



Central Coast Council

**Ordinary Council Meeting**

**Item 2.9 - Deferred Item - Draft 2018-19  
Financial Reports For Central Coast  
Council And Central Coast Council Water  
Supply Authority**

**Attachments Provided Under Separate  
Cover**

**Monday, 24 February 2020**

**Central Coast Council**  
**Attachments Provided Under Separate Cover to the**  
**Ordinary Council Meeting**  
**To be held in the Council Chamber,**  
**2 Hely Street, Wyong**  
**On Monday, 24 February 2020**  
**Commencing at 6:30pm**

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***INDEX***

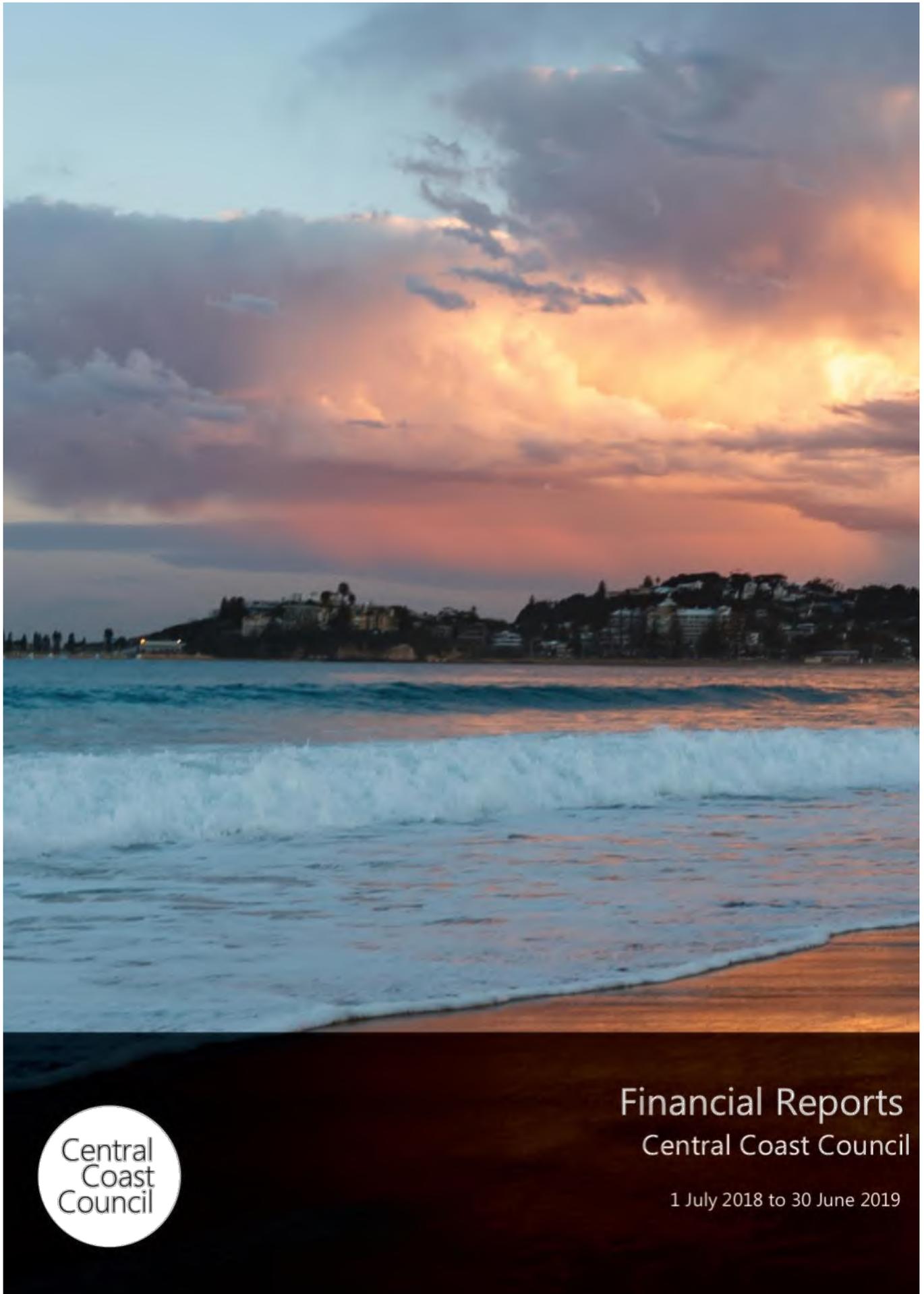
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**GENERAL REPORTS**

