |                          |  |
| Storm Water/Flood Mitigation  | 1,656           | (4)                                    | –        | 40                      | –  | –                            | 1,692                    | –  |
| Open Space Embellishment  | 7               | –                                      | –        | –                       | –  | –                            | 7                        | –  |
| Footpaths   | 291             | –                                      | –        | 7                       | –  | –                            | 298                      | –  |
| Towncentre Improvements   | 1,356           | (5)                                    | –        | 32                      | –  | –                            | 1,383                    | –  |
| <b>Total</b>  | <b>3,310</b>    | <b>(9)</b>                             | <b>–</b> | <b>79</b>               | <b>–</b>                                   | <b>–</b>                     | <b>3,380</b>             | <b>–</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 48 - AVOCA</b>                          |                 |  |          |                         |  |                              |                          |  |
| Open Space Embellishment  | 135             | –                                      | –        | 3                       | –  | –                            | 138                      | –  |
| Footpaths   | 38              | –                                      | –        | 1                       | –  | –                            | 39                       | –  |
| <b>Total</b>  | <b>173</b>      | <b>–</b>                               | <b>–</b> | <b>4</b>                | <b>–</b>                                   | <b>–</b>                     | <b>177</b>               | <b>–</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 49 - NORTH GOSFORD</b>                  |                 |  |          |                         |  |                              |                          |  |
| Open Space Land   | 409             | –                                      | –        | 10                      | –  | –                            | 419                      | –  |
| Open Space Embellishment  | 2               | –                                      | –        | –                       | –  | –                            | 2                        | –  |
| Footpaths   | 91              | –                                      | –        | 2                       | –  | –                            | 93                       | –  |
| <b>Total</b>  | <b>502</b>      | <b>–</b>                               | <b>–</b> | <b>12</b>               | <b>–</b>                                   | <b>–</b>                     | <b>514</b>               | <b>–</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 52 - SPRINGFIELD / ERINA CREEK</b>      |                 |  |          |                         |  |                              |                          |  |
| Roads Capital   | 6               | –                                      | –        | –                       | –  | –                            | 6                        | –  |
| <b>Total</b>  | <b>6</b>        | <b>–</b>                               | <b>–</b> | <b>–</b>                | <b>–</b>                                   | <b>–</b>                     | <b>6</b>                 | <b>–</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 57 - JOHN WHITEWAY DRIVE (REPEALED)</b> |                 |  |          |                         |  |                              |                          |  |
| Roads Capital   | 48              | –                                      | –        | 1                       | –  | –                            | 49                       | –  |
| <b>Total</b>  | <b>48</b>       | <b>–</b>                               | <b>–</b> | <b>1</b>                | <b>–</b>                                   | <b>–</b>                     | <b>49</b>                | <b>–</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 58 - ERINA FAIR</b>                     |                 |  |          |                         |  |                              |                          |  |
| Roads Capital   | 934             | –                                      | –        | 23                      | –  | –                            | 957                      | –  |
| <b>Total</b>  | <b>934</b>      | <b>–</b>                               | <b>–</b> | <b>23</b>               | <b>–</b>                                   | <b>–</b>                     | <b>957</b>               | <b>–</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 67 - WOY WOY PARKING</b>                |                 |  |          |                         |  |                              |                          |  |
| Parking   | 1,336           | –                                      | –        | 32                      | –  | –                            | 1,368                    | –  |
| <b>Total</b>  | <b>1,336</b>    | <b>–</b>                               | <b>–</b> | <b>32</b>               | <b>–</b>                                   | <b>–</b>                     | <b>1,368</b>             | <b>–</b>                                     |

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## Central Coast Council

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Statement of developer contributions (continued)

| \$ '000  | as at 30/06/19  |  |          |                         |  |                              | as at 30/06/20           |  |
|--|-----------------|--|----------|-------------------------|--|------------------------------|--------------------------|--|
|  | Opening Balance | Contributions received during the year |          | Interest earned in year | (Expenditure) / Reimbursements during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|  |                 | Cash                                   | Non-cash |                         |  |                              |                          |  |
| <b>CONTRIBUTION PLAN NUMBER 68 - UMINA PARKING</b>           |                 |  |          |                         |  |                              |                          |  |
| Parking  | 441             | -                                      | -        | 11                      | -  | -                            | 452                      | -  |
| <b>Total</b>   | <b>441</b>      | <b>-</b>                               | <b>-</b> | <b>11</b>               | <b>-</b>                                   | <b>-</b>                     | <b>452</b>               | <b>-</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 69 - TERRIGAL PARKING</b>        |                 |  |          |                         |  |                              |                          |  |
| Parking  | 1,462           | 35                                     | -        | 35                      | -  | -                            | 1,532                    | -  |
| Car Parking Administration                                   | 61              | 8                                      | -        | 2                       | -  | -                            | 71                       | -  |
| <b>Total</b>   | <b>1,523</b>    | <b>43</b>                              | <b>-</b> | <b>37</b>               | <b>-</b>                                   | <b>-</b>                     | <b>1,603</b>             | <b>-</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 70 - EAST GOSFORD PARKING</b>    |                 |  |          |                         |  |                              |                          |  |
| Parking  | 218             | -                                      | -        | 5                       | -  | -                            | 223                      | -  |
| <b>Total</b>   | <b>218</b>      | <b>-</b>                               | <b>-</b> | <b>5</b>                | <b>-</b>                                   | <b>-</b>                     | <b>223</b>               | <b>-</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 71 - CAR PARKING AVOCA BEACH</b> |                 |  |          |                         |  |                              |                          |  |
| Parking  | 5               | -                                      | -        | -                       | -  | -                            | 5                        | -  |
| <b>Total</b>   | <b>5</b>        | <b>-</b>                               | <b>-</b> | <b>-</b>                | <b>-</b>                                   | <b>-</b>                     | <b>5</b>                 | <b>-</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 72 - ETTALONG CAR PARKING</b>    |                 |  |          |                         |  |                              |                          |  |
| Parking  | 115             | -                                      | -        | 3                       | -  | -                            | 118                      | -  |
| <b>Total</b>   | <b>115</b>      | <b>-</b>                               | <b>-</b> | <b>3</b>                | <b>-</b>                                   | <b>-</b>                     | <b>118</b>               | <b>-</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 98 - BENSVILLE</b>               |                 |  |          |                         |  |                              |                          |  |
| Roads Capital  | 7               | -                                      | -        | -                       | -  | -                            | 7                        | -  |
| Open Space Embellishment                                     | 32              | -                                      | -        | 1                       | -  | -                            | 33                       | -  |
| <b>Total</b>   | <b>39</b>       | <b>-</b>                               | <b>-</b> | <b>1</b>                | <b>-</b>                                   | <b>-</b>                     | <b>40</b>                | <b>-</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 164 - GOSFORD</b>                |                 |  |          |                         |  |                              |                          |  |
| Roads Capital  | 1,479           | 183                                    | -        | 39                      | -  | -                            | 1,701                    | -  |
| Community Capital  | 763             | 106                                    | -        | 21                      | -  | -                            | 890                      | -  |
| Recreation   | 520             | 130                                    | -        | 15                      | -  | -                            | 665                      | -  |
| Environment Protection                                       | 744             | 54                                     | -        | 20                      | -  | -                            | 818                      | -  |
| <b>Total</b>   | <b>3,506</b>    | <b>473</b>                             | <b>-</b> | <b>95</b>               | <b>-</b>                                   | <b>-</b>                     | <b>4,074</b>             | <b>-</b>                                     |

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## Central Coast Council

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Statement of developer contributions (continued)

| \$ '000  | as at 30/06/19  |  |          |                         |  |                              | as at 30/06/20           |  |
|--|-----------------|--|----------|-------------------------|--|------------------------------|--------------------------|--|
|  | Opening Balance | Contributions received during the year |          | Interest earned in year | (Expenditure) / Reimbursements during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|  |                 | Cash                                   | Non-cash |                         |  |                              |                          |  |
| <b>CONTRIBUTION PLAN NUMBER 1 - WYONG</b>          |                 |  |          |                         |  |                              |                          |  |
| Drainage   | 2,088           | -                                      | -        | 34                      | -  | -                            | 2,122                    | -  |
| Roads  | 826             | 14                                     | -        | 41                      | -  | -                            | 881                      | -  |
| Parking  | 1,701           | -                                      | -        | 28                      | -  | -                            | 1,729                    | -  |
| Open space   | 1,696           | 79                                     | -        | 49                      | -  | 968                          | 2,792                    | -  |
| Community facilities                               | 2,282           | 112                                    | -        | 47                      | -  | -                            | 2,441                    | 500  |
| Other  | 51              | 1                                      | -        | 1                       | -  | -                            | 53                       | -  |
| <b>Total</b>                                       | <b>8,644</b>    | <b>206</b>                             | <b>-</b> | <b>200</b>              | <b>-</b>                                   | <b>968</b>                   | <b>10,018</b>            | <b>500</b>                                   |
| <b>CONTRIBUTION PLAN NUMBER 2 - SOUTHERN LAKES</b> |                 |  |          |                         |  |                              |                          |  |
| Drainage   | 1,285           | 7                                      | -        | 21                      | -  | -                            | 1,313                    | -  |
| Roads  | 914             | -                                      | -        | 15                      | -  | -                            | 929                      | -  |
| Open space   | 1,560           | 521                                    | -        | 40                      | -  | 299                          | 2,420                    | 325  |
| Community facilities                               | 1,156           | 434                                    | -        | 33                      | -  | -                            | 1,623                    | 599  |
| Other  | 2               | 64                                     | -        | 1                       | (64)                                       | -                            | 3                        | -  |
| <b>Total</b>                                       | <b>4,917</b>    | <b>1,026</b>                           | <b>-</b> | <b>110</b>              | <b>(64)</b>                                | <b>299</b>                   | <b>6,288</b>             | <b>924</b>                                   |
| <b>CONTRIBUTION PLAN NUMBER 3 - THE ENTRANCE</b>   |                 |  |          |                         |  |                              |                          |  |
| Drainage   | 5               | -                                      | -        | -                       | -  | -                            | 5                        | -  |
| Roads  | 3,416           | 209                                    | -        | 58                      | -  | -                            | 3,683                    | -  |
| Parking  | 10              | -                                      | -        | 1                       | -  | -                            | 11                       | 77   |
| Open space   | 1,560           | 100                                    | -        | 28                      | -  | -                            | 1,688                    | 108  |
| Community facilities                               | 445             | 149                                    | -        | 23                      | -  | 25                           | 642                      | (1,112)                                      |
| <b>Total</b>                                       | <b>5,436</b>    | <b>458</b>                             | <b>-</b> | <b>110</b>              | <b>-</b>                                   | <b>25</b>                    | <b>6,029</b>             | <b>(927)</b>                                 |
| <b>CONTRIBUTION PLAN NUMBER 5 - OURIMBAH</b>       |                 |  |          |                         |  |                              |                          |  |
| Roads  | 256             | 1                                      | -        | 4                       | -  | -                            | 261                      | -  |
| Open space   | 77              | 28                                     | -        | 3                       | -  | -                            | 108                      | 105  |
| Community facilities                               | 1,882           | 23                                     | -        | 33                      | -  | -                            | 1,938                    | 135  |
| Other  | 1               | 3                                      | -        | -                       | (3)  | -                            | 1                        | -  |
| <b>Total</b>                                       | <b>2,216</b>    | <b>55</b>                              | <b>-</b> | <b>40</b>               | <b>(3)</b>                                 | <b>-</b>                     | <b>2,308</b>             | <b>240</b>                                   |

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## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Statement of developer contributions (continued)

|  | as at 30/06/19  |  |          | Interest earned in year | (Expenditure) / Reimbursements during year | Internal borrowing (to)/from | as at 30/06/20           |  |
|--|-----------------|--|----------|-------------------------|--|------------------------------|--------------------------|--|
|  | Opening Balance | Contributions received during the year<br>Cash | Non-cash |                         |  |                              | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| <b>\$ '000</b>                               |                 |  |          |                         |  |                              |                          |  |
| <b>CONTRIBUTION PLAN NUMBER 6 - TOUKLEY</b>  |                 |  |          |                         |  |                              |                          |  |
| Drainage                                     | 4               | -  | -        | -                       | -  | -                            | 4                        | -  |
| Roads  | 16              | -  | -        | -                       | -  | -                            | 16                       | -  |
| Parking                                      | 7               | -  | -        | -                       | -  | -                            | 7                        | -  |
| Open space                                   | 845             | 155  | -        | 17                      | -  | -                            | 1,017                    | 106  |
| Community facilities                         | 1,714           | 158  | -        | 29                      | -  | -                            | 1,901                    | -  |
| <b>Total</b>                                 | <b>2,586</b>    | <b>313</b>                                     | <b>-</b> | <b>46</b>               | <b>-</b>                                   | <b>-</b>                     | <b>2,945</b>             | <b>106</b>                                   |
| <b>CONTRIBUTION PLAN NUMBER 7 - GOROKAN</b>  |                 |  |          |                         |  |                              |                          |  |
| Roads  | 65              | -  | -        | 12                      | -  | -                            | 77                       | -  |
| Open space                                   | 567             | 55   | -        | 21                      | -  | -                            | 643                      | 682  |
| Community facilities                         | 527             | 45   | -        | 10                      | -  | -                            | 582                      | 36   |
| Other  | 3               | 7  | -        | -                       | (7)  | -                            | 3                        | -  |
| <b>Total</b>                                 | <b>1,162</b>    | <b>107</b>                                     | <b>-</b> | <b>43</b>               | <b>(7)</b>                                 | <b>-</b>                     | <b>1,305</b>             | <b>718</b>                                   |
| <b>CONTRIBUTION PLAN NUMBER 8 - SAN REMO</b> |                 |  |          |                         |  |                              |                          |  |
| Drainage                                     | 352             | -  | -        | 6                       | -  | -                            | 358                      | -  |
| Roads  | 330             | 8  | -        | 17                      | -  | -                            | 355                      | -  |
| Open space                                   | 1,458           | 26   | -        | 31                      | -  | -                            | 1,515                    | -  |
| Community facilities                         | 374             | 22   | -        | 1                       | -  | (395)                        | 2                        | -  |
| Other  | 3               | 3  | -        | -                       | (3)  | -                            | 3                        | -  |
| <b>Total</b>                                 | <b>2,517</b>    | <b>59</b>                                      | <b>-</b> | <b>55</b>               | <b>(3)</b>                                 | <b>(395)</b>                 | <b>2,233</b>             | <b>-</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER 9 - BUDGEWOI</b> |                 |  |          |                         |  |                              |                          |  |
| Roads  | 10              | 4  | -        | -                       | -  | -                            | 14                       | (111)  |
| Open space                                   | 342             | 55   | -        | 6                       | -  | -                            | 403                      | -  |
| Community facilities                         | 273             | 54   | -        | 33                      | -  | 565                          | 925                      | 1,146  |
| Other  | 1               | 5  | -        | -                       | (5)  | -                            | 1                        | -  |
| <b>Total</b>                                 | <b>626</b>      | <b>118</b>                                     | <b>-</b> | <b>39</b>               | <b>(5)</b>                                 | <b>565</b>                   | <b>1,343</b>             | <b>1,035</b>                                 |

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Statement of developer contributions (continued)

|  | as at 30/06/19  |  |            | Interest earned in year | (Expenditure) / Reimbursements during year | Internal borrowing (to)/from | as at 30/06/20           |  |
|--|-----------------|--|------------|-------------------------|--|------------------------------|--------------------------|--|
|  | Opening Balance | Contributions received during the year<br>Cash | Non-cash   |                         |  |                              | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| <b>\$ '000</b>   |                 |  |            |                         |  |                              |                          |  |
| <b>CONTRIBUTION PLAN NUMBER - 13 SHIRE WIDE</b>          |                 |  |            |                         |  |                              |                          |  |
| Open space   | 618             | 331  | –          | 19                      | –  | –                            | 968                      | –  |
| Community facilities                                     | 110             | 261  | –          | 1                       | –  | (300)                        | 72                       | (3,436)                                      |
| Other  | 29              | 50   | –          | –                       | (50)                                       | (16)                         | 13                       | –  |
| <b>Total</b>   | <b>757</b>      | <b>642</b>                                     | <b>–</b>   | <b>20</b>               | <b>(50)</b>                                | <b>(316)</b>                 | <b>1,053</b>             | <b>(3,436)</b>                               |
| <b>CONTRIBUTION PLAN NUMBER 15 - NORTHERN DISTRICTS</b>  |                 |  |            |                         |  |                              |                          |  |
| Roads  | 2,028           | 37   | –          | 34                      | –  | 43                           | 2,142                    | –  |
| Open space   | 757             | 61   | –          | 20                      | –  | –                            | 838                      | 432  |
| Community facilities                                     | 1,700           | 51   | –          | 43                      | –  | 766                          | 2,560                    | 124  |
| Other  | 4               | 7  | –          | –                       | (7)  | –                            | 4                        | –  |
| <b>Total</b>   | <b>4,489</b>    | <b>156</b>                                     | <b>–</b>   | <b>97</b>               | <b>(7)</b>                                 | <b>809</b>                   | <b>5,544</b>             | <b>556</b>                                   |
| <b>CONTRIBUTION PLAN NUMBER 17 - WARNERVALE DISTRICT</b> |                 |  |            |                         |  |                              |                          |  |
| Drainage   | 17,641          | 1,199  | 171        | 360                     | –  | –                            | 19,200                   | –  |
| Roads  | 4,278           | 1,520  | 241        | 201                     | –  | –                            | 5,999                    | –  |
| Open space   | 750             | 2,211  | –          | 207                     | (105)                                      | (2,017)                      | 1,046                    | (2,941)                                      |
| Community facilities                                     | 12,540          | 641  | –          | 247                     | –  | 62                           | 13,490                   | 1,455  |
| Other  | 291             | 172  | –          | 5                       | (136)                                      | –                            | 332                      | –  |
| <b>Total</b>   | <b>35,500</b>   | <b>5,743</b>                                   | <b>412</b> | <b>1,020</b>            | <b>(241)</b>                               | <b>(1,955)</b>               | <b>40,067</b>            | <b>(1,486)</b>                               |
| <b>S7.12 Levies – under a plan</b>                       |                 |  |            |                         |  |                              |                          |  |
| <b>CONTRIBUTION PLAN NUMBER GCIP</b>                     |                 |  |            |                         |  |                              |                          |  |
| Towncentre Improvements                                  | 11,297          | 1,950  | –          | 301                     | –  | –                            | 13,548                   | –  |
| <b>Total</b>   | <b>11,297</b>   | <b>1,950</b>                                   | <b>–</b>   | <b>301</b>              | <b>–</b>                                   | <b>–</b>                     | <b>13,548</b>            | <b>–</b>                                     |
| <b>CONTRIBUTION PLAN NUMBER WYONG</b>                    |                 |  |            |                         |  |                              |                          |  |
| Other  | 3,398           | 520  | –          | 60                      | –  | –                            | 3,978                    | –  |
| <b>Total</b>   | <b>3,398</b>    | <b>520</b>                                     | <b>–</b>   | <b>60</b>               | <b>–</b>                                   | <b>–</b>                     | <b>3,978</b>             | <b>–</b>                                     |

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## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Statement of developer contributions (continued)

| \$ '000   | as at 30/06/19  |  |          |                         |  |                              | as at 30/06/20           |  |
|---|-----------------|--|----------|-------------------------|--|------------------------------|--------------------------|--|
|   | Opening Balance | Contributions received during the year |          | Interest earned in year | (Expenditure) / Reimbursements during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|   | Cash            | Non-cash                               |          |                         |  |                              |                          |  |
| <b>GOSFORD CITY IMPROVEMENT &amp; ERINA PARKING</b> |                 |  |          |                         |  |                              |                          |  |
| Parking   | 2,836           | -                                      | -        | 69                      | -  | -                            | 2,905                    | -  |
| Roads Capital                                       | 507             | -                                      | -        | 11                      | -  | -                            | 518                      | -  |
| Open Space Land                                     | 584             | -                                      | -        | 26                      | -  | -                            | 610                      | -  |
| Open Space Embellishment                            | 253             | -                                      | -        | 6                       | -  | -                            | 259                      | -  |
| Community Capital                                   | 517             | -                                      | -        | 12                      | -  | -                            | 529                      | -  |
| Environment Protection                              | 80              | -                                      | -        | 2                       | -  | -                            | 82                       | -  |
| <b>Total</b>  | <b>4,777</b>    | <b>-</b>                               | <b>-</b> | <b>126</b>              | <b>-</b>                                   | <b>-</b>                     | <b>4,903</b>             | <b>-</b>                                     |