**2.9 Deferred Item - Draft 2018-19 Financial Reports for Central Coast Council and Central Coast Council Water Supply Authority**

<b>Attachment 1:</b>	Central Coast Council Draft 2018-19 Consolidated Financial Statements.....	3
<b>Attachment 2:</b>	Central Coast Council Water Supply Authority Draft 2018-19 Consolidated Financial Statements.....	135



# Financial Reports

## Central Coast Council

1 July 2018 to 30 June 2019

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draft (audited) consolidated financial statements



# General Purpose Financial Statements

Central Coast Council

1 July 2018 to 30 June 2019

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>3</b>
<b>2. Statement by Councillors and Management</b>	<b>4</b>
<b>3. Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>4. Notes to the Financial Statements</b>	<b>10</b>
<b>5. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	97
On the Financial Statements (Sect 417 [3])	98

**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 media releases, financial statements and other information are publicly available on our website: [www.centralcoast.nsw.gov.au](http://www.centralcoast.nsw.gov.au)

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## General Purpose Financial Statements

for the year ended 30 June 2019

## 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 2019.

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 Councillor/Management Statement**

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

DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

Central Coast Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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.

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 xx February 2020

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Lisa Matthews  
Mayor

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Jane Smith  
Deputy Mayor

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Gary Murphy  
Chief Executive Officer

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Craig Norman  
Responsible Accounting Officer

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
355,901	Rates and annual charges <sup>2</sup>	3a	362,706	354,482
140,492	User charges and fees	3b	133,925	139,198
12,618	Interest and investment revenue	3c	15,106	13,635
13,369	Other revenues	3d	17,373	16,361
36,831	Grants and contributions provided for operating purposes <sup>2</sup>	3e,3f	40,618	38,601
48,386	Grants and contributions provided for capital purposes	3e,3f	67,523	88,915
<u>Other income:</u>				
2,325	Net gains from the disposal of assets	5	–	–
609,922	<b>Total income from continuing operations</b>		637,251	651,192
<b>Expenses from continuing operations</b>				
184,213	Employee benefits and on-costs	4a	198,785	185,940
18,703	Borrowing costs	4b	18,909	20,663
131,038	Materials and contracts	4c	118,648	112,667
128,539	Depreciation and amortisation	4d	145,649	139,380
98,979	Other expenses	4e	89,836	87,278
–	Net losses from the disposal of assets	5	3,027	3,829
–	Revaluation decrement / impairment of IPP&E	4d	–	35,221
561,472	<b>Total expenses from continuing operations</b>		574,854	584,978
48,450	<b>Operating result from continuing operations</b>		62,397	66,214
48,450	<b>Net operating result for the year</b>		62,397	66,214
48,450	Net operating result attributable to council		62,397	66,214
64	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		(5,126)	(22,701)

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

(2) The Code of Accounting Practice and Financial Reporting Update 27 requires the separate disclosure of pensioner rebates and pensioner rate subsidies received within Note 3a in 2018-19. Comparative amounts for 2017-18 have also been disclosed.

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>62,397</b>	<b>66,214</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequent to operating result			
Gain/(loss) on revaluation of IPP&E	9	41,849	116,477
<b>Total items which will not be reclassified subsequent to operating result</b>		<b>41,849</b>	<b>116,477</b>
<b>Total other comprehensive income for the year</b>		<b>41,849</b>	<b>116,477</b>
<b>Total comprehensive income for the year</b>		<b>104,246</b>	<b>182,691</b>
Total comprehensive income attributable to Council		104,246	182,691