#### S7.11 Contributions – not under a plan

**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 27. Result by fund**

| \$ '000  | Drainage<br>2020 | Domestic<br>Waste<br>2020 | General <sup>1</sup><br>2020 | Water<br>2020   | Sewer<br>2020   |
|--|------------------|---------------------------|------------------------------|-----------------|-----------------|
| <b>Income Statement by fund</b>  |                  |                           |                              |                 |                 |
| <b>Income from continuing operations</b>   |                  |                           |                              |                 |                 |
| Rates and annual charges   | 14,345           | 71,461                    | 172,130                      | 11,325          | 52,685          |
| User charges and fees  | –                | 34                        | 51,941                       | 59,059          | 18,446          |
| Interest and investment revenue  | 53               | 2,899                     | 4,905                        | 1,211           | 3,659           |
| Other revenues   | 18               | –                         | 9,114                        | 82              | 79              |
| Grants and contributions provided for operating purposes   | 177              | –                         | 43,843                       | 17              | 399             |
| Grants and contributions provided for capital purposes   | 2,784            | –                         | 50,134                       | 6,117           | 7,866           |
| Rental income  | –                | –                         | 7,724                        | –               | –               |
| <b>Total income from continuing operations</b>   | <b>17,377</b>    | <b>74,394</b>             | <b>339,791</b>               | <b>77,811</b>   | <b>83,134</b>   |
| <b>Expenses from continuing operations</b>   |                  |                           |                              |                 |                 |
| Employee benefits and on-costs   | 1,969            | 48                        | 183,278                      | 18,010          | 17,577          |
| Borrowing costs  | 635              | –                         | 295                          | 11,315          | 3,906           |
| Materials and contracts  | 3,876            | 45,605                    | 41,666                       | 16,028          | 11,919          |
| Depreciation and amortisation  | 15,863           | –                         | 78,434                       | 27,198          | 35,614          |
| Other expenses   | 7,003            | 13,570                    | 39,227                       | 17,742          | 18,635          |
| Net losses from the disposal of assets   | 293              | –                         | 2,372                        | 1,004           | 1,262           |
| <b>Total expenses from continuing operations</b>   | <b>29,639</b>    | <b>59,223</b>             | <b>345,272</b>               | <b>91,297</b>   | <b>88,913</b>   |
| <b>Operating result from continuing operations</b>   | <b>(12,262)</b>  | <b>15,171</b>             | <b>(5,481)</b>               | <b>(13,486)</b> | <b>(5,779)</b>  |
| <b>Net operating result for the year</b>   | <b>(12,262)</b>  | <b>15,171</b>             | <b>(5,481)</b>               | <b>(13,486)</b> | <b>(5,779)</b>  |
| <b>Net operating result attributable to each council fund</b>  | <b>(12,262)</b>  | <b>15,171</b>             | <b>(5,481)</b>               | <b>(13,486)</b> | <b>(5,779)</b>  |
| <b>Net operating result for the year before grants and contributions provided for capital purposes</b> | <b>(15,046)</b>  | <b>15,171</b>             | <b>(55,615)</b>              | <b>(19,603)</b> | <b>(13,645)</b> |

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

<sup>(1)</sup> General fund refers to all of Council's activities except for its Water, Sewer, Drainage and Domestic Waste activities which are listed separately.

## Central Coast Council

Financial Statements 2020

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 27. Result by fund (continued)

| \$ '000  | Drainage<br>2020 | Domestic<br>Waste<br>2020 | General <sup>1</sup><br>2020 | Water<br>2020    | Sewer<br>2020    |
|--|------------------|---------------------------|------------------------------|------------------|------------------|
| <b>Statement of Financial Position by fund</b> |                  |                           |                              |                  |                  |
| <b>ASSETS</b>                                  |                  |                           |                              |                  |                  |
| <b>Current assets</b>                          |                  |                           |                              |                  |                  |
| Cash and cash equivalents                      | 1                | 19,028                    | 21,108                       | 7,378            | 44,781           |
| Investments                                    | 3                | 39,060                    | 18,536                       | 16,027           | 92,584           |
| Receivables                                    | 2,744            | 4,792                     | 33,374                       | 26,406           | 15,404           |
| Inventories                                    | –                | –                         | 1,646                        | –                | –                |
| Other  | –                | –                         | 6,296                        | 64               | 99               |
| <b>Total current assets</b>                    | <b>2,748</b>     | <b>62,880</b>             | <b>80,960</b>                | <b>49,875</b>    | <b>152,868</b>   |
| <b>Non-current assets</b>                      |                  |                           |                              |                  |                  |
| Investments                                    | 154              | 32,356                    | 55,467                       | 11,713           | 4,512            |
| Receivables                                    | 1                | –                         | 23,123                       | 275              | 11,065           |
| Infrastructure, property, plant and equipment  | 1,054,123        | –                         | 3,531,853                    | 1,139,183        | 1,492,019        |
| Intangible assets                              | 1,703            | –                         | 28,290                       | –                | –                |
| Right of use assets                            | –                | –                         | 1,804                        | –                | –                |
| Other  | –                | –                         | 254                          | –                | –                |
| <b>Total non-current assets</b>                | <b>1,055,981</b> | <b>32,356</b>             | <b>3,640,791</b>             | <b>1,151,171</b> | <b>1,507,596</b> |
| <b>TOTAL ASSETS</b>                            | <b>1,058,729</b> | <b>95,236</b>             | <b>3,721,751</b>             | <b>1,201,046</b> | <b>1,660,464</b> |
| <b>LIABILITIES</b>                             |                  |                           |                              |                  |                  |
| <b>Current liabilities</b>                     |                  |                           |                              |                  |                  |
| Payables                                       | 1,574            | 8,591                     | 44,386                       | 9,262            | 3,119            |
| Income received in advance                     | –                | –                         | 2,719                        | 4,241            | 96               |
| Contract liabilities                           | 973              | –                         | 6,922                        | 2,596            | 153              |
| Borrowings                                     | 25,177           | –                         | 7,455                        | 30,351           | 6,333            |
| Lease liabilities                              | –                | –                         | 287                          | –                | –                |
| Provisions                                     | 290              | –                         | 53,735                       | 5,594            | 5,151            |
| <b>Total current liabilities</b>               | <b>28,014</b>    | <b>8,591</b>              | <b>115,504</b>               | <b>52,044</b>    | <b>14,852</b>    |
| <b>Non-current liabilities</b>                 |                  |                           |                              |                  |                  |
| Income received in advance                     | 1,393            | –                         | 4,914                        | –                | 1,074            |
| Contract liabilities                           | –                | –                         | 2,352                        | –                | –                |
| Lease liabilities                              | –                | –                         | 1,552                        | –                | –                |
| Borrowings                                     | 7,567            | –                         | 16,308                       | 136,675          | 61,944           |
| Provisions                                     | 2                | –                         | 76,788                       | 1,154            | 1,652            |
| <b>Total non-current liabilities</b>           | <b>8,962</b>     | <b>–</b>                  | <b>101,914</b>               | <b>137,829</b>   | <b>64,670</b>    |
| <b>TOTAL LIABILITIES</b>                       | <b>36,976</b>    | <b>8,591</b>              | <b>217,418</b>               | <b>189,873</b>   | <b>79,522</b>    |
| <b>Net assets</b>                              | <b>1,021,753</b> | <b>86,645</b>             | <b>3,504,333</b>             | <b>1,011,173</b> | <b>1,580,942</b> |
| <b>EQUITY</b>                                  |                  |                           |                              |                  |                  |
| Accumulated surplus                            | 1,021,235        | 86,645                    | 3,403,405                    | 948,814          | 1,492,793        |
| Revaluation reserves                           | 518              | –                         | 100,928                      | 62,359           | 88,149           |
| <b>Council equity interest</b>                 | <b>1,021,753</b> | <b>86,645</b>             | <b>3,504,333</b>             | <b>1,011,173</b> | <b>1,580,942</b> |
| <b>Total equity</b>                            | <b>1,021,753</b> | <b>86,645</b>             | <b>3,504,333</b>             | <b>1,011,173</b> | <b>1,580,942</b> |

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

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**Central Coast Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 27. Result by fund (continued)**

liabilities shown in the water and sewer columns are restricted for use for these activities.

(1) General fund refers to all of Council's activities except for its Water, Sewer, Drainage and Domestic Waste activities which are listed separately.

**Details of individual internal loans for the year ended 30 June 2020**(in accordance with s410 of the *Local Government Act 1993*)

| <b>Details of individual internal loans</b>       | <b>Council ID /<br/>Ref<br/>2013 GF-WF</b> | <b>Council ID /<br/>Ref<br/>2015 SF-WF</b> | <b>Council ID /<br/>Ref<br/>2015 GF-WF</b> |
|---|--|--|--|
| Borrower (by purpose)                             | Water Fund                                 | Water Fund                                 | Water Fund                                 |
| Lender (by purpose)                               | General Fund                               | Sewer Fund                                 | General Fund                               |
| Date of minister's approval                       | N/A  | 27/05/2015                                 | N/A  |
| Date raised                                       | 30/06/2013                                 | 27/05/2015                                 | 31/05/2015                                 |
| Term (years)                                      | 20   | 20   | 20   |
| Dates of maturity                                 | 30/06/2033                                 | 21/02/2035                                 | 26/05/2035                                 |
| Rate of interest                                  | 5.72                                       | 5.72                                       | 5.72                                       |
| Amount originally raised                          | 20,000,000                                 | 10,000,000                                 | 10,000,000                                 |
| Total repaid during year (principal and interest) | 1,687,832                                  | 843,902                                    | 843,258                                    |
| <b>Principal outstanding at end of year</b>       | <b>15,405,601</b>                          | <b>8,386,394</b>                           | <b>8,469,931</b>                           |

| <b>Details of individual internal loans</b>       | <b>Council ID /<br/>Ref 2020<br/>GF-DF</b> |
|---|--|
| Borrower (by purpose)                             | Drainage<br>Fund                           |
| Lender (by purpose)                               | General Fund                               |
| Date of minister's approval                       | N/A  |
| Date raised                                       | 30/06/2020                                 |
| Term (years)                                      | 1  |
| Dates of maturity                                 | 30/06/2021                                 |
| Rate of interest                                  | Nil  |
| Amount originally raised                          | 22,960,000                                 |
| Total repaid during year (principal and interest) | Nil  |
| <b>Principal outstanding at end of year</b>       | <b>22,960,000</b>                          |

Note: Amounts displayed here are in full dollars



## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 28(a). Statement of performance measures – consolidated results

| \$ '000  | Amounts<br>2020 | Indicator<br>2020 | Prior<br>period<br>2019 | Benchmark         |
|--|-----------------|-------------------|-------------------------|-------------------|
| <b>1. Operating performance ratio</b>  |                 |                   |                         |                   |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | <b>(86,283)</b> | <b>(16.49)%</b>   | <b>(0.37)%</b>          | <b>&gt;0.00%</b>  |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | <b>523,130</b>  |                   |                         |                   |
| <b>2. Own source operating revenue ratio</b>   |                 |                   |                         |                   |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | <b>478,694</b>  | <b>81.13%</b>     | <b>82.11%</b>           | <b>&gt;60.00%</b> |
| Total continuing operating revenue inclusive of all grants and contributions <sup>1</sup>                            | <b>590,031</b>  |                   |                         |                   |
| <b>3. Unrestricted current ratio <sup>4</sup></b>  |                 |                   |                         |                   |
| Current assets less all external restrictions  | <b>(18,947)</b> | <b>(0.32)x</b>    | <b>2.10x</b>            | <b>&gt;1.50x</b>  |
| Current liabilities less specific purpose liabilities <sup>3,4,5</sup>   | <b>58,792</b>   |                   |                         |                   |
| <b>4. Debt service cover ratio</b>   |                 |                   |                         |                   |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | <b>86,977</b>   | <b>1.38x</b>      | <b>3.21x</b>            | <b>&gt;2.00x</b>  |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | <b>62,911</b>   |                   |                         |                   |
| <b>5. Rates, annual charges and interest outstanding percentage</b>  |                 |                   |                         |                   |
| Rates, annual charges and interest outstanding   | <b>31,803</b>   | <b>9.01%</b>      | <b>6.53%</b>            | <b>&lt;5.00%</b>  |
| Rates, annual charges and interest collectible   | <b>352,806</b>  |                   |                         |                   |
| <b>6. Cash expense cover ratio</b>   |                 |                   |                         |                   |
| Current year's cash and cash equivalents plus all term deposits  | <b>324,488</b>  | <b>7.44</b>       | <b>9.80</b>             | <b>&gt;3.00</b>   |
| Monthly payments from cash flow of operating and financing activities  | <b>43,609</b>   | <b>mths</b>       | <b>mths</b>             | <b>mths</b>       |

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

(3) Refer to Notes 14 and 15.

(4) Refer to Note 14(b) and 15(b) - excludes all payables and provisions not expected to be paid in the next 12 months (including Employee Leave Entitlements ELE).

(5) FY19 comparative has increased from 1.68x to 2.10x due to prior year restriction adjustments (refer Note 16(b)) for more detail.

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 28(b). Statement of performance measures – by fund

| \$ '000  | General Indicators <sup>3</sup> |         | Water Indicators |        | Sewer Indicators |        | Benchmark |
|--|---------------------------------|---------|------------------|--------|------------------|--------|-----------|
|  | 2020                            | 2019    | 2020             | 2019   | 2020             | 2019   |           |
| <b>1. Operating performance ratio</b>  |                                 |         |                  |        |                  |        |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | (14.70)%                        | (4.84)% | (25.94)%         | 7.37%  | (16.45)%         | 10.67% | >0.00%    |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           |                                 |         |                  |        |                  |        |           |
| <b>2. Own source operating revenue ratio</b>   |                                 |         |                  |        |                  |        |           |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | 77.41%                          | 77.20%  | 92.12%           | 94.23% | 90.06%           | 92.46% | >60.00%   |
| Total continuing operating revenue <sup>1</sup>  |                                 |         |                  |        |                  |        |           |
| <b>3. Unrestricted current ratio <sup>4</sup></b>  |                                 |         |                  |        |                  |        |           |
| Current assets less all external restrictions  | (1.93)x                         | 5.61x   | 111.59x          | 0.57x  | (20.28)x         | 10.12x | >1.50x    |
| Current liabilities less specific purpose liabilities  |                                 |         |                  |        |                  |        |           |
| <b>4. Debt service cover ratio</b>   |                                 |         |                  |        |                  |        |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | 5.39x                           | 29.41x  | 0.42x            | 1.19x  | 2.83x            | 5.13x  | >2.00x    |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               |                                 |         |                  |        |                  |        |           |
| <b>5. Rates, annual charges and interest outstanding percentage</b>  |                                 |         |                  |        |                  |        |           |
| Rates, annual charges and interest outstanding   | 6.77%                           | 2.00%   | 17.44%           | 8.96%  | 17.21%           | 8.84%  | <5.00%    |
| Rates, annual charges and interest collectible   |                                 |         |                  |        |                  |        |           |
| <b>6. Cash expense cover ratio</b>   |                                 |         |                  |        |                  |        |           |
| Current year's cash and cash equivalents plus all term deposits  | 5.15                            | 5.87    | 3.78             | 21.63  | 28.61            | 301.50 | >3.00     |
| Payments from cash flow of operating and financing activities  | mths                            | mths    | mths             | mths   | mths             | mths   | mths      |

(1) - (2) Refer to Notes at Note 28a above.

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

(4) FY19 comparative has increased from 1.02x to 5.61x due to prior year restriction adjustments (refer Note 16(b)) for more detail.

Central Coast Council

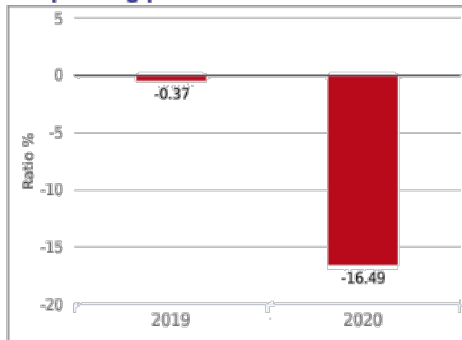
Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio (16.49)%

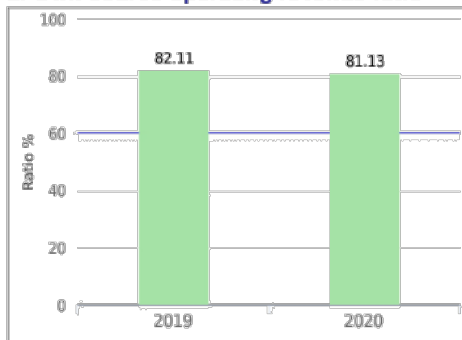
Council's operating performance ratio was significantly under the benchmark in 2019-20. This ratio focuses on operating performance and capital grants and contributions and fair value adjustments are excluded. Events including Bushfires, Floods and COVID-19 significantly impacted Council's financial performance in 2019-20. Council will review its operations to look for innovative ways to deliver services, explore potential sources of additional income and savings in expenditure to achieve the benchmark in the future.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)  
Ratio is outside benchmark (Red bar)

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 81.13%

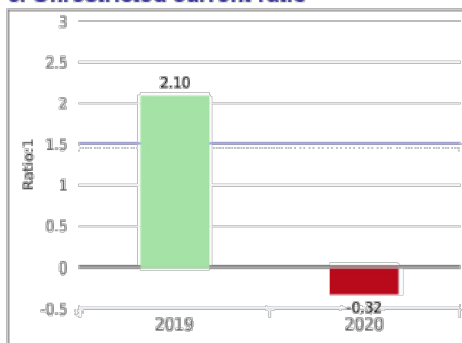
Council continues to stay above the benchmark of 60% which shows that Council is not heavily reliant on income from grants and contributions to fund its ongoing operations and demonstrates a level of fiscal flexibility if faced with unforeseen events.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)  
Ratio is outside benchmark (Red bar)

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio (0.32)x

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)  
Ratio is outside benchmark (Red bar)

Central Coast Council

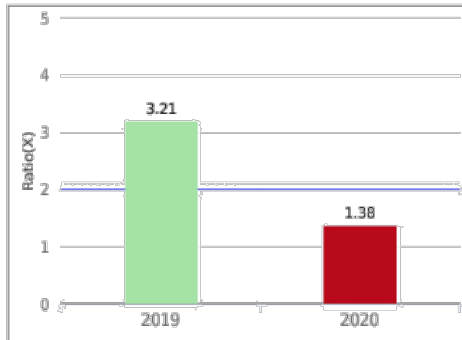
Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.38x

Council's debt service ratio fell below the 2.0 benchmark in 2019-20, adversely impacted by Council's operating result and balloon loan repayments that fell due during the year.

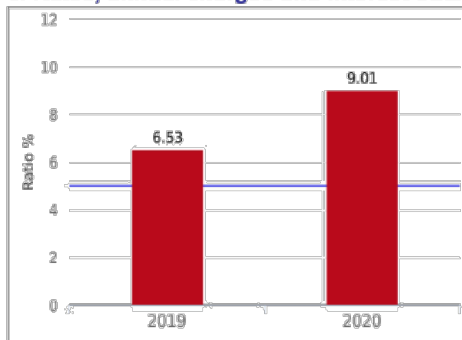
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges and interest outstanding percentage



Purpose of rates, annual charges and interest outstanding percentage

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

Commentary on 2019/20 result

2019/20 ratio 9.01%

This benchmark is relevant to Councils where the final rate instalment is due for payment on 31 May each year - not Water Supply Authority Councils. Water notices are issued on a quarterly basis throughout the year and are due for payment in the next month. This impacts this ratio, as notices issued at the end of the financial year are due for payment in the following year. In addition, Council did not undertake recovery action on outstanding accounts from mid-March to 30 June 2020 due to COVID-19 which negatively impacted payments to Council.

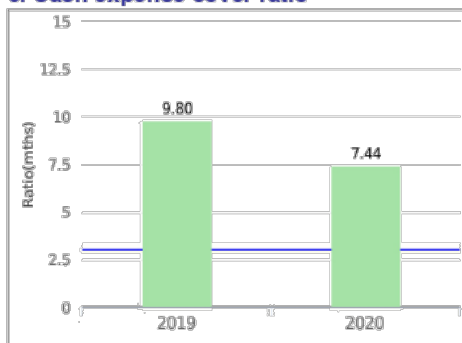
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 7.44 mths

Council's cash coverage ratio continued to sit above the 3.0 month benchmark as at 30 June 2020.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

## Central Coast Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 29. Council information and contact details

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**Principal place of business**

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

**Contact details****Mailing Address:**

PO Box 20, Wyong NSW 2259  
PO Box 21, Gosford NSW 2250

**Telephone:** 1300 463 954**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

**Internet:** [www.centralcoast.nsw.gov.au](http://www.centralcoast.nsw.gov.au)**Email:** [ask@centralcoast.nsw.gov.au](mailto:ask@centralcoast.nsw.gov.au)**Officers****CHIEF EXECUTIVE OFFICER**

David Farmer

**Interim Administrator**

Dick Persson

**RESPONSIBLE ACCOUNTING OFFICER**

Natalia Cowley

**PUBLIC OFFICER**

Shane Sullivan

**AUDITORS**

Audit Office of NSW  
Level 19, Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 2000

**Other information****ABN:** 73 149 644 003



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Central Coast Council

To the Interim Administrator of Central Coast Council

### Qualified Opinion

I have audited the accompanying financial statements of Central Coast Council (the Council), which comprise the Statement by the Interim Administrator and Management, the Income Statement and 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 Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Qualified Opinion

#### Valuation of roads, bridges and footpath assets

As disclosed in Note 10, the Council recognised \$1.4 billion of roads, \$37.1 million of bridges and \$99.1 million of footpath assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2020. In the Statement by the Interim Administrator and Management, the Council certified that they were unable to provide sufficient evidence to support the carrying value of these assets. This is because the last valuation of these assets was in the year ended 30 June 2015, and the Council has not conducted a more recent valuation in accordance with AASB 116 'Property, Plant and Equipment' (AASB 116). As a result, this is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to demonstrate the roads, bridges and footpath assets were measured at fair value in accordance with AASB 116 in the Statement of Financial Position at 30 June 2020, or determine the impact on the Statement of Comprehensive Income for the year ended 30 June 2020.



**Correction of errors relating to a previous reporting period**

The Council has disclosed a correction of error in Note 16(b) 'Correction of errors relating to a previous reporting period', which changed comparative information in Note 7(c) 'Restricted cash, cash equivalents and investments'. This disclosure results from a change in the Council's interpretation of the relevant legislation. For the reasons described below, I believe this is a change in accounting policy and not an error.

The former Wyong Shire and Gosford City Councils determined that cash, cash equivalents and investments associated with their Water Supply Authority's operations were 'unrestricted'. The former councils' final financial statements for the period ended 12 May 2016 disclosed these amounts as unrestricted cash, cash equivalents and investments in the relevant note disclosures.

The former councils made this decision because their Water Supply Authority operations were regulated by the Water Management Act 2000 (WM Act), rather than the *Local Government Act 1993* (LG Act). Unlike the LG Act, there is no explicit requirement to restrict water, sewerage and drainage charges collected under the WM Act.

In 2016, the former councils amalgamated to form Central Coast Council. The merged Council continued the former councils' policy of treating cash, cash equivalents and investments applicable to the Water Supply Authority's operations as unrestricted, and classified them accordingly in its financial statements for the period ended 30 June 2017, and years ended 30 June 2018 and 30 June 2019. The Council's Water Supply Authority operations are also regulated by the WM Act and not the LG Act.

In my opinion, the Council's classification of the Water Supply Authority's cash, cash equivalents and investments as unrestricted in the financial statements for the period ended 30 June 2017, and years ended 30 June 2018 and 30 June 2019 was based on information the Council considered reliable at the time. There has been no change in the legal framework since that decision.

My opinion on the reasonableness of the Council's previous interpretation of the relevant legislation is supported by the NSW Crown Solicitor's advice, which outlines there is merit to the argument that money received under the WM Act is not externally restricted for the purposes of the LG Act. The NSW Crown Solicitor also notes that the position is not without doubt, and while the preferred view is that these monies are restricted, the treatment as unrestricted is not without merit. This means that there are two reasonably argued interpretations of the legal framework.

Consequently, as the Council's previous position to treat charges levied under the WM Act as unrestricted has legal merit, the disclosure and classification of the change in 2020 as an error does not comply with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'. In my opinion, the characterisation of the change as an error is not correct because there are two reasonably argued interpretations of the legal framework. It is therefore a voluntary change in accounting policy. The significance of this to users' understanding of the Council's financial statements makes this a material disclosure deficiency.

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

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

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (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 councils
- precluding the Auditor-General from providing non audit services.

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

### **Emphasis of Matters**

#### **Compliance with the *Local Government Act 1993***

I draw attention to Note 16(b) 'Correction of errors relating to previous reporting period', where the Council has determined monies collected by the Water Supply Authority are externally restricted by the *Local Government Act 1993*. Notwithstanding the title of Note 16(b) which is subject to the qualification above, having elected to treat monies collected under the WM Act as restricted, and accessing those funds without the required approvals, the Council has breached sections 409 and 410 of the *Local Government Act 1993* during the year ended 30 June 2020. My opinion is not modified in respect of this matter.

#### **Significant accounting estimates and judgements**

I draw attention to the 'Going Concern' disclosures within Note 1(b) 'Significant accounting estimates and judgements', which describes the financial statements as having been prepared on a going concern basis and the actions taken by the Council to address the unapproved use of restricted funds in breach of the *Local Government Act 1993*. My opinion is not modified in respect of this matter.

### **Other Information**

The Council'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 is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule Permissible income for general rates.

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 *Local Government Act 1993*, 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 Council'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.

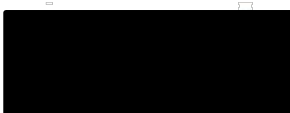
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate,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

Reference to the NSW Crown Solicitor's advice in the 'Basis for Qualified Opinion' section of my report does not reduce my responsibility for my qualified audit opinion.

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](http://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 Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- 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.



David Daniels  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

10 May 2021  
SYDNEY



Mr Dick Persson  
Interim Administrator  
Central Coast Council  
2 Hely Street  
WYONG NSW 2259

Contact: David Daniels  
Phone no: 02 9275 7103  
Our ref: D2105469/1710

10 May 2021

Dear Administrator

**Report on the Conduct of the Audit  
for the year ended 30 June 2020  
Central Coast Council**

I have audited the general purpose financial statements (GPFS) of the Central Coast Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed a modified opinion on the Council's GPFS, for the matters noted below.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

**Matters that modified the opinion in the Independent Auditor's Report**

**Valuation of roads, bridges and footpath assets**

As disclosed in Note 10 of the Council's GPFS, the Council recognised \$1.4 billion of roads, \$37.1 million of bridges and \$99.1 million of footpath assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2020. In the Statement by the Interim Administrator and Management, the Council certified that they were unable to provide sufficient evidence to support the carrying value of these assets. This is because the last valuation of these assets was in the year ended 30 June 2015, and the Council has not conducted a more recent valuation in accordance with AASB 116 'Property, Plant and Equipment' (AASB 116). As a result, this is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to demonstrate the roads, bridges and footpath assets were measured at fair value in accordance with AASB 116 in the Statement of Financial Position at 30 June 2020, or determine the impact on the Statement of Comprehensive Income for the year ended 30 June 2020.

Refer to the Independent Auditor's Report on the GPFS.

### **Correction of errors relating to a previous reporting period**

The Council has disclosed a correction of error in Note 16(b) 'Correction of errors relating to a previous reporting period' of the GPFS, which changed comparative information in Note 7(c) 'Restricted cash, cash equivalents and investments'. This disclosure results from a change in the Council's interpretation of the relevant legislation. For the reasons described below, I believe this is a change in accounting policy and not an error.

The former Wyong Shire and Gosford City Councils determined that cash, cash equivalents and investments associated with their Water Supply Authority's operations were 'unrestricted'. The former councils' final financial statements for the period ended 12 May 2016 disclosed these amounts as unrestricted cash, cash equivalents and investments in the relevant note disclosures.

The former councils made this decision because their Water Supply Authority operations were regulated by the *Water Management Act 2000* (WM Act), rather than the *Local Government Act 1993* (LG Act). Unlike the LG Act, there is no explicit requirement to restrict water, sewerage and drainage charges collected under the WM Act.

In 2016, the former councils amalgamated to form Central Coast Council. The merged Council continued the former councils' policy of treating cash, cash equivalents and investments applicable to the Water Supply Authority's operations as unrestricted, and classified them accordingly in its financial statements for the period ended 30 June 2017, and years ended 30 June 2018 and 30 June 2019. The Council's Water Supply Authority operations are also regulated by the WM Act and not the LG Act.

In my opinion, the Council's classification of the Water Supply Authority's cash, cash equivalents and investments as unrestricted in the financial statements for the period ended 30 June 2017, and years ended 30 June 2018 and 30 June 2019 was based on information the Council considered reliable at the time. There has been no change in the legal framework since that decision.

My opinion on the reasonableness of the Council's previous interpretation of the relevant legislation is supported by the NSW Crown Solicitor's advice, which outlines there is merit to the argument that money received under the WM Act is not externally restricted for the purposes of the LG Act. The NSW Crown Solicitor also notes that the position is not without doubt, and while the preferred view is that these monies are restricted, the treatment as unrestricted is not without merit. This means that there are two reasonably argued interpretations of the legal framework.

Consequently, as the Council's previous position to treat charges levied under the WM Act as unrestricted has legal merit, the disclosure and classification of the change in 2020 as an error does not comply with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'. In my opinion, the characterisation of the change as an error is not correct because there are two reasonably argued interpretations of the legal framework. It is therefore a voluntary change in accounting policy. The significance of this to users' understanding of the Council's financial statements makes this a material disclosure deficiency.

Refer to the Independent Auditor's Report on the GPFS.

### **Matters relating to compliance with legislative requirements**

#### **Breach of the *Local Government Act 1993***

In Note 16(b) 'Correction of errors relating to previous reporting period' of the Council's GPFS, the Council has determined monies collected by the Water Supply Authority are externally restricted by the *Local Government Act 1993*. Notwithstanding the title of Note 16(b) which is subject to the modification referred to above, having elected to treat monies collected under the *Water Management Act 2000* as restricted, and accessing those funds without the required approvals, the Council has breached sections 409 and 410 of the *Local Government Act 1993* during the year ended 30 June 2020.

Refer to the Independent Auditor's Report on the GPFS.

**Breach of the Local Government (General) Regulation 2005**

Section 212 of the *Local Government (General) Regulation 2005* (the Regulation) requires the responsible accounting officer of a council to provide a written report to be presented each month, setting out details of all money the council has invested. Council uses an 'Investment Report' to fulfil this obligation. The Council did not present an Investment Report for the months of November 2019, February 2020, April 2020, July 2020 and September 2020, resulting in a breach of the Regulation. These reports were presented at subsequent Council meetings.

**Extreme and high risk matters**

The following extreme and high risk matters of governance interest were identified during my audit. Extreme risk matters have very high consequences and are almost certain to occur, while high risk matters have high consequences and are likely to occur.

**Managing cash flows and restrictions (extreme risk)**

The Council spent restricted funds for unrestricted purposes during 2019–20, without the appropriate approvals under the *Local Government Act 1993*. This indicates the Council's oversight of its current and forecast cash flow situation was not always effective. Council uses a monthly 'Investment Report' to understand its historical cash and investment position compared to restricted funds. However, these reports did not include forecasts of expected cash and investment positions compared to restricted funds, impacting effectiveness of cash flow management.

**Documentation of legislative and operational requirements for restricted funds was inadequate (high risk)**

Council did not have a policy document or framework setting out legislative and operational requirements for each category of externally restricted funds. Council was unable to provide the basis for some externally restricted funds. The absence of this documentation increases the risk of restricted funds being used for inappropriate purposes in breach of legislation, especially in an environment of high staff turnover.

**Valuation of roads, bridges and footpath assets (high risk)**

As noted above, I was unable to obtain sufficient appropriate audit evidence to demonstrate that roads, bridges and footpath assets were measured at fair value in accordance with AASB 116 'Property, Plant and Equipment' in the Statement of Financial Position at 30 June 2020. This qualification could have been avoided if Council had performed a timely full revaluation of these asset classes.

The last full revaluation of these assets occurred in 2014–15 as part of the former Gosford City and Wyong Shire Councils. The Council was initially planning to perform a full revaluation of these assets in 2019–20 (given the five-year gap between valuations) but after 30 June 2020 determined to defer the revaluation to 2020–21.

**Financial statements preparation and review process (high risk)**

Council submitted the financial statements for the audit on 13 November 2020, one month after the agreed date. The financial statements included significant presentation issues, material misstatements and disclosure deficiencies. There was no documented evidence of timely quality review of the financial statements and associated supporting workpapers.

**Reconciliations of key accounts and sub-ledgers (high risk)**

Some monthly account reconciliations were not prepared and reviewed on a timely basis. Supporting documentation was not consistently attached to explain reconciling items, and some reconciling items were not explained.



Council maintains several information systems for processing revenue transactions. Each day, the sub-ledger systems interface with the general ledger to transfer and update revenue data. We identified:

- reconciliations were not performed between the general ledger and sub-ledger systems to ensure all transactions are reflected correctly in the general ledger
- the interface transfer often requires manual intervention to ensure the transfer occurs. There is no audit trail, or evidence of review of changes made to these transfers.

#### Information technology general computer controls (high risk)

Council did not perform privileged user access reviews for one of the key financial systems, and did not review privileged user accounts' activity logs. This means there is increased risk of users circumventing normal control processes without detection.

#### Valuation of Community and Crown Land (high risk)

Council did not have a formal process to regularly review the carrying values of Community and Crown Land assets against valuations from the Valuer-General of New South Wales (VG). As a result, the carrying values of these assets did not reflect the most recent VG valuation as at 1 July 2019. Council processed an increment of \$39.4 million to correct the carrying values of these assets.

## INCOME STATEMENT

### Operating result

|  | 2020<br>\$m | 2019<br>\$m | Variance<br>% |
|--|-------------|-------------|---------------|
| Rates and annual charges revenue                             | 321.9       | 362.7       | ↓ 11.2        |
| Grants and contributions revenue                             | 111.3       | 108.1       | ↑ 3.0         |
| Operating result from continuing operations                  | (21.8)      | 62.4        | ↓ 135         |
| Net operating result before capital grants and contributions | (88.7)      | (5.1)       | ↓ 1,631       |

The Council's operating result from continuing operations (\$21.8 million deficit including depreciation and amortisation expense of \$157.1 million) was \$84.2 million lower than the 2018–19 result. This is due to:

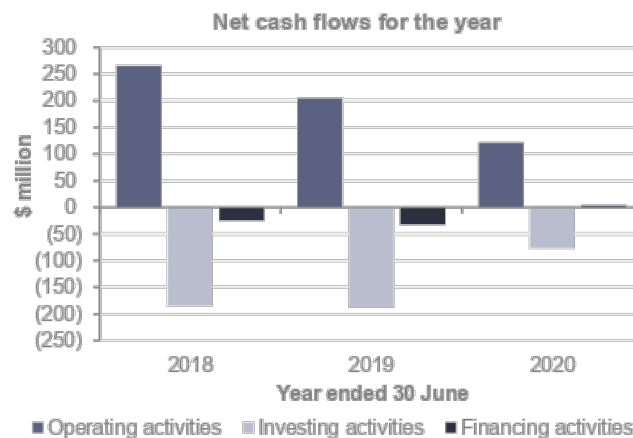
- a \$40.8 million (11.2 per cent) reduction in rates and annual charges revenue
- a \$22.1 million (11.1 per cent) increase in employee benefits and on-costs, due to an increase in staff numbers
- a \$11.5 million (7.9 per cent) increase in depreciation and amortisation, reflecting an increase in capital assets
- expenditure on materials and contracts of \$119.1 million was maintained at a similar level to that of 2018–19 (\$118.7 million).

Grants and contributions revenue (\$111.3 million) increased by \$3.2 million (3.0 per cent) in 2019–20 mainly due to an increase in capital grants received during the year.

The net operating result before capital grants and contributions (\$88.7 million deficit) was \$83.6 million lower than the 2018–19 result.

## STATEMENT OF CASH FLOWS

Cash and cash equivalents and current investments balances decreased from \$384.8 million to \$258.5 million at 30 June 2020. Net cash provided by operating activities reduced in the current year.



## FINANCIAL POSITION

### Cash and investments

| Cash and investments        | 2020         | 2019         | Commentary  |
|-----------------------------|--------------|--------------|---|
|                             | \$m          | \$m          |   |
| External restrictions       | 421.4        | 406.8        | External restrictions are balances that are restricted for a specific use due to legislative or contractual obligations.  |
| Internal restrictions       | 111.7        | 114.7        |   |
| Unrestricted                | (170.4)      | (43.0)       | Internal restrictions are balances that are restricted for a specific use by way of a Council resolution.<br>Unrestricted balances provide liquidity for day-to-day operations. |
| <b>Cash and investments</b> | <b>362.7</b> | <b>478.5</b> |   |

The 2019 restricted cash and investments were restated as referred to in Note 16(b) 'Correction of errors relating to a previous reporting period' of the GPFS. This note is subject to an audit modification, refer to [Significant audit issues and observations](#).

### Debt

The Council has bank overdraft facilities of \$0.5 million which remained unused as at 30 June 2020.

**PERFORMANCE**

**Performance measures**

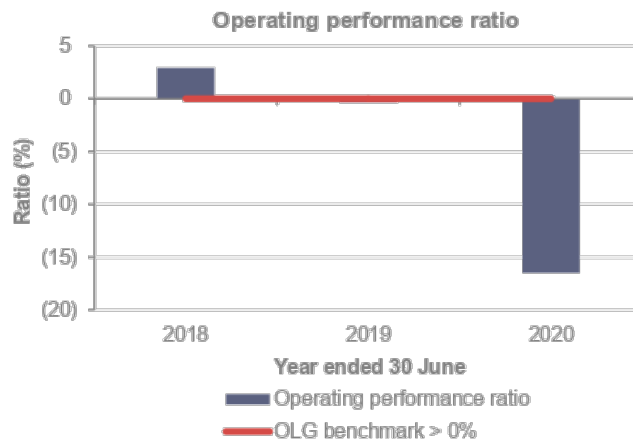
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

**Operating performance ratio**

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

The Council did not meet the OLG benchmark for the current reporting period.

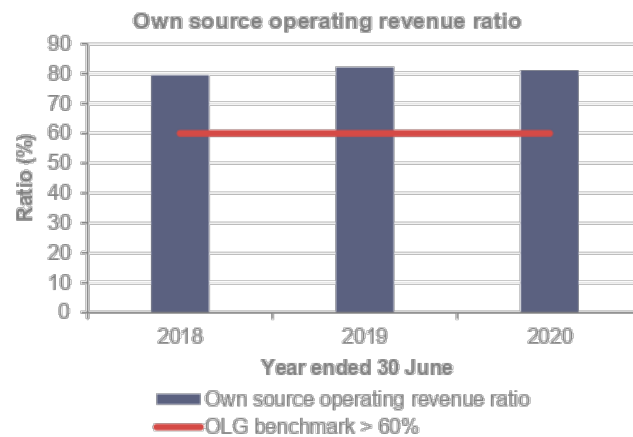
Note the operating performance ratio for 2019 was zero (rounded).



**Own source operating revenue ratio**

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

The Council exceeded the OLG benchmark for the current reporting period.

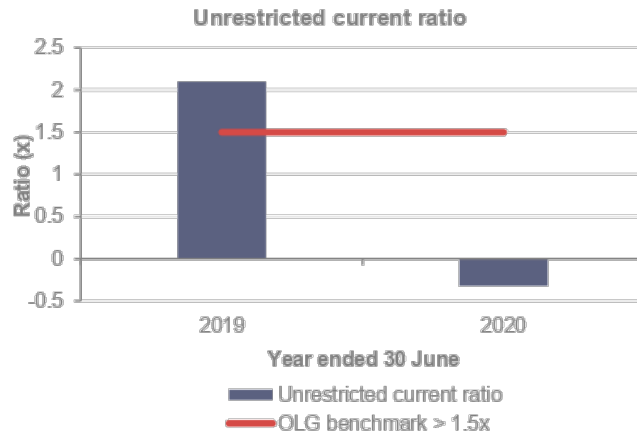


**Unrestricted current ratio**

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

The Council did not meet the OLG benchmark for the current reporting period.