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	44,059	59,502
Investments	6(b)	340,739	151,453
Receivables	7	68,807	86,115
Inventories	8a	1,391	1,431
Other	8b	5,481	3,607
<b>Total current assets</b>		<u>460,477</u>	<u>302,108</u>
<b>Non-current assets</b>			
Investments	6(b)	93,717	265,750
Receivables	7	3,409	3,559
Infrastructure, property, plant and equipment	9	7,077,104	6,996,427
Intangible assets	10	11,727	10,398
Other	8b	336	480
<b>Total non-current assets</b>		<u>7,186,293</u>	<u>7,276,614</u>
<b>TOTAL ASSETS</b>		<u>7,646,770</u>	<u>7,578,722</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	76,906	86,316
Income received in advance	11	16,144	6,680
Borrowings	11	47,753	32,994
Provisions	12	66,418	69,176
<b>Total current liabilities</b>		<u>207,221</u>	<u>195,166</u>
<b>Non-current liabilities</b>			
Income received in advance	11	7,465	10,189
Borrowings	11	185,404	231,867
Provisions	12	65,752	64,818
<b>Total non-current liabilities</b>		<u>258,621</u>	<u>306,874</u>
<b>TOTAL LIABILITIES</b>		<u>465,842</u>	<u>502,040</u>
<b>Net assets</b>		<u>7,180,928</u>	<u>7,076,682</u>
<b>EQUITY</b>			
Accumulated surplus		6,989,141	6,926,744
Revaluation reserves		191,787	149,938
<b>Council equity interest</b>		<u>7,180,928</u>	<u>7,076,682</u>
<b>Total equity</b>		<u>7,180,928</u>	<u>7,076,682</u>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		6,926,744	149,938	7,076,682	6,860,530	33,461	6,893,991
Net operating result for the year		62,397	–	62,397	66,214	–	66,214
<b>Other comprehensive income</b>							
– Gain / (loss) on revaluation of IPP&E	9	–	41,849	41,849	–	116,477	116,477
<b>Total comprehensive income</b>		<u>62,397</u>	<u>41,849</u>	<u>104,246</u>	<u>66,214</u>	<u>116,477</u>	<u>182,691</u>
<b>Equity – balance at end of the reporting period</b>		<u>6,989,141</u>	<u>191,787</u>	<u>7,180,928</u>	<u>6,926,744</u>	<u>149,938</u>	<u>7,076,682</u>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
356,298	Rates and annual charges		361,262	348,295
139,154	User charges and fees		159,019	139,158
13,974	Investment and interest revenue received		20,195	14,331
83,564	Grants and contributions		94,933	130,554
–	Bonds, deposits and retention amounts received		–	1,288
12,865	Other		41,452	38,061
<b>Payments</b>				
(185,724)	Employee benefits and on-costs		(201,639)	(179,917)
(131,556)	Materials and contracts		(114,972)	(108,092)
(17,434)	Borrowing costs		(15,200)	(19,391)
–	Bonds, deposits and retention amounts refunded		(5,246)	–
(104,206)	Other		(135,554)	(99,604)
	<b>Net cash provided (or used in) operating activities</b>	13b	<u>204,250</u>	<u>264,683</u>
166,935				
<b>Cash flows from investing activities</b>				
<b>Receipts</b>				
82,698	Sale of investment securities		281,453	326,765
4,500	Sale of infrastructure, property, plant and equipment		2,092	3,108
–	Deferred debtors receipts		–	2
<b>Payments</b>				
(21,308)	Purchase of investment securities		(298,706)	(334,453)
(199,832)	Purchase of infrastructure, property, plant and equipment		(169,619)	(179,224)
–	Purchase of intangible assets		(3,233)	–
–	Deferred debtors and advances made		24	–
(133,942)	<b>Net cash provided (or used in) investing activities</b>		<u>(187,989)</u>	<u>(183,802)</u>
<b>Cash flows from financing activities</b>				
<b>Payments</b>				
(32,993)	Repayment of borrowings and advances		(31,704)	(23,976)
(32,993)	<b>Net cash flow provided (used in) financing activities</b>		<u>(31,704)</u>	<u>(23,976)</u>
–	<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(15,443)</u>	<u>56,905</u>
4,400	Plus: cash and cash equivalents – beginning of period	13a	<u>59,502</u>	<u>2,597</u>
4,400	<b>Cash and cash equivalents – end of the year</b>	13a	<u>44,059</u>	<u>59,502</u>
<b>Additional Information:</b>				
299,086	plus: Investments on hand – end of year	6(b)	<u>434,456</u>	<u>417,203</u>
<u>303,486</u>	<b>Total cash, cash equivalents and investments</b>		<u>478,515</u>	<u>476,705</u>