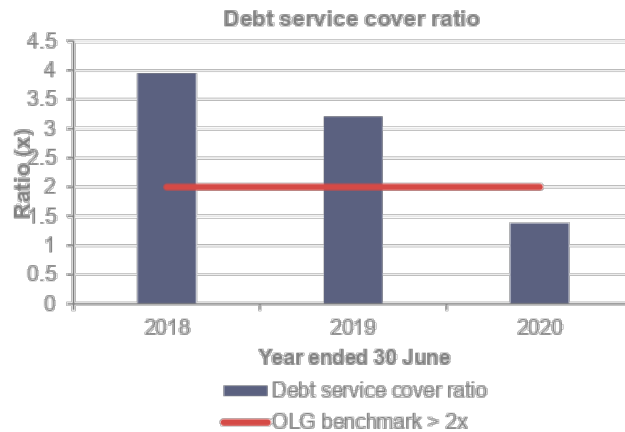
The Council has disclosed a correction of error in Note 16(b) 'Correction of errors relating to a previous reporting period' of the GPFS, which changed comparative information in Note 7(c) 'Restricted cash, cash equivalents and investments'. This was the earliest prior period presented in the 30 June 2020 GPFS. The 2019 ratio was restated as a result. Refer to [Significant audit issues and observations](#).



**Debt service cover ratio**

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

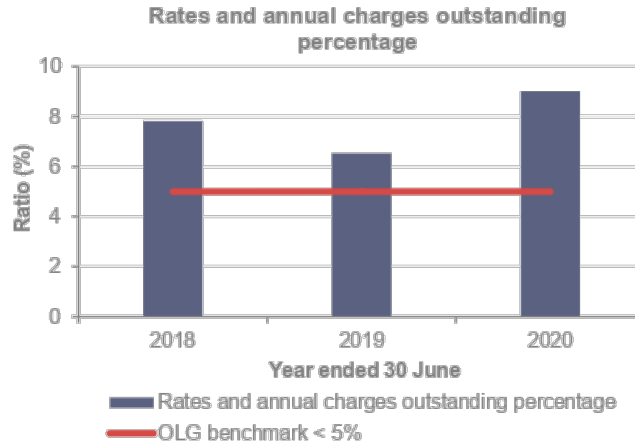
The Council did not meet the OLG benchmark for the current reporting period.



**Rates and annual charges outstanding percentage**

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.

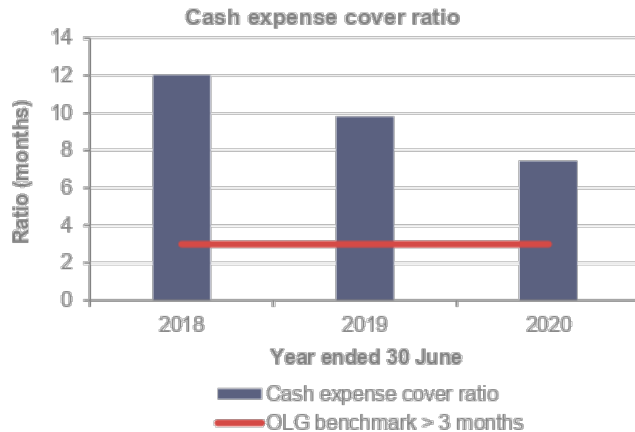
The Council exceeded the OLG benchmark for the current reporting period.



**Cash expense cover ratio**

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

The Council exceeded the OLG benchmark for the current reporting period.



**Infrastructure, property, plant and equipment renewals**

Asset additions were \$265.7 million in 2019–20, compared to \$172.9 million in the prior year. Of this amount, \$68.4 million related to roads, \$26.2 million related to stormwater drainage and \$20.6 million related to the water supply network.

The Council did not separately disclose asset renewals in the GPFS.

As noted above, the Independent Auditor's Opinion is modified as Council was unable to provide sufficient evidence to support the carrying value of roads, bridges and footpath assets. As a result, I was unable to obtain sufficient appropriate audit evidence to demonstrate the roads, bridges and footpath assets were measured at fair value. Refer to Significant audit issues and observations.

## **OTHER MATTERS**

### **Impact of new accounting standards**

#### **AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'**

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$14.4 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

#### **AASB 16 'Leases'**

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets of \$1.4 million and lease liabilities of \$1.4 million at 1 July 2019 on adoption of AASB 16.

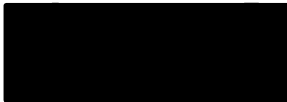
The Council disclosed the impact of adopting AASB 16 in Note 16.

### **Legislative compliance**

My audit procedures identified instances of non-compliance with legislative requirements and a material deficiency in the Council's accounting records or financial statements that will be reported in the Management Letter and to the Minister for Local Government. Refer to [Significant audit issues and observations](#).

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements, except for roads, bridges and footpath assets, where Council was unable to provide sufficient evidence to support the carrying values of these assets. Refer to [Significant audit issues and observations](#)
- staff provided all accounting records and information relevant to the audit, except for roads, bridges and footpath assets, where the Council was unable to provide sufficient evidence to support the carrying values of these assets. Refer to [Significant audit issues and observations](#).

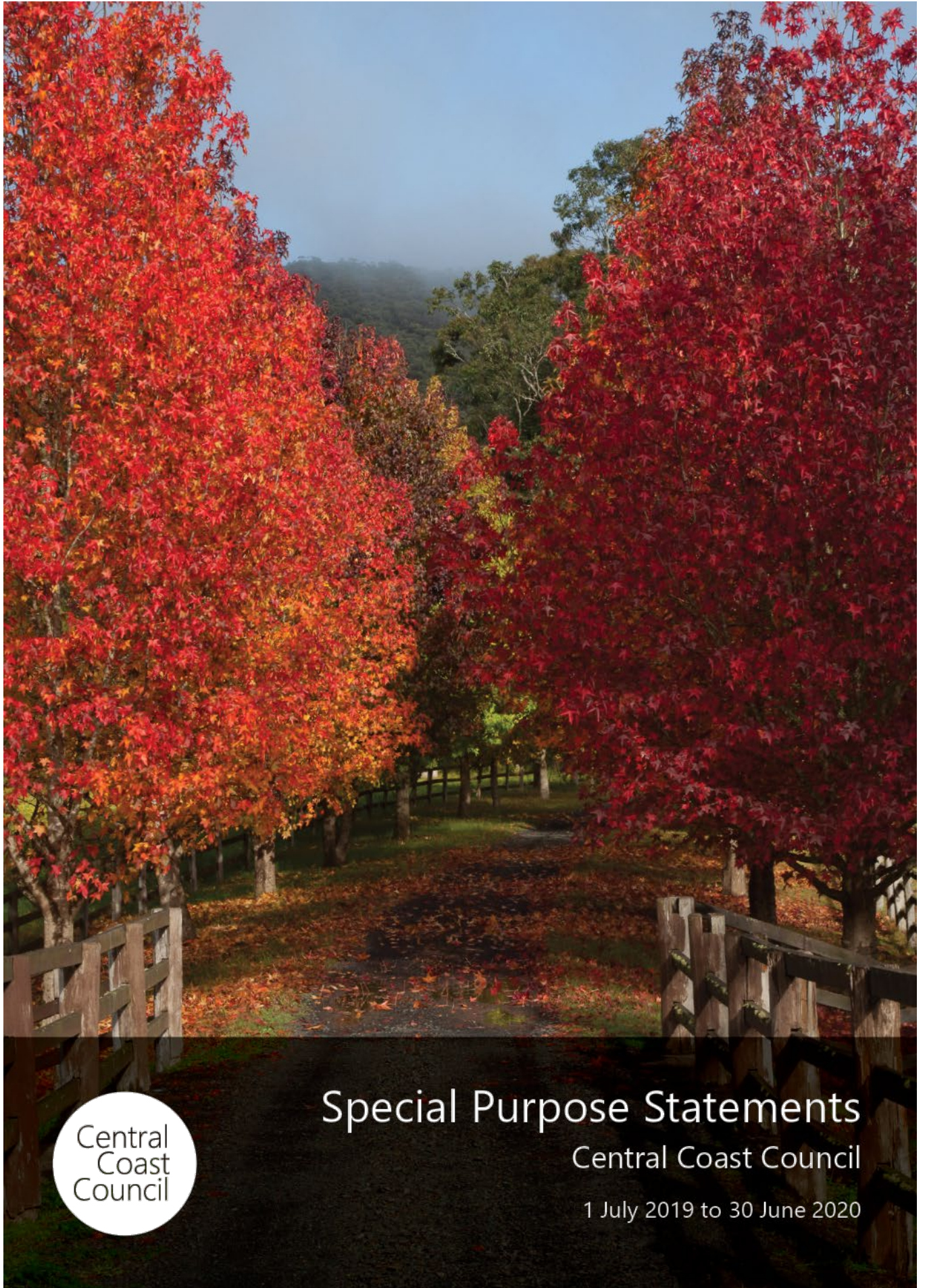


David Daniels  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: David Farmer, Chief Executive Officer  
Carl Millington, Chair of Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment





# Special Purpose Statements

Central Coast Council

1 July 2019 to 30 June 2020



**Central Coast Council**

Special Purpose Financial Statements 2020

**Special Purpose Financial Statements**

for the year ended 30 June 2020

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**Background**

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

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

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

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

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

## Central Coast Council

### Special Purpose Financial Statements

for the year ended 30 June 2020

#### Statement by Interim Administrator and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year,
- accord with Council's accounting and other records, and
- present overhead reallocation charges to businesses as fair and reasonable.

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 Farnham  
Chief Executive Officer  
30 April 2021

  
Natalia Cowley  
Responsible Accounting Officer  
30 April 2021

## Central Coast Council

Special Purpose Financial Statements 2020

### Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

| \$ '000  | 2020            | 2019           |
|--|-----------------|----------------|
| <b>Income from continuing operations</b>                                     |                 |                |
| Access charges   | 11,325          | 25,467         |
| User charges   | 57,452          | 62,535         |
| Fees   | 1,607           | 1,045          |
| Interest   | 1,211           | 2,123          |
| Grants and contributions provided for non-capital purposes                   | 17              | 5              |
| Other income   | 82              | 198            |
| <b>Total income from continuing operations</b>                               | <b>71,694</b>   | <b>91,373</b>  |
| <b>Expenses from continuing operations</b>                                   |                 |                |
| Employee benefits and on-costs   | 18,010          | 15,864         |
| Borrowing costs  | 11,315          | 12,962         |
| Materials and contracts  | 16,028          | 10,777         |
| Depreciation, amortisation and impairment                                    | 27,198          | 26,397         |
| Water purchase charges   | 464             | 1,757          |
| Loss on sale of assets   | 1,004           | 596            |
| Calculated taxation equivalents  | 612             | 616            |
| Other expenses   | 17,278          | 16,879         |
| <b>Total expenses from continuing operations</b>                             | <b>91,909</b>   | <b>85,848</b>  |
| <b>Surplus (deficit) from continuing operations before capital amounts</b>   | <b>(20,215)</b> | <b>5,525</b>   |
| Grants and contributions provided for capital purposes                       | 6,117           | 4,302          |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>(14,098)</b> | <b>9,827</b>   |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>(14,098)</b> | <b>9,827</b>   |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | –               | (1,519)        |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(14,098)</b> | <b>8,308</b>   |
| <b>Opening accumulated surplus</b>   | <b>964,704</b>  | <b>954,261</b> |
| Changes due to AASB 1058 and AASB 15 adoption                                | (2,404)         | –              |
| <b>Adjustments for amounts unpaid:</b>                                       |                 |                |
| – Taxation equivalent payments   | 612             | 616            |
| – Corporate taxation equivalent  | –               | 1,519          |
| <b>Closing accumulated surplus</b>   | <b>948,814</b>  | <b>964,704</b> |
| <b>Return on capital %</b>   | <b>(0.8)%</b>   | <b>1.6%</b>    |
| <b>Subsidy from Council</b>  | <b>19,039</b>   | <b>–</b>       |
| <b>Calculation of dividend payable:</b>                                      |                 |                |
| Surplus (deficit) after tax  | (14,098)        | 8,308          |
| Less: capital grants and contributions (excluding developer contributions)   | (6,117)         | (4,302)        |
| <b>Surplus for dividend calculation purposes</b>                             | <b>–</b>        | <b>4,006</b>   |
| <b>Potential dividend calculated from surplus</b>                            | <b>–</b>        | <b>2,003</b>   |

## Central Coast Council

Special Purpose Financial Statements 2020

### Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

| \$ '000  | 2020             | 2019             |
|--|------------------|------------------|
| <b>Income from continuing operations</b>                                     |                  |                  |
| Access charges   | 52,685           | 81,791           |
| User charges   | 15,398           | 2,481            |
| Liquid trade waste charges   | 2,180            | 2,369            |
| Fees   | 868              | 1,094            |
| Interest   | 3,659            | 4,017            |
| Grants and contributions provided for non-capital purposes                   | 399              | 473              |
| Other income   | 79               | 52               |
| <b>Total income from continuing operations</b>                               | <b>75,268</b>    | <b>92,277</b>    |
| <b>Expenses from continuing operations</b>                                   |                  |                  |
| Employee benefits and on-costs   | 17,577           | 16,729           |
| Borrowing costs  | 3,906            | 4,174            |
| Materials and contracts  | 11,919           | 10,394           |
| Depreciation, amortisation and impairment                                    | 35,614           | 34,815           |
| Loss on sale of assets   | 1,262            | 1,791            |
| Calculated taxation equivalents  | 227              | 234              |
| Other expenses   | 18,635           | 16,316           |
| <b>Total expenses from continuing operations</b>                             | <b>89,140</b>    | <b>84,453</b>    |
| <b>Surplus (deficit) from continuing operations before capital amounts</b>   | <b>(13,872)</b>  | <b>7,824</b>     |
| Grants and contributions provided for capital purposes                       | 7,866            | 5,715            |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>(6,006)</b>   | <b>13,539</b>    |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>(6,006)</b>   | <b>13,539</b>    |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | -                | (2,152)          |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(6,006)</b>   | <b>11,387</b>    |
| <b>Opening accumulated surplus</b>   | <b>1,498,572</b> | <b>1,484,799</b> |
| <b>Adjustments for amounts unpaid:</b>                                       |                  |                  |
| – Taxation equivalent payments   | 227              | 234              |
| – Corporate taxation equivalent  | -                | 2,152            |
| <b>Closing accumulated surplus</b>   | <b>1,492,793</b> | <b>1,498,572</b> |
| <b>Return on capital %</b>   | <b>(0.7)%</b>    | <b>0.8%</b>      |
| <b>Subsidy from Council</b>  | <b>23,245</b>    | <b>7,648</b>     |
| <b>Calculation of dividend payable:</b>                                      |                  |                  |
| Surplus (deficit) after tax  | (6,006)          | 11,387           |
| Less: capital grants and contributions (excluding developer contributions)   | (7,866)          | (5,715)          |
| <b>Surplus for dividend calculation purposes</b>                             | <b>-</b>         | <b>5,672</b>     |
| <b>Potential dividend calculated from surplus</b>                            | <b>-</b>         | <b>2,836</b>     |

## Central Coast Council

Special Purpose Financial Statements 2020

### Income Statement – Drainage

for the year ended 30 June 2020

| \$ '000  | 2020<br>Category 1 | 2019<br>Category 1 |
|--|--------------------|--------------------|
| <b>Income from continuing operations</b>                                   |                    |                    |
| Access charges   | 14,345             | 17,792             |
| Interest   | 53                 | 209                |
| Grants and contributions provided for non-capital purposes                 | 177                | 332                |
| Other income   | 18                 | –                  |
| <b>Total income from continuing operations</b>                             | <b>14,593</b>      | <b>18,333</b>      |
| <b>Expenses from continuing operations</b>                                 |                    |                    |
| Employee benefits and on-costs   | 1,969              | 2,172              |
| Borrowing costs  | 635                | 602                |
| Materials and contracts  | 3,876              | 1,820              |
| Depreciation, amortisation and impairment                                  | 15,863             | 15,439             |
| Loss on sale of assets   | 293                | 627                |
| Calculated taxation equivalents  | 69                 | 65                 |
| Other expenses   | 7,003              | 6,431              |
| <b>Total expenses from continuing operations</b>                           | <b>29,708</b>      | <b>27,156</b>      |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <b>(15,115)</b>    | <b>(8,823)</b>     |
| Grants and contributions provided for capital purposes                     | 2,784              | 15,860             |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <b>(12,331)</b>    | <b>7,037</b>       |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(12,331)</b>    | <b>7,037</b>       |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(12,331)</b>    | <b>7,037</b>       |
| <b>Opening accumulated surplus</b>   | 1,033,595          | 1,026,493          |
| Changes due to AASB 1058 and AASB 15 adoption                              | (98)               | –                  |
| <b>Adjustments for amounts unpaid:</b>                                     |                    |                    |
| – Taxation equivalent payments   | 69                 | 65                 |
| <b>Closing accumulated surplus</b>   | <b>1,021,235</b>   | <b>1,033,595</b>   |
| <b>Return on capital %</b>   | <b>(1.4)%</b>      | <b>(0.8)%</b>      |
| <b>Subsidy from Council</b>  | <b>23,862</b>      | <b>22,283</b>      |

## Central Coast Council

Special Purpose Financial Statements 2020

### Income Statement – Holiday Parks

for the year ended 30 June 2020

| \$ '000  | 2020<br>Category 1 | 2019<br>Category 1 |
|--|--------------------|--------------------|
| <b>Income from continuing operations</b>                                     |                    |                    |
| User charges   | 9,077              | 10,105             |
| <b>Total income from continuing operations</b>                               | <b>9,077</b>       | <b>10,105</b>      |
| <b>Expenses from continuing operations</b>                                   |                    |                    |
| Employee benefits and on-costs   | 264                | 245                |
| Materials and contracts  | 2,795              | 3,494              |
| Depreciation, amortisation and impairment                                    | 678                | 618                |
| Loss on sale of assets   | 17                 | –                  |
| Calculated taxation equivalents  | 280                | 279                |
| Other expenses   | 4,201              | 3,809              |
| <b>Total expenses from continuing operations</b>                             | <b>8,235</b>       | <b>8,445</b>       |
| <b>Surplus (deficit) from continuing operations before capital amounts</b>   | <b>842</b>         | <b>1,660</b>       |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>842</b>         | <b>1,660</b>       |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>842</b>         | <b>1,660</b>       |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (232)              | (457)              |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>610</b>         | <b>1,203</b>       |
| <b>Opening accumulated surplus</b>   | 26,749             | 39,271             |
| <b>Other adjustments (prior year dividend payable to Council)</b>            | –                  | (9,718)            |
| <b>Adjustments for amounts unpaid:</b>                                       |                    |                    |
| – Taxation equivalent payments   | 280                | 279                |
| – Corporate taxation equivalent  | 232                | 457                |
| – Subsidy paid/contribution to operations                                    | 1,057              | –                  |
| – Dividend payable   | –                  | (4,743)            |
| <b>Closing accumulated surplus</b>   | <b>28,928</b>      | <b>26,749</b>      |
| <b>Return on capital %</b>   | 4.3%               | 8.8%               |
| <b>Subsidy from Council</b>  | –                  | –                  |



## Central Coast Council

Special Purpose Financial Statements 2020

### Income Statement – Leisure Centres

for the year ended 30 June 2020

| \$ '000  | 2020<br>Category 1    | 2019<br>Category 1    |
|--|-----------------------|-----------------------|
| <b>Income from continuing operations</b>                                   |                       |                       |
| User charges   | 5,246                 | 6,589                 |
| Other income   | 383                   | 466                   |
| <b>Total income from continuing operations</b>                             | <u>5,629</u>          | <u>7,055</u>          |
| <b>Expenses from continuing operations</b>                                 |                       |                       |
| Employee benefits and on-costs   | 5,922                 | 6,182                 |
| Materials and contracts  | 2,675                 | 2,177                 |
| Depreciation, amortisation and impairment                                  | 1,256                 | 1,163                 |
| Loss on sale of assets   | 653                   | –                     |
| Calculated taxation equivalents  | 412                   | 421                   |
| Other expenses   | 895                   | 793                   |
| <b>Total expenses from continuing operations</b>                           | <u>11,813</u>         | <u>10,736</u>         |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | (6,184)               | (3,681)               |
| Grants and contributions provided for capital purposes                     | 263                   | 281                   |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <u>(5,921)</u>        | <u>(3,400)</u>        |
| <b>Surplus (deficit) from all operations before tax</b>                    | <b>(5,921)</b>        | <b>(3,400)</b>        |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <u><b>(5,921)</b></u> | <u><b>(3,400)</b></u> |
| Opening accumulated surplus  | 40,686                | (7,938)               |
| Other adjustments (prior year subsidy payable by Council)                  | –                     | 41,756                |
| Revaluations   | –                     | 5,488                 |
| Adjustments for amounts unpaid:  |                       |                       |
| – Taxation equivalent payments   | 412                   | 421                   |
| – Subsidy payable/contribution to operations by Council                    | 3,195                 | 4,359                 |
| <b>Closing accumulated surplus</b>   | <u>38,372</u>         | <u>40,686</u>         |
| <b>Return on capital %</b>   | (13.6)%               | (8.6)%                |
| <b>Subsidy from Council</b>  | 6,589                 | 4,248                 |

## Central Coast Council

Special Purpose Financial Statements 2020

### Income Statement – Child Care

for the year ended 30 June 2020

| \$ '000  | 2020<br>Category 1 | 2019<br>Category 1 |
|--|--------------------|--------------------|
| <b>Income from continuing operations</b>                                   |                    |                    |
| User charges   | 5,188              | 6,427              |
| Grants and contributions provided for non-capital purposes                 | 2,130              | 394                |
| <b>Total income from continuing operations</b>                             | <u>7,318</u>       | <u>6,821</u>       |
| <b>Expenses from continuing operations</b>                                 |                    |                    |
| Employee benefits and on-costs   | 6,686              | 6,393              |
| Borrowing costs  | 13                 | –                  |
| Materials and contracts  | 2,148              | 1,550              |
| Depreciation, amortisation and impairment                                  | 66                 | 57                 |
| Loss on sale of assets   | –                  | 6                  |
| Calculated taxation equivalents  | 381                | 362                |
| Other expenses   | 70                 | 145                |
| <b>Total expenses from continuing operations</b>                           | <u>9,364</u>       | <u>8,513</u>       |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | (2,046)            | (1,692)            |
| Grants and contributions provided for capital purposes                     | 32                 | –                  |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <u>(2,014)</u>     | <u>(1,692)</u>     |
| <b>Surplus (deficit) from all operations before tax</b>                    | <u>(2,014)</u>     | <u>(1,692)</u>     |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <u>(2,014)</u>     | <u>(1,692)</u>     |
| <b>Opening accumulated surplus</b>   | (617)              | (3,644)            |
| Plus/less: other adjustments (prior year subsidy payable by Council)       | –                  | 2,927              |
| <b>Adjustments for amounts unpaid:</b>                                     |                    |                    |
| – Taxation equivalent payments   | 381                | 362                |
| – Subsidy payable/contribution to operations by Council                    | 1,422              | 1,430              |
| <b>Closing accumulated surplus</b>   | <u>(828)</u>       | <u>(617)</u>       |
| <b>Return on capital %</b>   | (259.6)%           | (239.3)%           |
| <b>Subsidy from Council</b>  | 2,040              | 1,701              |

## Central Coast Council

Special Purpose Financial Statements 2020

### Income Statement – Commercial Waste

for the year ended 30 June 2020

| \$ '000  | 2020<br>Category 1 | 2019<br>Category 1 |
|--|--------------------|--------------------|
| <b>Income from continuing operations</b>                                     |                    |                    |
| Access charges   | 4,055              | 4,169              |
| Interest   | 3                  | 3                  |
| <b>Total income from continuing operations</b>                               | <u>4,058</u>       | <u>4,172</u>       |
| <b>Expenses from continuing operations</b>                                   |                    |                    |
| Employee benefits and on-costs   | –                  | 2                  |
| Materials and contracts  | 1,573              | 1,232              |
| Other expenses   | 2,527              | 1,706              |
| <b>Total expenses from continuing operations</b>                             | <u>4,100</u>       | <u>2,940</u>       |
| <b>Surplus (deficit) from continuing operations before capital amounts</b>   | <u>(42)</u>        | <u>1,232</u>       |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <u>(42)</u>        | <u>1,232</u>       |
| <b>Surplus (deficit) from all operations before tax</b>                      | <u>(42)</u>        | <u>1,232</u>       |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | –                  | (339)              |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <u>(42)</u>        | <u>893</u>         |
| <b>Opening accumulated surplus</b>   | (243)              | 4,035              |
| <b>Other adjustments (prior year dividend payable to Council)</b>            | –                  | (4,387)            |
| <b>Adjustments for amounts unpaid:</b>                                       |                    |                    |
| – Corporate taxation equivalent  | –                  | 339                |
| – Subsidy paid/contribution to operations                                    | 834                | –                  |
| – Dividend payable   | –                  | (1,123)            |
| <b>Closing accumulated surplus</b>   | <u>549</u>         | <u>(243)</u>       |
| <b>Return on capital %</b>   | 0.0%               | 0.0%               |
| <b>Subsidy from Council</b>  | 42                 | –                  |

## Central Coast Council

Special Purpose Financial Statements 2020

### Income Statement – Building Certification

for the year ended 30 June 2020

| \$ '000  | 2020<br>Category 2 | 2019<br>Category 2 |
|--|--------------------|--------------------|
| <b>Income from continuing operations</b>                                   |                    |                    |
| Fees   | 1,263              | 1,490              |
| Other income   | 10                 | 12                 |
| <b>Total income from continuing operations</b>                             | <u>1,273</u>       | <u>1,502</u>       |
| <b>Expenses from continuing operations</b>                                 |                    |                    |
| Employee benefits and on-costs   | 3,013              | 2,878              |
| Materials and contracts  | 1,230              | 1,020              |
| Calculated taxation equivalents  | 24                 | 21                 |
| Other expenses   | 1                  | 10                 |
| <b>Total expenses from continuing operations</b>                           | <u>4,268</u>       | <u>3,929</u>       |
| <b>Surplus (deficit) from continuing operations before capital amounts</b> | <u>(2,995)</u>     | <u>(2,427)</u>     |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>  | <u>(2,995)</u>     | <u>(2,427)</u>     |
| <b>Surplus (deficit) from all operations before tax</b>                    | <u>(2,995)</u>     | <u>(2,427)</u>     |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <u>(2,995)</u>     | <u>(2,427)</u>     |
| <b>Opening accumulated surplus</b>   | (611)              | 886                |
| <b>Other adjustments (prior year dividend payable to Council)</b>          | –                  | (1,430)            |
| <b>Adjustments for amounts unpaid:</b>                                     |                    |                    |
| – Taxation equivalent payments   | 24                 | 21                 |
| – Subsidy payable/contribution to operations by Council                    | 2,207              | 2,339              |
| <b>Closing accumulated surplus</b>   | <u>(1,375)</u>     | <u>(611)</u>       |
| <b>Return on capital %</b>   | 0.0%               | 0.0%               |
| <b>Subsidy from Council</b>  | 2,995              | 2,427              |

## Central Coast Council

Special Purpose Financial Statements 2020

### Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

| \$ '000                                       | 2020             | 2019             |
|---|------------------|------------------|
| <b>ASSETS</b>                                 |                  |                  |
| <b>Current assets</b>                         |                  |                  |
| Cash and cash equivalents                     | 7,378            | 2,999            |
| Investments                                   | 16,027           | 39,898           |
| Receivables                                   | 26,470           | 25,300           |
| <b>Total current assets</b>                   | <b>49,875</b>    | <b>68,197</b>    |
| <b>Non-current assets</b>                     |                  |                  |
| Investments                                   | 11,713           | 11,214           |
| Receivables                                   | 275              | 263              |
| Infrastructure, property, plant and equipment | 1,139,183        | 1,123,114        |
| <b>Total non-current assets</b>               | <b>1,151,171</b> | <b>1,134,591</b> |
| <b>TOTAL ASSETS</b>                           | <b>1,201,046</b> | <b>1,202,788</b> |
| <b>LIABILITIES</b>                            |                  |                  |
| <b>Current liabilities</b>                    |                  |                  |
| Contract liabilities                          | 2,596            | –                |
| Payables                                      | 9,262            | 4,486            |
| Income received in advance                    | 4,241            | 2,836            |
| Borrowings                                    | 30,351           | 36,766           |
| Provisions                                    | 5,594            | 4,863            |
| <b>Total current liabilities</b>              | <b>52,044</b>    | <b>48,951</b>    |
| <b>Non-current liabilities</b>                |                  |                  |
| Borrowings                                    | 136,675          | 135,190          |
| Provisions                                    | 1,154            | 773              |
| <b>Total non-current liabilities</b>          | <b>137,829</b>   | <b>135,963</b>   |
| <b>TOTAL LIABILITIES</b>                      | <b>189,873</b>   | <b>184,914</b>   |
| <b>NET ASSETS</b>                             | <b>1,011,173</b> | <b>1,017,874</b> |
| <b>EQUITY</b>                                 |                  |                  |
| Accumulated surplus                           | 948,814          | 964,704          |
| Revaluation reserves                          | 62,359           | 53,170           |
| <b>TOTAL EQUITY</b>                           | <b>1,011,173</b> | <b>1,017,874</b> |

## Central Coast Council

Special Purpose Financial Statements 2020

### Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

| \$ '000                                       | 2020             | 2019             |
|---|------------------|------------------|
| <b>ASSETS</b>                                 |                  |                  |
| <b>Current assets</b>                         |                  |                  |
| Cash and cash equivalents                     | 44,781           | 9,771            |
| Investments                                   | 92,584           | 127,800          |
| Receivables                                   | 15,503           | 11,839           |
| <b>Total current assets</b>                   | <b>152,868</b>   | <b>149,410</b>   |
| <b>Non-current assets</b>                     |                  |                  |
| Investments                                   | 4,512            | 3,828            |
| Receivables                                   | 11,065           | 11,529           |
| Infrastructure, property, plant and equipment | 1,492,019        | 1,488,319        |
| <b>Total non-current assets</b>               | <b>1,507,596</b> | <b>1,503,676</b> |
| <b>TOTAL ASSETS</b>                           | <b>1,660,464</b> | <b>1,653,086</b> |
| <b>LIABILITIES</b>                            |                  |                  |
| <b>Current liabilities</b>                    |                  |                  |
| Contract liabilities                          | 153              | –                |
| Payables                                      | 3,119            | 4,067            |
| Income received in advance                    | 96               | 761              |
| Borrowings                                    | 6,333            | 5,983            |
| Provisions                                    | 5,151            | 5,483            |
| <b>Total current liabilities</b>              | <b>14,852</b>    | <b>16,294</b>    |
| <b>Non-current liabilities</b>                |                  |                  |
| Income received in advance                    | 1,074            | 1,137            |
| Borrowings                                    | 61,944           | 61,714           |
| Provisions                                    | 1,652            | 1,973            |
| <b>Total non-current liabilities</b>          | <b>64,670</b>    | <b>64,824</b>    |
| <b>TOTAL LIABILITIES</b>                      | <b>79,522</b>    | <b>81,118</b>    |
| <b>NET ASSETS</b>                             | <b>1,580,942</b> | <b>1,571,968</b> |
| <b>EQUITY</b>                                 |                  |                  |
| Accumulated surplus                           | 1,492,793        | 1,498,571        |
| Revaluation reserves                          | 88,149           | 73,397           |
| <b>TOTAL EQUITY</b>                           | <b>1,580,942</b> | <b>1,571,968</b> |



**Central Coast Council**

Special Purpose Financial Statements 2020

**Statement of Financial Position – Drainage**

as at 30 June 2020

| <b>\$ '000</b>                                | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
|   | <b>Category 1</b> | <b>Category 1</b> |
| <b>ASSETS</b>                                 |                   |                   |
| <b>Current assets</b>                         |                   |                   |
| Cash and cash equivalents                     | 1                 | 18                |
| Investments                                   | 3                 | 237               |
| Receivables                                   | 2,744             | 2,220             |
| <b>Total current assets</b>                   | <b>2,748</b>      | <b>2,475</b>      |
| <b>Non-current assets</b>                     |                   |                   |
| Investments                                   | 154               | –                 |
| Receivables                                   | 1                 | –                 |
| Infrastructure, property, plant and equipment | 1,054,123         | 1,065,328         |
| Intangible assets                             | 1,703             | 1,703             |
| <b>Total non-current assets</b>               | <b>1,055,981</b>  | <b>1,067,031</b>  |
| <b>TOTAL ASSETS</b>                           | <b>1,058,729</b>  | <b>1,069,506</b>  |
| <b>LIABILITIES</b>                            |                   |                   |
| <b>Current liabilities</b>                    |                   |                   |
| Contract liabilities                          | 973               | –                 |
| Payables                                      | 1,574             | 25,714            |
| Income received in advance                    | –                 | 186               |
| Borrowings                                    | 25,177            | 709               |
| Provisions                                    | 290               | 364               |
| <b>Total current liabilities</b>              | <b>28,014</b>     | <b>26,973</b>     |
| <b>Non-current liabilities</b>                |                   |                   |
| Income received in advance                    | 1,393             | 1,377             |
| Borrowings                                    | 7,567             | 7,553             |
| Provisions                                    | 2                 | 5                 |
| <b>Total non-current liabilities</b>          | <b>8,962</b>      | <b>8,935</b>      |
| <b>TOTAL LIABILITIES</b>                      | <b>36,976</b>     | <b>35,908</b>     |
| <b>NET ASSETS</b>                             | <b>1,021,753</b>  | <b>1,033,598</b>  |
| <b>EQUITY</b>                                 |                   |                   |
| Accumulated surplus                           | 1,021,235         | 1,033,598         |
| Revaluation reserves                          | 518               | –                 |
| <b>TOTAL EQUITY</b>                           | <b>1,021,753</b>  | <b>1,033,598</b>  |

**Central Coast Council**

Special Purpose Financial Statements 2020

**Statement of Financial Position – Holiday Parks**

as at 30 June 2020

| <b>\$ '000</b>                                | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
|   | <b>Category 1</b> | <b>Category 1</b> |
| <b>ASSETS</b>                                 |                   |                   |
| <b>Current assets</b>                         |                   |                   |
| Investments                                   | 11,429            | 10,168            |
| Receivables                                   | 266               | 401               |
| Other   | –                 | 28                |
| <b>Total current assets</b>                   | <b>11,695</b>     | <b>10,597</b>     |
| <b>Non-current assets</b>                     |                   |                   |
| Infrastructure, property, plant and equipment | 19,506            | 18,874            |
| <b>Total non-current assets</b>               | <b>19,506</b>     | <b>18,874</b>     |
| <b>TOTAL ASSETS</b>                           | <b>31,201</b>     | <b>29,471</b>     |
| <b>LIABILITIES</b>                            |                   |                   |
| <b>Current liabilities</b>                    |                   |                   |
| Payables                                      | 856               | 1,678             |
| Income received in advance                    | 1,395             | 994               |
| Provisions                                    | 22                | 46                |
| <b>Total current liabilities</b>              | <b>2,273</b>      | <b>2,718</b>      |
| <b>Non-current liabilities</b>                |                   |                   |
| Provisions                                    | –                 | 4                 |
| <b>Total non-current liabilities</b>          | <b>–</b>          | <b>4</b>          |
| <b>TOTAL LIABILITIES</b>                      | <b>2,273</b>      | <b>2,722</b>      |
| <b>NET ASSETS</b>                             | <b>28,928</b>     | <b>26,749</b>     |
| <b>EQUITY</b>                                 |                   |                   |
| Accumulated surplus                           | 28,928            | 26,749            |
| <b>TOTAL EQUITY</b>                           | <b>28,928</b>     | <b>26,749</b>     |

**Central Coast Council**

Special Purpose Financial Statements 2020

**Statement of Financial Position – Leisure Centres**

as at 30 June 2020

| <b>\$ '000</b>                                | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
|   | <b>Category 1</b> | <b>Category 1</b> |
| <b>ASSETS</b>                                 |                   |                   |
| <b>Current assets</b>                         |                   |                   |
| Cash and cash equivalents                     | 4                 | 4                 |
| Receivables                                   | 35                | 94                |
| <b>Total current assets</b>                   | <b>39</b>         | <b>98</b>         |
| <b>Non-current assets</b>                     |                   |                   |
| Infrastructure, property, plant and equipment | 45,456            | 42,973            |
| <b>Total non-current assets</b>               | <b>45,456</b>     | <b>42,973</b>     |
| <b>TOTAL ASSETS</b>                           | <b>45,495</b>     | <b>43,071</b>     |
| <b>LIABILITIES</b>                            |                   |                   |
| <b>Current liabilities</b>                    |                   |                   |
| Payables                                      | 769               | 1,591             |
| Provisions                                    | 818               | 773               |
| <b>Total current liabilities</b>              | <b>1,587</b>      | <b>2,364</b>      |
| <b>Non-current liabilities</b>                |                   |                   |
| Provisions                                    | 48                | 21                |
| <b>Total non-current liabilities</b>          | <b>48</b>         | <b>21</b>         |
| <b>TOTAL LIABILITIES</b>                      | <b>1,635</b>      | <b>2,385</b>      |
| <b>NET ASSETS</b>                             | <b>43,860</b>     | <b>40,686</b>     |
| <b>EQUITY</b>                                 |                   |                   |
| Accumulated surplus                           | 38,372            | 35,198            |
| Revaluation reserves                          | 5,488             | 5,488             |
| <b>TOTAL EQUITY</b>                           | <b>43,860</b>     | <b>40,686</b>     |

**Central Coast Council**

Special Purpose Financial Statements 2020

**Statement of Financial Position – Child Care**

as at 30 June 2020

| <b>\$ '000</b>                                | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
|   | <b>Category 1</b> | <b>Category 1</b> |
| <b>ASSETS</b>                                 |                   |                   |
| <b>Current assets</b>                         |                   |                   |
| Receivables                                   | 8                 | 63                |
| <b>Total current assets</b>                   | <u>8</u>          | <u>63</u>         |
| <b>Non-current assets</b>                     |                   |                   |
| Infrastructure, property, plant and equipment | 783               | 707               |
| <b>Total non-current assets</b>               | <u>783</u>        | <u>707</u>        |
| <b>TOTAL ASSETS</b>                           | <u>791</u>        | <u>770</u>        |
| <b>LIABILITIES</b>                            |                   |                   |
| <b>Current liabilities</b>                    |                   |                   |
| Contract liabilities                          | 61                | –                 |
| Payables                                      | 246               | 260               |
| Income received in advance                    | 158               | –                 |
| Provisions                                    | 1,096             | 1,088             |
| <b>Total current liabilities</b>              | <u>1,561</u>      | <u>1,348</u>      |
| <b>Non-current liabilities</b>                |                   |                   |
| Provisions                                    | 58                | 39                |
| <b>Total non-current liabilities</b>          | <u>58</u>         | <u>39</u>         |
| <b>TOTAL LIABILITIES</b>                      | <u>1,619</u>      | <u>1,387</u>      |
| <b>NET ASSETS</b>                             | <u>(828)</u>      | <u>(617)</u>      |
| <b>EQUITY</b>                                 |                   |                   |
| Accumulated surplus                           | (828)             | (617)             |
| <b>TOTAL EQUITY</b>                           | <u>(828)</u>      | <u>(617)</u>      |

**Central Coast Council**

Special Purpose Financial Statements 2020

**Statement of Financial Position – Commercial Waste**

as at 30 June 2020

| <b>\$ '000</b>                       | <b>2020</b>       | <b>2019</b>       |
|--------------------------------------|-------------------|-------------------|
|                                      | <b>Category 1</b> | <b>Category 1</b> |
| <b>ASSETS</b>                        |                   |                   |
| <b>Current assets</b>                |                   |                   |
| Receivables                          | 766               | –                 |
| <b>Total current assets</b>          | <u>766</u>        | <u>–</u>          |
| <b>Non-current assets</b>            |                   |                   |
| Receivables                          | 2                 | –                 |
| <b>Total non-current assets</b>      | <u>2</u>          | <u>–</u>          |
| <b>TOTAL ASSETS</b>                  | <u>768</u>        | <u>–</u>          |
| <b>LIABILITIES</b>                   |                   |                   |
| <b>Current liabilities</b>           |                   |                   |
| Payables                             | 210               | 243               |
| Income received in advance           | 9                 | –                 |
| <b>Total current liabilities</b>     | <u>219</u>        | <u>243</u>        |
| <b>Non-current liabilities</b>       |                   |                   |
| Payables                             | –                 | –                 |
| <b>Total non-current liabilities</b> | <u>–</u>          | <u>–</u>          |
| <b>TOTAL LIABILITIES</b>             | <u>219</u>        | <u>243</u>        |
| <b>NET ASSETS</b>                    | <u>549</u>        | <u>(243)</u>      |
| <b>EQUITY</b>                        |                   |                   |
| Accumulated surplus                  | 549               | (243)             |
| <b>TOTAL EQUITY</b>                  | <u>549</u>        | <u>(243)</u>      |

**Central Coast Council**

Special Purpose Financial Statements 2020

**Statement of Financial Position – Building Certification**

as at 30 June 2020

| <b>\$ '000</b>                       | <b>2020</b>       | <b>2019</b>       |
|--------------------------------------|-------------------|-------------------|
|                                      | <b>Category 2</b> | <b>Category 2</b> |
| <b>ASSETS</b>                        |                   |                   |
| <b>Current assets</b>                |                   |                   |
| Cash and cash equivalents            | –                 | –                 |
| <b>Total current assets</b>          | <u>–</u>          | <u>–</u>          |
| <b>Non-current assets</b>            |                   |                   |
| Investments                          | –                 | –                 |
| <b>Total non-current assets</b>      | <u>–</u>          | <u>–</u>          |
| <b>TOTAL ASSETS</b>                  | <u>–</u>          | <u>–</u>          |
| <b>LIABILITIES</b>                   |                   |                   |
| <b>Current liabilities</b>           |                   |                   |
| Payables                             | –                 | 159               |
| Provisions                           | 1,339             | 437               |
| <b>Total current liabilities</b>     | <u>1,339</u>      | <u>596</u>        |
| <b>Non-current liabilities</b>       |                   |                   |
| Provisions                           | 36                | 15                |
| <b>Total non-current liabilities</b> | <u>36</u>         | <u>15</u>         |
| <b>TOTAL LIABILITIES</b>             | <u>1,375</u>      | <u>611</u>        |
| <b>NET ASSETS</b>                    | <u>(1,375)</u>    | <u>(611)</u>      |
| <b>EQUITY</b>                        |                   |                   |
| Accumulated surplus                  | (1,375)           | (611)             |
| <b>TOTAL EQUITY</b>                  | <u>(1,375)</u>    | <u>(611)</u>      |



## Central Coast Council

Special Purpose Financial Statements 2020

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

#### Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the *Local Government Act 1993 (NSW)*, the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy (NCP) which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'. The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return) and dividends paid.