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	16
2(b)	Council functions/activities – component descriptions	17
3	Income from continuing operations	18
4	Expenses from continuing operations	25
5	Gains or losses from the disposal, replacement and de-recognition of assets	30
6(a)	Cash and cash equivalent assets	31
6(b)	Investments	31
6(c)	Restricted cash, cash equivalents and investments – details	32
7	Receivables	35
8	Inventories and other assets	38
9	Infrastructure, property, plant and equipment	39
10	Intangible assets	43
11	Payables and borrowings	44
12	Provisions	47
13	Statement of cash flows – additional information	51
14	Interests in other entities	52
15	Commitments	55
16	Contingencies	57
17	Financial risk management	60
18	Material budget variations	64
19	Fair Value Measurement	66
20	Related Party Transactions	77
21	Statement of developer contributions	79
22	Financial result and financial position by fund	89
23(a)	Statement of performance measures – consolidated results	92
23(b)	Statement of performance measures – by fund	93
<b>Additional Council disclosures (unaudited)</b>		
23(c)	Statement of performance measures – consolidated results (graphs)	94
24	Council information and contact details	96

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation

These financial statements were authorised for issue by Council on xx February 2020. Council has the power to amend and reissue these 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 18 – Material budget variations

**(a) New and amended standards adopted by Council**

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

The Council has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

**Classification of financial assets**

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

**Measurement of equity instruments**

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

continued on next page ...

Page 11 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

**Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

**(b) 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.

**(c) 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 the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the 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 9
- (ii) estimated asset remediation provisions – refer Note 12
- (iii) employee benefit provisions – refer Note 12.

**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 7.

**Monies and other assets received by Council****(a) The Consolidated Funds**

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 Funds 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 the Council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

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

continued on next page ...

Page 12 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

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.

**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.

**New accounting standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council are progressing through the analysis of the impact of the new accounting standards relevant for 2019-20. For the purpose of this year's financial statements, Council have only qualitatively assessed the impact of the new accounting standards.

Further work is required by Council to ascertain the full quantitative impact on Council's 2019-20 financial statements.

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

**AASB 16 Leases**

AASB 16 will result (for the year ending 30 June 2020 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1 July 2019).

AASB 16 will affect Council's accounting for existing operating lease agreements that are in place as at 30 June 2019.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$6.2 million - refer Note 15.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

**AASB 15 Revenue from Contracts with Customers and associated amending standards**

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

continued on next page ...

Page 13 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Specific potential impacts of AASB15 are expected to include:

- An opening adjustment to Accumulated Surplus to reflect any income previously recognised for agreements where Council is yet to fulfil performance obligations.
- Deferred income recognition for sponsorship agreements, with income to be recognised consistent with Council's fulfilment of performance obligations under the sponsorship agreement.
- Deferred income recognition for certain specific grants, to align income recognition with the fulfilment of performance obligations.
- Recognition of gross revenue (and corresponding expense amount) for contract arrangements currently paid on a net basis.

Council is currently in the process of determining the potential impacts of the implementation of AASB15 and will reflect accordingly in 2019-20.

**AASB 1058 Income of Not-For-Profit Entities**

AASB 1058 supersedes all the income recognition requirements relating to Councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a Council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the Council's objectives.

Upon initial recognition of the asset, this standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (i.e. an in-substance acquisition of a non-financial asset), the Council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Specific potential impacts of AASB are expected to include:

- An opening adjustment to Accumulated Surplus to reflect any income previously recognised for agreements where Council is yet to fulfil performance obligations.
- Deferred income recognition for certain specific purpose grants, to align income recognition with the fulfilment of performance obligations.