#### Declared business activities

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

##### Category 1

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

##### a. Water supplies

Water catchment, treatment and supply.

##### b. Sewerage services

Sewerage collection, treatment and disposal.

##### c. Stormwater drainage services

Provide and maintain stormwater drainage services.

##### d. Commercial waste management

Collection and disposal of commercial waste.

##### e. Care and Education

Provision of child care services.

##### f. Holiday Parks

Provision of holiday parks.

##### g. Leisure Centres

Provision of leisure centres.

continued on next page ...

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## Central Coast Council

Special Purpose Financial Statements 2020

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

#### Note 1. Significant Accounting Policies (continued)

##### Category 2

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

##### a. Building Certification

Provision of building certification services.

##### Monetary amounts

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

##### (i) Taxation equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

##### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$734,000 of combined land values attracts 0%. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$900,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved.

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

## Central Coast Council

Special Purpose Financial Statements 2020

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

#### Note 1. Significant Accounting Policies (continued)

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

##### (iii) Return on investments (rate of return)

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

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

The rate of return is disclosed for each of Council's business activities on the Income Statement.

##### (iv) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surpluses.

Each dividend must be calculated and approved in accordance with the DoI - Water guidelines and must not exceed:

- 50% of the relevant surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to DoI - Water.

**End of Audited Special Purpose Financial Statements.**



## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statements

#### Central Coast Council

To the Interim Administrator of Central Coast Council

### Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Central Coast Council's (the Council) Declared Business Activities, which comprise the Statement by Interim Administrator and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant Accounting Policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Drainage
- Holiday Parks
- Leisure Centres
- Child Care
- Commercial Waste
- Building Certification.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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 Council in accordance with the requirements of the:

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

### **Other Information**

The Council'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 is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

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 and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Interim Administrator's responsibility also includes 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 Council'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](http://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 Council carried out its activities effectively, efficiently and economically
- 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.

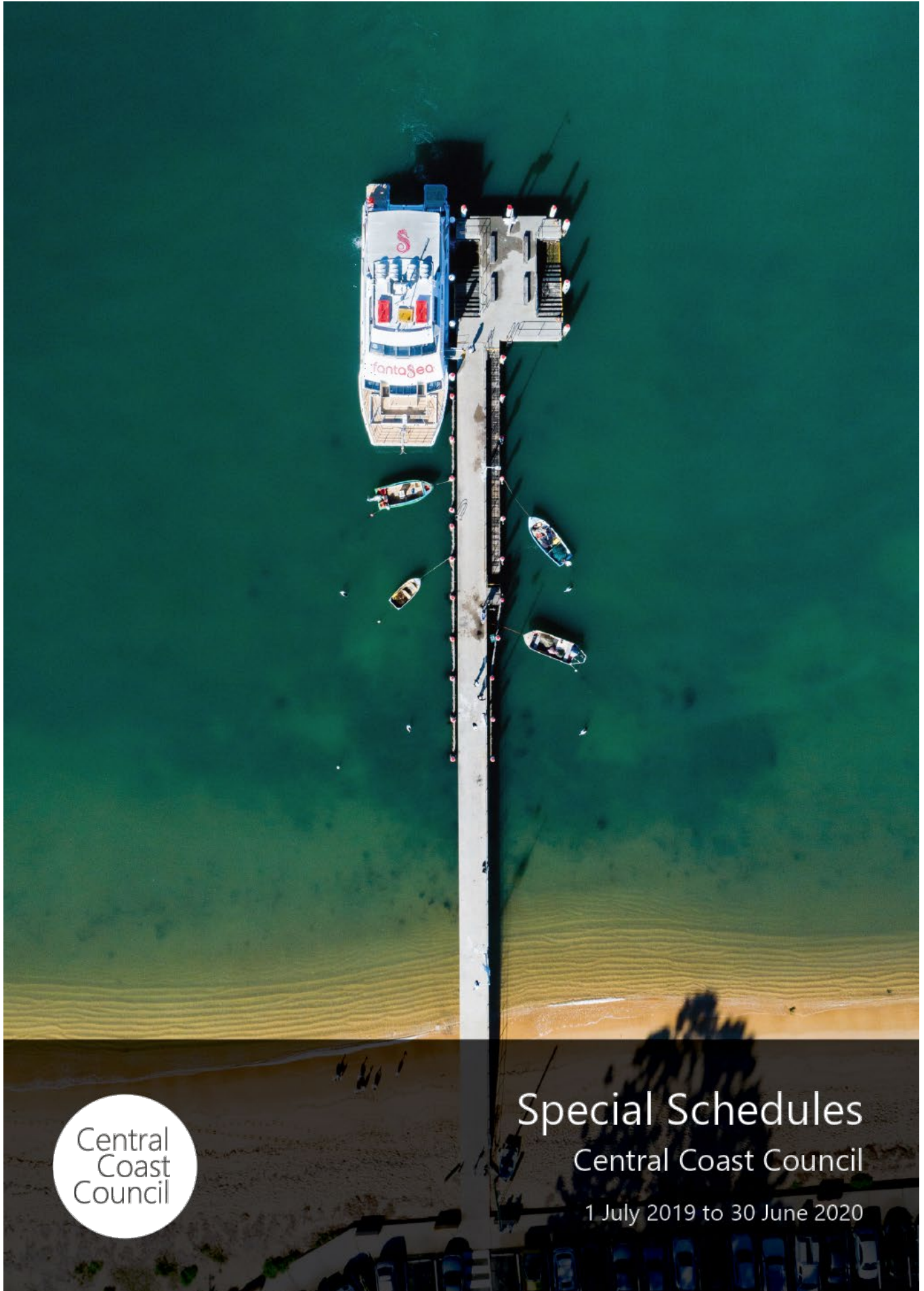


David Daniels  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 May 2021  
SYDNEY





Special Schedules  
Central Coast Council

1 July 2019 to 30 June 2020



**Central Coast Council**

Special Schedules 2020

**Special Schedules**

for the year ended 30 June 2020

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## Central Coast Council

Special Schedules 2020

### Permissible income for general rates

| \$ '000   | Notes               | 2020/21<br>Wyong Shire<br>Council | 2020/21<br>Gosford City<br>Council | 2020/21<br>Central Coast<br>Council | 2019/20<br>Wyong Shire<br>Council | 2019/20<br>Gosford City<br>Council | 2019/20<br>Central Coast<br>Council |
|---|---------------------|-----------------------------------|------------------------------------|-------------------------------------|-----------------------------------|------------------------------------|-------------------------------------|
| <b>Notional general income calculation <sup>1</sup></b>           |                     |                                   |                                    |                                     |                                   |                                    |                                     |
| Last year notional general income yield                           | a                   | 90,498                            | 80,006                             | 170,504                             | 87,953                            | 79,416                             | 167,369                             |
| Plus or minus adjustments <sup>2</sup>                            | b                   | 333                               | 105                                | 438                                 | 373                               | 160                                | 533                                 |
| <b>Notional general income</b>                                    | c = a + b           | <b>90,831</b>                     | <b>80,111</b>                      | <b>170,942</b>                      | <b>88,326</b>                     | <b>79,576</b>                      | <b>167,902</b>                      |
| <b>Permissible income calculation</b>                             |                     |                                   |                                    |                                     |                                   |                                    |                                     |
| Rate peg percentage   | e                   | 2.60%                             | 2.60%                              |                                     | 2.70%                             | 2.70%                              |                                     |
| Less expiring special variation amount                            | g                   | -                                 | -                                  | -                                   | -                                 | (944)                              | (944)                               |
| Plus rate peg amount  | i = e x (c + g)     | 2,362                             | 2,083                              | 4,445                               | 2,385                             | 2,123                              | 4,508                               |
| <b>Sub-total</b>  | k = (c + g + i + j) | <b>93,193</b>                     | <b>82,194</b>                      | <b>175,387</b>                      | <b>90,711</b>                     | <b>80,755</b>                      | <b>171,466</b>                      |
| Plus (or minus) last year's carry forward total                   | l                   | 382                               | 841                                | 1,223                               | 198                               | 92                                 | 290                                 |
| Less valuation objections claimed in the previous year            | m                   | -                                 | -                                  | -                                   | (10)                              | -                                  | (10)                                |
| <b>Sub-total</b>  | n = (l + m)         | <b>382</b>                        | <b>841</b>                         | <b>1,223</b>                        | <b>188</b>                        | <b>92</b>                          | <b>280</b>                          |
| <b>Total permissible income</b>                                   | o = k + n           | <b>93,575</b>                     | <b>83,035</b>                      | <b>176,610</b>                      | <b>90,899</b>                     | <b>80,847</b>                      | <b>171,746</b>                      |
| Less notional general income yield                                | p                   | 93,056                            | 82,403                             | 175,459                             | 90,498                            | 80,006                             | 170,504                             |
| <b>Catch-up or (excess) result</b>                                | q = o - p           | <b>518</b>                        | <b>632</b>                         | <b>1,150</b>                        | <b>401</b>                        | <b>841</b>                         | <b>1,242</b>                        |
| Plus income lost due to valuation objections claimed <sup>3</sup> | r                   | 9                                 | -                                  | 9                                   | -                                 | -                                  | -                                   |
| Less unused catch-up <sup>4</sup>                                 | s                   | (168)                             | (511)                              | (679)                               | (19)                              | -                                  | (19)                                |
| <b>Carry forward to next year <sup>5</sup></b>                    | t = q + r + s       | <b>359</b>                        | <b>121</b>                         | <b>480</b>                          | <b>382</b>                        | <b>841</b>                         | <b>1,223</b>                        |

#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (4) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (5) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

## Central Coast Council

Special Schedules 2020

## Report on Infrastructure Assets

as at 30 June 2020

| Asset Class   | Asset Category                 | Estimated cost to bring to the agreed level of service set by Council |  | 2019/20 Required maintenance <sup>a</sup> | 2019/20 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost |              |              |              |             |  |  |
|---|--------------------------------|---|--|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|--------------|-------------|--|--|
|   |                                | Estimated cost to bring assets to satisfactory standard               | to bring to the agreed level of service set by Council |   |                            |                     |                              | 1   | 2            | 3            | 4            | 5           |  |  |
|   |                                | \$ '000   | \$ '000  | \$ '000                                   | \$ '000                    | \$ '000             | \$ '000                      |   |              |              |              |             |  |  |
| <b>(a) Report on Infrastructure Assets as at 30 June 2020</b> |                                |   |  |   |                            |                     |                              |   |              |              |              |             |  |  |
| <b>Buildings</b>  | Buildings                      | 1,180   | 1,180  | 16,914                                    | 9,764                      | 471,635             | 805,452                      | 28.1%   | 38.0%        | 33.2%        | 0.7%         | 0.0%        |  |  |
|   | <b>Sub-total</b>               | <b>1,180</b>  | <b>1,180</b>   | <b>16,914</b>                             | <b>9,764</b>               | <b>471,635</b>      | <b>805,452</b>               | <b>28.1%</b>  | <b>38.0%</b> | <b>33.2%</b> | <b>0.7%</b>  | <b>0.0%</b> |  |  |
| <b>Other structures</b>                                       | Other structures               | 244   | 244  | 662                                       | 238                        | 30,517              | 44,156                       | 57.3%   | 20.1%        | 20.0%        | 2.3%         | 0.3%        |  |  |
|   | <b>Sub-total</b>               | <b>244</b>  | <b>244</b>   | <b>662</b>                                | <b>238</b>                 | <b>30,517</b>       | <b>44,156</b>                | <b>57.3%</b>  | <b>20.1%</b> | <b>20.0%</b> | <b>2.3%</b>  | <b>0.3%</b> |  |  |
| <b>Roads</b>  | Sealed roads                   | 45,392  | 45,392   | 11,146                                    | 14,899                     | 1,122,075           | 1,634,035                    | 58.3%   | 24.8%        | 12.5%        | 2.5%         | 1.9%        |  |  |
|   | Unsealed roads                 | -   | -  | 114                                       | 153                        | 7,979               | 21,856                       | 45.5%   | 45.1%        | 9.4%         | 0.0%         | 0.0%        |  |  |
|   | Bridges                        | 2,115   | 2,115  | 1,143                                     | 1,527                      | 37,105              | 57,126                       | 3.9%  | 50.3%        | 39.0%        | 5.7%         | 1.1%        |  |  |
|   | Footpaths                      | 2,255   | 2,255  | 2,584                                     | 3,455                      | 99,112              | 129,223                      | 8.2%  | 33.6%        | 54.8%        | 3.3%         | 0.1%        |  |  |
|   | Other road assets              | 13,173  | 13,173   | 2,375                                     | 3,175                      | 256,080             | 386,150                      | 13.9%   | 21.3%        | 58.6%        | 5.2%         | 1.0%        |  |  |
|   | Bulk earthworks                | -   | -  | -   | -                          | 382,751             | 382,751                      | 100.0%  | 0.0%         | 0.0%         | 0.0%         | 0.0%        |  |  |
|   | <b>Sub-total</b>               | <b>62,935</b>   | <b>62,935</b>  | <b>17,362</b>                             | <b>23,209</b>              | <b>1,905,102</b>    | <b>2,611,141</b>             | <b>54.1%</b>  | <b>21.8%</b> | <b>20.1%</b> | <b>2.6%</b>  | <b>1.4%</b> |  |  |
| <b>Water supply network</b>                                   | Water supply network           | 48,293  | 48,293   | 26,422                                    | 22,012                     | 1,035,739           | 1,857,037                    | 17.1%   | 46.5%        | 31.3%        | 0.8%         | 4.3%        |  |  |
|   | <b>Sub-total</b>               | <b>48,293</b>   | <b>48,293</b>  | <b>26,422</b>                             | <b>22,012</b>              | <b>1,035,739</b>    | <b>1,857,037</b>             | <b>17.1%</b>  | <b>46.5%</b> | <b>31.3%</b> | <b>0.8%</b>  | <b>4.3%</b> |  |  |
| <b>Sewerage network</b>                                       | Sewerage network               | 73,226  | 73,226   | 14,215                                    | 24,960                     | 1,411,723           | 2,346,757                    | 13.5%   | 70.6%        | 10.0%        | 0.6%         | 5.3%        |  |  |
|   | <b>Sub-total</b>               | <b>73,226</b>   | <b>73,226</b>  | <b>14,215</b>                             | <b>24,960</b>              | <b>1,411,723</b>    | <b>2,346,757</b>             | <b>13.5%</b>  | <b>70.6%</b> | <b>10.0%</b> | <b>0.6%</b>  | <b>5.3%</b> |  |  |
| <b>Stormwater drainage</b>                                    | Stormwater drainage            | 16,917  | 16,917   | 8,521                                     | 7,328                      | 1,030,632           | 1,514,849                    | 12.6%   | 76.3%        | 9.5%         | 0.6%         | 1.0%        |  |  |
|   | <b>Sub-total</b>               | <b>16,917</b>   | <b>16,917</b>  | <b>8,521</b>                              | <b>7,328</b>               | <b>1,030,632</b>    | <b>1,514,849</b>             | <b>12.6%</b>  | <b>76.3%</b> | <b>9.5%</b>  | <b>0.6%</b>  | <b>1.0%</b> |  |  |
| <b>Open space / recreational assets</b>                       | Swimming pools                 | -   | -  | 309                                       | 1,052                      | 5,137               | 11,215                       | 29.4%   | 37.6%        | 33.0%        | 0.0%         | 0.0%        |  |  |
|   | Open Space/Recreational Assets | 967   | 967  | 1,800                                     | 7,432                      | 77,338              | 120,017                      | 51.2%   | 31.1%        | 13.3%        | 4.2%         | 0.2%        |  |  |
|   | <b>Sub-total</b>               | <b>967</b>  | <b>967</b>   | <b>2,109</b>                              | <b>8,484</b>               | <b>82,475</b>       | <b>131,232</b>               | <b>49.3%</b>  | <b>31.7%</b> | <b>15.0%</b> | <b>3.8%</b>  | <b>0.2%</b> |  |  |
| <b>Other infrastructure assets</b>                            | Other                          | 1,666   | 1,666  | 728                                       | 61                         | 28,938              | 48,508                       | 31.3%   | 28.6%        | 25.3%        | 12.8%        | 2.0%        |  |  |
|   | <b>Sub-total</b>               | <b>1,666</b>  | <b>1,666</b>   | <b>728</b>                                | <b>61</b>                  | <b>28,938</b>       | <b>48,508</b>                | <b>31.3%</b>  | <b>28.6%</b> | <b>25.3%</b> | <b>12.8%</b> | <b>2.0%</b> |  |  |
| <b>TOTAL - ALL ASSETS</b>                                     |                                | <b>205,428</b>  | <b>205,428</b>   | <b>86,933</b>                             | <b>96,056</b>              | <b>5,996,761</b>    | <b>9,359,132</b>             | <b>27.4%</b>  | <b>49.3%</b> | <b>19.2%</b> | <b>1.3%</b>  | <b>2.7%</b> |  |  |

(a) Required maintenance is the amount identified in Council's asset management plans.

## Central Coast Council

Special Schedules 2020

### Report on Infrastructure Assets as at 30 June 2020 (continued) as at 30 June 2020

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#### Infrastructure asset condition assessment 'key'

|   |                            |                                       |
|---|----------------------------|---------------------------------------|
| 1 | <b>Excellent/very good</b> | No work required (normal maintenance) |
| 2 | <b>Good</b>                | Only minor maintenance work required  |
| 3 | <b>Satisfactory</b>        | Maintenance work required             |
| 4 | <b>Poor</b>                | Renewal required                      |
| 5 | <b>Very poor</b>           | Urgent renewal/upgrading required     |

**Central Coast Council**

Special Schedules 2020

**Report on Infrastructure Assets (continued)**

as at 30 June 2020

| \$ '000  | Amounts<br>2020  | Indicator<br>2020 | Prior<br>period<br>2019 | Benchmark |
|--|------------------|-------------------|-------------------------|-----------|
| <b>Infrastructure asset performance indicators<br/>(consolidated) *</b>  |                  |                   |                         |           |
| <b>Buildings and infrastructure renewals ratio <sup>1</sup></b>          |                  |                   |                         |           |
| Asset renewals <sup>2</sup>  | <b>214,178</b>   | <b>156.69%</b>    | 132.56%                 | >=100.00% |
| Depreciation, amortisation and impairment                                | <b>136,687</b>   |                   |                         |           |
| <b>Infrastructure backlog ratio <sup>1</sup></b>                         |                  |                   |                         |           |
| Estimated cost to bring assets to a satisfactory standard                | <b>205,428</b>   | <b>3.43%</b>      | 2.41%                   | <2.00%    |
| Net carrying amount of infrastructure assets                             | <b>5,996,761</b> |                   |                         |           |
| <b>Asset maintenance ratio</b>   |                  |                   |                         |           |
| Actual asset maintenance   | <b>96,056</b>    | <b>110.49%</b>    | 94.81%                  | >100.00%  |
| Required asset maintenance   | <b>86,933</b>    |                   |                         |           |
| <b>Cost to bring assets to agreed service level</b>                      |                  |                   |                         |           |
| Estimated cost to bring assets to an agreed service level set by Council | <b>205,428</b>   | <b>2.19%</b>      | 1.56%                   |           |
| Gross replacement cost   | <b>9,359,132</b> |                   |                         |           |

(\*) All asset performance indicators are calculated using classes identified in the previous table.

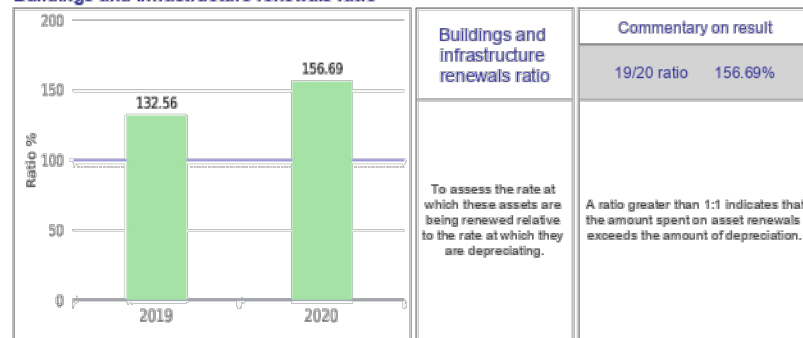
(1) Excludes Work In Progress (WIP)

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Central Coast Council

Report on Infrastructure Assets (continued)  
as at 30 June 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

| Commentary on result   |         |
|--|---------|
| 19/20 ratio  | 156.69% |
| A ratio greater than 1:1 indicates that the amount spent on asset renewals exceeds the amount of depreciation. |         |

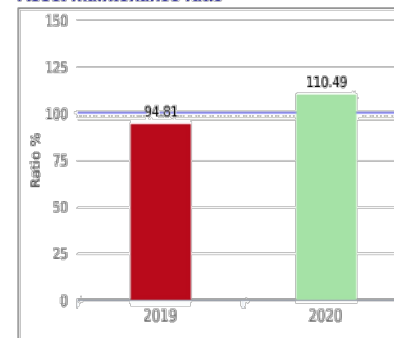
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

| Commentary on result   |         |
|--|---------|
| 19/20 ratio  | 110.49% |
| Council is committed to maintaining its infrastructure assets at appropriate levels. |         |

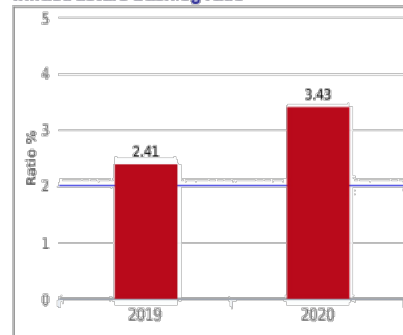
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

| Commentary on result   |       |
|--|-------|
| 19/20 ratio  | 3.43% |
| The change in this ratio reflects a reassessment of the condition of Water and Sewerage network assets. Council has allocated funding to address the infrastructure backlog for Council's General Fund assets within the former Wyong Local Government Area in accordance with the Special Rate Variation approved by IPART in June 2013 for the former Wyong Shire Council. |       |

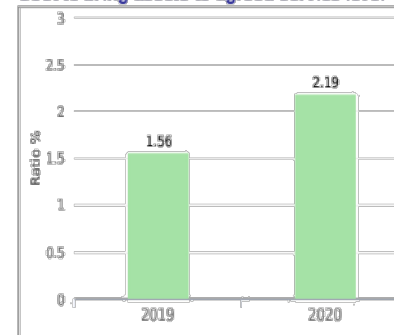
Benchmark: —  $\leq 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

| Commentary on result  |       |
|---|-------|
| 19/20 ratio   | 2.19% |
| This is the estimated cost to return those assets currently rated at less than excellent condition to an excellent condition. As Council has not undertaken community consultation to determine the agreed service levels, this estimate is equal to the cost to bring to satisfactory. |       |

## Central Coast Council

Special Schedules 2020

### Report on Infrastructure Assets (continued)

as at 30 June 2020

| \$ '000  | General fund   |         | Water fund    |        | Sewer fund     |         | Benchmark |
|--|----------------|---------|---------------|--------|----------------|---------|-----------|
|  | 2020           | 2019    | 2020          | 2019   | 2020           | 2019    |           |
| <b>Infrastructure asset performance indicators (by fund)</b>             |                |         |               |        |                |         |           |
| <b>Buildings and infrastructure renewals ratio <sup>1</sup></b>          |                |         |               |        |                |         |           |
| Asset renewals <sup>2</sup>  | <b>232.90%</b> | 192.95% | <b>77.04%</b> | 90.42% | <b>55.50%</b>  | 43.11%  | >=100.00% |
| Depreciation, amortisation and impairment                                |                |         |               |        |                |         |           |
| <b>Infrastructure backlog ratio <sup>1</sup></b>                         |                |         |               |        |                |         |           |
| Estimated cost to bring assets to a satisfactory standard                | <b>2.36%</b>   | 2.89%   | <b>4.66%</b>  | 1.95%  | <b>5.19%</b>   | 1.56%   | <2.00%    |
| Net carrying amount of infrastructure assets                             |                |         |               |        |                |         |           |
| <b>Asset maintenance ratio</b>   |                |         |               |        |                |         |           |
| Actual asset maintenance   | <b>106.02%</b> | 85.65%  | <b>83.31%</b> | 74.78% | <b>175.59%</b> | 161.54% | >100.00%  |
| Required asset maintenance   |                |         |               |        |                |         |           |
| <b>Cost to bring assets to agreed service level</b>                      |                |         |               |        |                |         |           |
| Estimated cost to bring assets to an agreed service level set by Council | <b>1.63%</b>   | 2.00%   | <b>2.60%</b>  | 1.11%  | <b>3.12%</b>   | 0.95%   |           |
| Gross replacement cost   |                |         |               |        |                |         |           |

(1) Excludes Work In Progress (WIP)

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

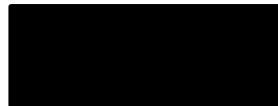




## INDEPENDENT AUDITOR'S REPORT

### Special Schedule - Permissible income for general rates

#### Central Coast Council



To the Interim Administrator of Central Coast Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Central Coast Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

### 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 Schedule' section of my report.

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

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (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 councils
- precluding the Auditor-General from providing non-audit services.

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

### Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

### **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Interim Administrator is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule 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 Schedule**

The Interim Administrator is responsible for the preparation of the Schedule in accordance with the LG Code. The Interim Administrator's responsibility also includes such internal control as the Interim Administrator determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Interim Administrator is responsible for assessing the Council'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 Schedule**

My objectives are to:

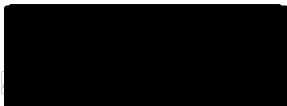
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

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

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



David Daniels  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 May 2021  
SYDNEY



**Financial Reports  
Water Supply Authority  
Central Coast Council**

1 July 2019 to 30 June 2020

## Central Coast Council - Water Supply Authority

Financial Statements 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](http://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

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Income Statement

for the year ended 30 June 2020

| Original<br>unaudited<br>budget<br>2020    | \$ '000  | Notes | Actual<br>2020  | Actual<br>2019 |
|--|--|-------|-----------------|----------------|
| <b>Income from continuing operations</b>   |  |       |                 |                |
| 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          |
| <b>190,853</b>                             | <b>Total income from continuing operations</b>   |       | <b>177,784</b>  | <b>227,350</b> |
| <b>Expenses from continuing operations</b> |  |       |                 |                |
| 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          |
| <b>186,157</b>                             | <b>Total expenses from continuing operations</b>   |       | <b>209,308</b>  | <b>196,032</b> |
| <b>4,696</b>                               | <b>Operating result from continuing operations</b>   |       | <b>(31,524)</b> | <b>31,318</b>  |
| <b>4,696</b>                               | <b>Net operating result for the year</b>   |       | <b>(31,524)</b> | <b>31,318</b>  |
| 4,696                                      | Net operating result attributable to Central Coast Council Water Supply Authority                      |       | (31,524)        | 31,318         |
| <b>(19,726)</b>                            | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | <b>(48,289)</b> | <b>5,441</b>   |

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.



**Central Coast Council - Water Supply Authority**

Financial Statements 2020

**Statement of Comprehensive Income**

for the year ended 30 June 2020

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

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Statement of Financial Position

as at 30 June 2020

| \$ '000                                       | Notes | 2020             | 2019             |
|---|-------|------------------|------------------|
| <b>ASSETS</b>                                 |       |                  |                  |
| <b>Current assets</b>                         |       |                  |                  |
| 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              | -                |
| <b>Total current assets</b>                   |       | <u>205,116</u>   | <u>219,728</u>   |
| <b>Non-current assets</b>                     |       |                  |                  |
| 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            |
| <b>Total non-current assets</b>               |       | <u>3,706,737</u> | <u>3,696,912</u> |
| <b>Total assets</b>                           |       | <u>3,911,853</u> | <u>3,916,640</u> |
| <b>LIABILITIES</b>                            |       |                  |                  |
| <b>Current liabilities</b>                    |       |                  |                  |
| 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           |
| <b>Total current liabilities</b>              |       | <u>94,532</u>    | <u>91,865</u>    |
| <b>Non-current liabilities</b>                |       |                  |                  |
| Income received in advance                    | 11    | 2,467            | 2,513            |
| Borrowings                                    | 11    | 198,173          | 196,071          |
| Provisions                                    | 12    | 2,809            | 2,751            |
| <b>Total non-current liabilities</b>          |       | <u>203,449</u>   | <u>201,335</u>   |
| <b>Total liabilities</b>                      |       | <u>297,981</u>   | <u>293,200</u>   |
| <b>Net assets</b>                             |       | <u>3,613,872</u> | <u>3,623,440</u> |
| <b>EQUITY</b>                                 |       |                  |                  |
| Accumulated surplus                           | 13    | 3,462,846        | 3,496,873        |
| Revaluation reserves                          | 13    | 151,026          | 126,567          |
| <b>Equity interest</b>                        |       | <u>3,613,872</u> | <u>3,623,440</u> |
| <b>Total equity</b>                           |       | <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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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                        |       | -                   | -                         | -                | -                   | -                         | -                |
| <b>Restated opening balance</b>                        |       | <b>3,494,370</b>    | <b>126,567</b>            | <b>3,620,937</b> | <b>3,465,555</b>    | <b>84,718</b>             | <b>3,550,273</b> |
| Net operating result for the year                      |       | (31,524)            | -                         | (31,524)         | 31,318              | -                         | 31,318           |
| <b>Restated net operating result for the period</b>    |       | <b>(31,524)</b>     | <b>-</b>                  | <b>(31,524)</b>  | <b>31,318</b>       | <b>-</b>                  | <b>31,318</b>    |
| <b>Other comprehensive income</b>                      |       |                     |                           |                  |                     |                           |                  |
| - Gain (loss) on revaluation of IPP&E                  | 8     | -                   | 24,459                    | 24,459           | -                   | 41,849                    | 41,849           |
| <b>Other comprehensive income</b>                      |       | <b>-</b>            | <b>24,459</b>             | <b>24,459</b>    | <b>-</b>            | <b>41,849</b>             | <b>41,849</b>    |
| <b>Total comprehensive income</b>                      |       | <b>(31,524)</b>     | <b>24,459</b>             | <b>(7,065)</b>   | <b>31,318</b>       | <b>41,849</b>             | <b>73,167</b>    |
| <b>Equity – balance at end of the reporting period</b> |       | <b>3,462,846</b>    | <b>151,026</b>            | <b>3,613,872</b> | <b>3,496,873</b>    | <b>126,567</b>            | <b>3,623,440</b> |

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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Statement of Cash Flows

for the year ended 30 June 2020

| Original<br>unaudited<br>budget<br>2020     | \$ '000  | Notes | Actual<br>2020 | Actual<br>2019   |
|---|--|-------|----------------|------------------|
| <b>Cash flows from operating activities</b> |  |       |                |                  |
| <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)         |
| <b>93,422</b>                               | <b>Net cash provided (or used in) operating activities</b>   | 14b   | <b>21,916</b>  | <b>110,637</b>   |
| <b>Cash flows from investing activities</b> |  |       |                |                  |
| <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)         |
| <b>(58,907)</b>                             | <b>Net cash provided (or used in) investing activities</b>   |       | <b>(3,027)</b> | <b>(100,240)</b> |
| <b>Cash flows from financing activities</b> |  |       |                |                  |
| <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)         |
| <b>(12,374)</b>                             | <b>Net cash flow provided (used in) financing activities</b> |       | <b>20,483</b>  | <b>(32,326)</b>  |
| <b>22,141</b>                               | <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>39,372</b>  | <b>(21,929)</b>  |
| 54,858                                      | Plus: cash and cash equivalents – beginning of period        | 14a   | 12,788         | 34,717           |
| <b>76,999</b>                               | <b>Cash and cash equivalents – end of the year</b>           | 14a   | <b>52,160</b>  | <b>12,788</b>    |
| 148,303                                     | plus: Investments on hand – end of year                      | 6(b)  | 124,991        | 182,976          |
| <b>225,302</b>                              | <b>Total cash, cash equivalents and investments</b>          |       | <b>177,151</b> | <b>195,764</b>   |

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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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.

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## Central Coast Council - Water Supply Authority

### 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.



## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 1. Basis of preparation (continued)

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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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 2. Revenue from continuing operations

| \$ '000  | 2020          | 2019           |
|--|---------------|----------------|
| <b>(a) Rates and annual charges</b>                |               |                |
| <b>Annual charges</b>                              |               |                |
| (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)        |
| <b>Annual charges levied</b>                       | <b>76,372</b> | <b>122,638</b> |
| Pensioner subsidies received:                      |               |                |
| - Water  | 1,004         | 1,214          |
| - Sewerage   | 994           | 1,196          |
| <b>Total annual charges</b>                        | <b>78,370</b> | <b>125,048</b> |
| <b>TOTAL RATES AND ANNUAL CHARGES</b>              | <b>78,370</b> | <b>125,048</b> |

#### 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>(b) User charges and fees</b>   |               |               |
| <b>Specific user charges</b>   |               |               |
| (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         |
| <b>Total specific user charges</b>   | <b>75,031</b> | <b>67,386</b> |
| <b>Other user charges and fees</b>   |               |               |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b> |               |               |
| Building services – other  | 209           | 185           |
| Inspection services  | 243           | 23            |
| Regulatory/ statutory fees   | 241           | 67            |
| Registration fees  | 7             | 40            |
| <b>Total fees and charges – statutory/regulatory</b>                         | <b>700</b>    | <b>315</b>    |

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## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 2. Revenue from continuing operations (continued)

| \$ '000   | 2020          | 2019          |
|---|---------------|---------------|
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |               |               |
| 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           |
| <b>Total fees and charges – other</b>   | <b>1,776</b>  | <b>1,825</b>  |
| <br>  |               |               |
| <b>TOTAL USER CHARGES AND FEES</b>  | <b>77,507</b> | <b>69,526</b> |

#### 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       |
|--------------------------------|------------|------------|
| <b>(c) Other revenues</b>      |            |            |
| Sales – general                | 73         | –          |
| Property rents                 | 25         | 84         |
| Other supply/ services – water | –          | 114        |
| Other supply/ services – sewer | 81         | 52         |
| <b>TOTAL OTHER REVENUE</b>     | <b>179</b> | <b>250</b> |

#### 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

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

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## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 2. Revenue from continuing operations (continued)

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

#### 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

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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 |
|---------|------|------|
|---------|------|------|

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

##### Capital grants

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

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

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



## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 2. Revenue from continuing operations (continued)

| \$ '000   | AASB 15<br>2020 | AASB 1058<br>2020 |
|---|-----------------|-------------------|
| <b>(g) Disaggregation of material revenue streams</b>   |                 |                   |
| The following shows the revenue recognition pattern for the material revenue streams of CCCWSA. |                 |                   |
| <b>Revenue recognition at a point in time</b>   |                 |                   |
| 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>    |
| <b>Revenue recognised over time</b>   |                 |                   |
| 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         |
|--|--------------|--------------|
| <b>Interest on financial assets measured at amortised cost</b> |              |              |
| – Overdue annual charges                                       | 884          | 1,061        |
| – Cash and investments   | 3,480        | 4,769        |
| <b>Other</b>   | 6            | 9            |
| <b>Total Interest and investment income</b>                    | <u>4,370</u> | <u>5,839</u> |
| <b>Interest revenue is attributable to:</b>                    |              |              |
| <b>Unrestricted investments/financial assets:</b>              |              |              |
| Overdue annual charges   | –            | 1,061        |
| Cash and investments   | 2,226        | 2,406        |
| <b>Restricted investments/funds – external:</b>                |              |              |
| Development contributions                                      |              |              |
| – Section 7.11   | 692          | 630          |
| – Section 64   | 1,452        | 1,742        |
| <b>Total interest and investment revenue</b>                   | <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.



## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 4. Expenses from continuing operations

| \$ '000  | 2020          | 2019          |
|--|---------------|---------------|
| <b>(a) Employee benefits and on-costs</b>      |               |               |
| 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           |
| <b>Total employee costs</b>                    | <b>42,152</b> | <b>39,060</b> |
| Less: capitalised costs                        | (4,885)       | (4,295)       |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>           | <b>37,267</b> | <b>34,765</b> |

#### 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>(b) Borrowing costs</b>                             |               |               |
| <b>(i) Interest bearing liability costs</b>            |               |               |
| Interest on loans                                      | 15,277        | 17,209        |
| Other debts  | 25            | 19            |
| <b>Total interest bearing liability costs</b>          | <b>15,302</b> | <b>17,228</b> |
| <b>Total interest bearing liability costs expensed</b> | <b>15,302</b> | <b>17,228</b> |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                  | <b>15,302</b> | <b>17,228</b> |

#### 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### 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 |
|--|---|----|

|  |          |           |
|--|----------|-----------|
| <b>Remuneration for audit and other assurance services</b> | <b>–</b> | <b>79</b> |
|--|----------|-----------|

|   |          |           |
|---|----------|-----------|
| <b>Total Auditor-General remuneration</b> | <b>–</b> | <b>79</b> |
|---|----------|-----------|

##### Non NSW Auditor-General audit firms

###### (i) Audit and other assurance services

|  |    |   |
|--|----|---|
| Audit and review of financial statements | 12 | – |
|--|----|---|

|  |           |          |
|--|-----------|----------|
| <b>Remuneration for audit and other assurance services</b> | <b>12</b> | <b>–</b> |
|--|-----------|----------|

|  |           |          |
|--|-----------|----------|
| <b>Total remuneration of non NSW Auditor-General audit firms</b> | <b>12</b> | <b>–</b> |
|--|-----------|----------|

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| <b>Total Auditor remuneration</b> | <b>12</b> | <b>79</b> |
|-----------------------------------|-----------|-----------|

| \$ '000 | Notes | 2020 | 2019 |
|---------|-------|------|------|
|---------|-------|------|------|

#### (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:

|                           |     |     |
|---------------------------|-----|-----|
| – 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 |
|--------------------|--------|--------|

|   |               |               |
|---|---------------|---------------|
| <b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b> | <b>78,675</b> | <b>76,651</b> |
|---|---------------|---------------|

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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          |
|--|---------------|---------------|
| <b>(e) Other expenses</b>                      |               |               |
| 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           |
| <b>Total other expenses</b>                    | <b>53,261</b> | <b>41,383</b> |
| <b>TOTAL OTHER EXPENSES</b>                    | <b>53,261</b> | <b>41,383</b> |

##### Accounting policy for other expenses

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

## Central Coast Council - Water Supply Authority

Financial Statements 2020

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

#### 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 6(a). Cash and cash equivalents

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

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

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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

#### 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           |
| <b>External restrictions</b>   | <b>91,995</b> | <b>99,913</b> |

##### Total external restrictions

**91,995**      **99,913**

##### Internal restrictions

|  |              |              |
|--|--------------|--------------|
| Employee leave entitlement – water     | 1,026        | 873          |
| Employees leave entitlement – drainage | 55           | 66           |
| Employee leave entitlement – sewer     | 877          | 955          |
| <b>Total internal restrictions</b>     | <b>1,958</b> | <b>1,894</b> |

##### TOTAL RESTRICTIONS

**93,953**      **101,807**



## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 7. Receivables

| \$ '000   | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| <b>Purpose</b>  |                 |                     |                 |                     |
| 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             | -                   |
| <b>Total</b>  | <b>44,242</b>   | <b>3,328</b>        | <b>39,005</b>   | <b>3,406</b>        |
| <b>Less: provision of impairment</b>                    |                 |                     |                 |                     |
| User charges and fees                                   | (45)            | -                   | -               | -                   |
| Other debtors   | (16)            | -                   | -               | -                   |
| <b>Total provision for impairment –<br/>receivables</b> | <b>(61)</b>     | <b>-</b>            | <b>-</b>        | <b>-</b>            |
| <b>TOTAL NET RECEIVABLES</b>                            | <b>44,181</b>   | <b>3,328</b>        | <b>39,005</b>   | <b>3,406</b>        |

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

#### 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 7. Receivables (continued)

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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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Infrastructure, property, plant and equipment

|  | 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 |
| <b>\$ '000</b>   |                       |                          |                     |   |                             |                      |               |                           |  |                       |                          |                     |
| 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                 |
| <b>Land:</b>   |                       |                          |                     |   |                             |                      |               |                           |  |                       |                          |                     |
| – 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                 |
| <b>Infrastructure:</b>                                     |                       |                          |                     |   |                             |                      |               |                           |  |                       |                          |                     |
| – 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           |
| <b>Total Infrastructure, property, plant and equipment</b> | <b>5,852,714</b>      | <b>(2,175,952)</b>       | <b>3,676,762</b>    | <b>69,816</b>                               | <b>(2,559)</b>              | <b>(78,675)</b>      | <b>–</b>      | <b>(4,477)</b>            | <b>24,459</b>                          | <b>5,948,021</b>      | <b>(2,262,692)</b>       | <b>3,685,329</b>    |

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

|  | 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 |
| <b>\$ '000</b>   |                       |                          |                     |   |                             |                      |               |                           |  |                       |                          |                     |
| 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                 |
| <b>Land:</b>   |                       |                          |                     |   |                             |                      |               |                           |  |                       |                          |                     |
| – Operational land   | 70,706                | –                        | 70,706              | 87  | –                           | –                    | –             | –                         | –                                      | 70,793                | –                        | 70,793              |
| – Crown and Community land                                 | 7,351                 | –                        | 7,351               | –   | –                           | –                    | –             | –                         | –                                      | 7,351                 | –                        | 7,351               |
| <b>Infrastructure:</b>                                     |                       |                          |                     |   |                             |                      |               |                           |  |                       |                          |                     |
| – 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           |
| <b>Total Infrastructure, property, plant and equipment</b> | <b>5,711,150</b>      | <b>(2,076,663)</b>       | <b>3,634,487</b>    | <b>77,186</b>                               | <b>(3,014)</b>              | <b>(76,651)</b>      | <b>–</b>      | <b>2,907</b>              | <b>41,849</b>                          | <b>5,852,714</b>      | <b>(2,175,952)</b>       | <b>3,676,762</b>    |

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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:

| <b>Plant and equipment</b>    | Years     | <b>Buildings</b>         | Years     |
|-------------------------------|-----------|--------------------------|-----------|
| Office furniture              | 10        | Buildings                | 6 to 167  |
| Other plant and equipment     | 6         |                          |           |
| <b>Water and sewer assets</b> |           | <b>Stormwater assets</b> |           |
| 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  |
| <b>Transportation assets</b>  |           |                          |           |
| Bridge: concrete              | 100       |                          |           |
| Bridge: other                 | 50        |                          |           |

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

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 9. Intangible assets

Intangible assets are as follows:

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

#### 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 10. Contract liabilities

| \$ '000  | Notes | 2020<br>Current | 2020<br>Non-current |
|--|-------|-----------------|---------------------|
| <b>Contract liabilities</b>  |       |                 |                     |
| <b>Grants and contributions received in advance:</b>                                   |       |                 |                     |
| 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             | –                   |
| <b>Total grants received in advance</b>  |       | <b>3,721</b>    | <b>–</b>            |
| <b>Total contract liabilities</b>  |       | <b>3,721</b>    | <b>–</b>            |

#### 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     |
|--|----------|
| <b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>  |          |
| <b>Grants and contributions received in advance:</b>   |          |
| Operating grants (received prior to performance obligation being satisfied)  | 3        |
| Capital contributions (to construct Council controlled assets)   | 3        |
| <b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b> | <b>6</b> |

#### 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.



## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 11. Payables and borrowings

| \$ '000                                    | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Payables</b>                            |                 |                     |                 |                     |
| 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          | –                   |
| <b>Total payables</b>                      | <b>18,215</b>   | <b>–</b>            | <b>37,913</b>   | <b>–</b>            |
| <b>Income received in advance</b>          |                 |                     |                 |                     |
| Payments received in advance               | 76              | 569                 | 137             | 2,513               |
| Other                                      | –               | 1,898               | –               | –                   |
| <b>Total income received in advance</b>    | <b>76</b>       | <b>2,467</b>        | <b>137</b>      | <b>2,513</b>        |
| <b>Borrowings</b>                          |                 |                     |                 |                     |
| Loans – secured <sup>1</sup>               | 37,334          | 175,490             | 41,978          | 172,195             |
| Loans – unsecured                          | 24,152          | 22,683              | 1,127           | 23,876              |
| <b>Total borrowings</b>                    | <b>61,486</b>   | <b>198,173</b>      | <b>43,105</b>   | <b>196,071</b>      |
| <b>TOTAL PAYABLES AND<br/>BORROWINGS</b>   | <b>79,777</b>   | <b>200,640</b>      | <b>81,155</b>   | <b>198,584</b>      |

<sup>(1)</sup> 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 11. Payables and borrowings (continued)

|                |             |             |
|----------------|-------------|-------------|
| <b>\$ '000</b> | <b>2020</b> | <b>2019</b> |
|----------------|-------------|-------------|

##### (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        |
| <b>Total payables and borrowings</b>                             | <b>3,560</b> | <b>2,851</b> |

##### (b) Changes in liabilities arising from financing activities

|                  | 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 |
| <b>\$ '000</b>   |                 |               |                  |                    |  |                         |                 |
| Loans – secured  | 214,173         | (1,349)       | –                | –                  | –  | –                       | 212,824         |
| Loan – unsecured | 25,003          | 21,832        | –                | –                  | –  | –                       | 46,835          |
| <b>TOTAL</b>     | <b>239,176</b>  | <b>20,483</b> | <b>–</b>         | <b>–</b>           | <b>–</b>                                       | <b>–</b>                | <b>259,659</b>  |

|                  | 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 |
| <b>\$ '000</b>   |                 |                 |                  |                    |                         |                 |
| Loans – secured  | 245,436         | (31,263)        | –                | –                  | –                       | 214,173         |
| Loan – unsecured | 26,066          | (1,063)         | –                | –                  | –                       | 25,003          |
| <b>TOTAL</b>     | <b>271,502</b>  | <b>(32,326)</b> | <b>–</b>         | <b>–</b>           | <b>–</b>                | <b>239,176</b>  |

##### 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.

## Central Coast Council - Water Supply Authority

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 12. Provisions

| \$ '000  | 2020<br>Current | 2020<br>Non-current | 2019<br>Current | 2019<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Provisions</b>                              |                 |                     |                 |                     |
| <b>Employee benefits</b>                       |                 |                     |                 |                     |
| 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             | –                   |
| <b>Sub-total – aggregate employee benefits</b> | <b>9,496</b>    | <b>380</b>          | <b>9,347</b>    | <b>217</b>          |
| <b>Other provisions</b>                        |                 |                     |                 |                     |
| 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             | –                   |
| <b>Sub-total – other provisions</b>            | <b>1,538</b>    | <b>2,429</b>        | <b>1,363</b>    | <b>2,534</b>        |
| <b>TOTAL PROVISIONS</b>                        | <b>11,034</b>   | <b>2,809</b>        | <b>10,710</b>   | <b>2,751</b>        |

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

#### (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> |

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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<br>insurance | Other<br>(Payroll Tax) |              |
| <b>2020</b>                                  |                   |                        |              |
| 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          |
| <b>Total other provisions at end of year</b> | <b>3,320</b>      | <b>647</b>             | <b>3,967</b> |
| <b>2019</b>                                  |                   |                        |              |
| 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)      |
| <b>Total other provisions at end of year</b> | <b>2,952</b>      | <b>945</b>             | <b>3,897</b> |

##### 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 12. Provisions (continued)

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##### **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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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.

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## Central Coast Council - Water Supply Authority

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### 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<br>1 July 2019 |
|---|---------------------------|
| <b>Opening contract balances at 1 July 2019</b> |                           |
| <b>Contract liabilities</b>                     |                           |
| – Under AASB 15                                 | 2,503                     |
| – Under AASB 1058                               | –                         |
| <b>Total Contract liabilities</b>               | <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<br>amount per<br>Statement of<br>Financial<br>Position under<br>AASB 15 and<br>AASB 1058 | Reclassific-<br>ation | Remeasur-e<br>ment | Carrying<br>amount under<br>previous<br>revenue<br>standards | Notes |
|---|---|-----------------------|--------------------|--|-------|
| <b>Current liabilities</b>                    |   |                       |                    |  |       |
| 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   |       |
| <b>Total current liabilities</b>              | <u>94,532</u>   | <u>–</u>              | <u>(3,649)</u>     | <u>90,883</u>  |       |
| <b>Non-current assets</b>                     |   |                       |                    |  |       |
| 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  |       |
| <b>Total non-current assets</b>               | <u>3,706,737</u>  | <u>–</u>              | <u>–</u>           | <u>3,706,737</u>   |       |
| <b>Non-current liabilities</b>                |   |                       |                    |  |       |
| Income received in advance                    | 2,467   | –                     | –                  | 2,467  |       |
| Borrowings                                    | 198,173   | –                     | –                  | 198,173  |       |
| Provisions                                    | 2,809   | –                     | –                  | 2,809  |       |
| <b>Total Non-current liabilities</b>          | <u>203,449</u>  | <u>–</u>              | <u>–</u>           | <u>203,449</u>   |       |
| <b>Net assets</b>                             | <u>3,613,872</u>  | <u>–</u>              | <u>3,649</u>       | <u>3,617,521</u>   |       |
| <b>Equity</b>                                 |   |                       |                    |  |       |
| Accumulated surplus                           | 3,462,846   | –                     | 3,649              | 3,466,495  |       |
| Revaluation reserves                          | 151,026   | –                     | –                  | 151,026  |       |
| <b>Total equity</b>                           | <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  
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## Central Coast Council - Water Supply Authority

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### 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<br>Statement and<br>comprehen-<br>sive income<br>under AASB 15<br>and AASB<br>1058 | Reclassific-<br>ation | Remeasur-<br>ement | Income<br>Statement and<br>comprehen-<br>sive income<br>under previous<br>revenue<br>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  |       |
| <b>Total Income from continuing operations</b>           | <b>177,784</b>  | <b>-</b>              | <b>1,218</b>       | <b>179,002</b>   |       |
| <b>Net operating result for the year</b>                 | <b>(31,524)</b>   | <b>-</b>              | <b>1,218</b>       | <b>(30,306)</b>  |       |
| <b>Total comprehensive income</b>                        | <b>(7,065)</b>  | <b>-</b>              | <b>1,218</b>       | <b>(5,847)</b>   |       |

(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<br>flows per<br>Statement of<br>Cash Flows | Reclassific-<br>ation | Remeasur-<br>ement |
|---------|---|-----------------------|--------------------|
|         |   |                       |                    |

The adoption of AASB 15 and AASB 1058 has not materially changed the Statement of Cash Flows for the year ended 30 June 2020.

## Central Coast Council - Water Supply Authority

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 14. Statement of cash flow information

| \$ '000  | Notes | 2020          | 2019           |
|--|-------|---------------|----------------|
| <b>(a) Reconciliation of cash and cash equivalents</b>                                       |       |               |                |
| Total cash and cash equivalents per Statement of Financial Position                          | 8(a)  | 52,160        | 12,788         |
| <b>Balance as per the Statement of Cash Flows</b>  |       | <b>52,160</b> | <b>12,788</b>  |
| <b>(b) Reconciliation of net operating result to cash provided from operating activities</b> |       |               |                |
| <b>Net operating result from Income Statement</b>  |       | (31,524)      | 31,318         |
| <b>Adjust for non-cash items:</b>  |       |               |                |
| 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)       | -              |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                |       |               |                |
| 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          |
| <b>Net cash provided from operating activities from the Statement of Cash Flows</b>          |       | <b>21,916</b> | <b>110,637</b> |
| <b>(c) Non-cash investing and financing activities</b>                                       |       |               |                |
| Other dedications  |       | 4,330         | 15,176         |
| <b>Total non-cash investing and financing activities</b>                                     |       | <b>4,330</b>  | <b>15,176</b>  |

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Commitments

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

#### 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

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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<br>2020 | Carrying value<br>2019 | Fair value<br>2020 | Fair value<br>2019 |
|---|------------------------|------------------------|--------------------|--------------------|
| <b>Financial assets</b>                             |                        |                        |                    |                    |
| <b>Measured at amortised cost</b>                   |                        |                        |                    |                    |
| 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            |
| <b>Fair value through profit and loss</b>           |                        |                        |                    |                    |
| Investments   |                        |                        |                    |                    |
| – 'Designated at fair value on initial recognition' | 10,479                 | –                      | 10,479             | –                  |
| <b>Total financial assets</b>                       | <b>224,660</b>         | <b>238,175</b>         | <b>224,660</b>     | <b>238,175</b>     |
| <b>Financial liabilities</b>                        |                        |                        |                    |                    |
| Payables  | 18,215                 | 37,913                 | 18,215             | 37,912             |
| Loans/advances                                      | 259,659                | 239,176                | 330,414            | 275,358            |
| <b>Total financial liabilities</b>                  | <b>277,874</b>         | <b>277,089</b>         | <b>348,629</b>     | <b>313,270</b>     |

Fair value is determined as follows:

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

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.

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## Central Coast Council - Water Supply Authority

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### 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   |
| <b>2020</b>  |                          |        |                          |          |
| 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)  |
| <b>2019</b>  |                          |        |                          |          |
| 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<br>overdue | < 1 year<br>overdue | 1 - 2 years<br>overdue | 2 - 5 years<br>overdue | > 5 years<br>overdue | Total  |
|-----------------------|--------------------|---------------------|------------------------|------------------------|----------------------|--------|
| <b>2020</b>           |                    |                     |                        |                        |                      |        |
| Gross carrying amount | 166                | 13,275              | 653                    | 409                    | 101                  | 14,604 |
| <b>2019</b>           |                    |                     |                        |                        |                      |        |
| Gross carrying amount | 9,981              | 6,212               | 2,747                  | 5,419                  | 491                  | 24,850 |



## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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<br>overdue | 0 - 30 days<br>overdue | 31 - 60 days<br>overdue | 61 - 90 days<br>overdue | > 91 days<br>overdue | Total  |
|------------------------|--------------------|------------------------|-------------------------|-------------------------|----------------------|--------|
| <b>2020</b>            |                    |                        |                         |                         |                      |        |
| 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%  |
| <b>ECL provision</b>   | -                  | -                      | -                       | -                       | 61                   | 61     |
| <b>2019</b>            |                    |                        |                         |                         |                      |        |
| 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%  |
| <b>ECL provision</b>   | -                  | -                      | -                       | -                       | -                    | -      |

#### (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<br>average<br>interest<br>rate | Subject<br>to no<br>maturity | ≤ 1 Year      | payable in:    |                | Total cash<br>outflows | Actual<br>carrying<br>values |
|------------------------------------|---|------------------------------|---------------|----------------|----------------|------------------------|------------------------------|
|                                    |   |                              |               | 1 - 5<br>Years | > 5 Years      |                        |                              |
| <b>2020</b>                        |   |                              |               |                |                |                        |                              |
| 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                      |
| <b>Total financial liabilities</b> |   | <b>288</b>                   | <b>87,173</b> | <b>109,067</b> | <b>147,839</b> | <b>344,367</b>         | <b>273,612</b>               |
| <b>2019</b>                        |   |                              |               |                |                |                        |                              |
| 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                      |
| <b>Total financial liabilities</b> |   | <b>275</b>                   | <b>68,284</b> | <b>122,103</b> | <b>122,741</b> | <b>313,403</b>         | <b>236,698</b>               |

#### Loan agreement breaches

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



## Central Coast Council - Water Supply Authority

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### 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 |           |
| <b>\$ '000</b>   |                                  |                                      |                                       |   |           |
| <b>Recurring fair value measurements</b>                   |                                  |                                      |                                       |   |           |
| <b>Infrastructure, property, plant and equipment</b>       |                                  |                                      |                                       |   |           |
| 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 |
| <b>Total infrastructure, property, plant and equipment</b> |                                  | –                                    | 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 |        |
| <b>\$ '000</b>                                       |                                  |                                      |                                       |   |        |
| <b>Recurring fair value measurements</b>             |                                  |                                      |                                       |   |        |
| <b>Infrastructure, property, plant and equipment</b> |                                  |                                      |                                       |   |        |
| 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 |

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## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. Fair Value Measurement (continued)

| 2019<br>\$ '000  | Date of<br>latest<br>valuation | Level 1<br>Quoted<br>prices in<br>active mkts | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>unobserv-<br>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 |
| <b>Total infrastructure, property, plant and equipment</b> |                                | –   | 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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.

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### 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<br>equipment | Office<br>equipment | Furniture and<br>fittings | Buildings<br>specialised | Other<br>structures |
|---|------------------------|---------------------|---------------------------|--------------------------|---------------------|
| <b>2019</b>                             |                        |                     |                           |                          |                     |
| <b>Opening balance</b>                  | 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)                |
| <b>Closing balance</b>                  | <b>50</b>              | <b>9</b>            | <b>123</b>                | <b>31,207</b>            | <b>1,293</b>        |

|                             |            |           |            |               |              |
|-----------------------------|------------|-----------|------------|---------------|--------------|
| <b>2020</b>                 |            |           |            |               |              |
| <b>Opening balance</b>      | 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)         |
| <b>Closing balance</b>      | <b>194</b> | <b>47</b> | <b>117</b> | <b>32,065</b> | <b>1,256</b> |

| \$ '000                                 | Roads     | Bulk<br>earthworks | Stormwater<br>drainage | Water supply<br>network | Sewerage<br>network |
|---|-----------|--------------------|------------------------|-------------------------|---------------------|
| <b>2019</b>                             |           |                    |                        |                         |                     |
| <b>Opening balance</b>                  | 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              |
| <b>Closing balance</b>                  | <b>22</b> | <b>16</b>          | <b>1,020,512</b>       | <b>1,033,296</b>        | <b>1,410,293</b>    |

|   |           |           |                  |                  |                  |
|---|-----------|-----------|------------------|------------------|------------------|
| <b>2020</b>                             |           |           |                  |                  |                  |
| <b>Opening balance</b>                  | 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           |
| <b>Closing balance</b>                  | <b>21</b> | <b>16</b> | <b>1,030,632</b> | <b>1,035,739</b> | <b>1,411,723</b> |

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

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## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. Fair Value Measurement (continued)

| \$ '000                                 | Land<br>improvement<br>- depreciable | Total            |
|---|--------------------------------------|------------------|
| Disposals (WDV)                         | -                                    | (3,014)          |
| Depreciation and impairment             | -                                    | (76,651)         |
| Revaluation increments to equity (ARR)  | -                                    | 41,849           |
| <b>Closing balance</b>                  | -                                    | <b>3,496,821</b> |
| <b>2020</b>                             |                                      |                  |
| <b>Opening balance</b>                  | -                                    | <b>3,496,821</b> |
| 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           |
| <b>Closing balance</b>                  | <b>132</b>                           | <b>3,511,942</b> |

#### 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<br>(30/6/20) | Valuation technique/s | Unobservable inputs   |
|--|-------------------------|-----------------------|---|
| <b>Infrastructure, property, plant and equipment</b> |                         |                       |   |
| 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  |

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## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. Fair Value Measurement (continued)

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##### (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.



## Central Coast Council - Water Supply Authority

### 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       |
|--------------------------|--------------|------------|
| <b>Compensation:</b>     |              |            |
| Short-term benefits      | 1,198        | 913        |
| Other long-term benefits | 56           | 44         |
| Termination benefits     | 133          | –          |
| <b>Total</b>             | <b>1,387</b> | <b>957</b> |

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

## Central Coast Council - Water Supply Authority

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 20. Events occurring after the reporting date

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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](http://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.



David Daniels  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 May 2021  
SYDNEY