Council is currently in the process of determining the potential impacts of the implementation of AASB1058 and will reflect accordingly in 2019-20.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

**AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council holds a number of 'peppercorn' leases as a lessor and will review disclosure requirements for 2019-20. From a financial position there will be no impact to the Annual Financial Statements.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.  
Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Responsible	378,488	402,993	434,454	456,092	(55,966)	(53,099)	42,870	50,014	7,477,471	7,500,907
Liveable	34,672	29,812	81,978	77,495	(47,306)	(47,683)	12,204	7,675	114,806	52,783
Caring / Belonging	4,659	5,004	19,070	18,961	(14,411)	(13,957)	363	388	1,019	742
Smart	12,849	11,489	20,024	17,131	(7,175)	(5,642)	1,519	49	36,584	12,981
Green	3,278	4,107	19,328	15,299	(16,050)	(11,192)	2,570	3,681	16,890	11,309
General Purpose Income	203,305	197,787	–	–	203,305	197,787	–	–	–	–
<b>Total functions and activities</b>	<b>637,251</b>	<b>651,192</b>	<b>574,854</b>	<b>584,978</b>	<b>62,397</b>	<b>66,214</b>	<b>59,526</b>	<b>61,807</b>	<b>7,646,770</b>	<b>7,578,722</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

**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

**Caring / 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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges <sup>2</sup></b>		
<b>Ordinary rates</b>		
Residential	142,973	139,475
Farmland	762	756
Mining	922	911
Business	19,708	19,158
Less: pensioner rebates (mandatory)	(2,259)	(2,269)
Less: pensioner rebates (Council policy)	(1,850)	(1,869)
<b>Rates levied to ratepayers</b>	<b>160,256</b>	<b>156,162</b>
Pensioner rate subsidies received	2,241	2,228
<b>Total ordinary rates</b>	<b>162,497</b>	<b>158,390</b>
<b>Special rates</b>		
Town improvement	1,329	1,305
Parking	190	187
Tourism / business development	1,499	1,463
<b>Rates levied to ratepayers</b>	<b>3,018</b>	<b>2,955</b>
<b>Total special rates</b>	<b>3,018</b>	<b>2,955</b>
<b>Annual charges</b>		
Domestic waste management services	69,561	66,558
Water supply services	26,400	26,072
Sewerage services	82,217	81,395
Drainage	17,791	17,583
Waste management services (non-domestic)	3,621	4,088
Liquid trade waste	429	190
Section 611 charges	122	96
Less: pensioner rebates (mandatory)	(3,624)	(3,942)
Less: pensioner rebates (Council policy)	(2,966)	(2,687)
<b>Annual charges levied</b>	<b>193,551</b>	<b>189,353</b>
Pensioner subsidies received:		
– Water	1,214	1,289
– Sewerage	1,196	1,265
– Domestic waste management	1,230	1,230
<b>Total annual charges</b>	<b>197,191</b>	<b>193,137</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>362,706</b>	<b>354,482</b>

Council has used 2016 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 the Council obtains control over the assets comprising these receipts.

Pensioner rebates (Council Policy) 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.

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.

continued on next page ...

Page 18 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

(2) The Code of Accounting Practice and Financial Reporting Update 27 requires the separate disclosure of pensioner rebates and pensioner rate subsidies received within Note 3a in 2018-19. Comparative amounts for 2017-18 have also been disclosed.

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	60,947	63,915
Sewerage services	2,611	2,465
Waste management services (non-domestic)	36	39
Liquid trade waste	2,369	2,642
<b>Total specific user charges</b>	<b>65,963</b>	<b>69,061</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Building services	2,132	2,648
Inspection services	829	939
Private works – section 67	99	517
Regulatory/ statutory fees	67	–
Registration fees / certificates	209	473
Section 10.7 certificates (EP&A Act)	847	954
Section 603 certificates	607	779
Town planning	303	466
Development applications	4,151	4,331
Rezoning fees	109	313
Other	343	394
<b>Total fees and charges – statutory/regulatory</b>	<b>9,696</b>	<b>11,814</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	49	67
Camping ground	740	744
Child care	6,422	6,290
Community centres	1,846	1,342
Companion animals	368	366
Engineering design fees	562	484
Facilities Hire Income	334	484
Holiday parks	10,105	10,200
On site sewer management (OSSM)	475	431
Parking fees	810	730
Parks and recreation	658	786
Restoration charges	188	217
RMS works (state roads not controlled by Council)	7,236	6,458
Sewerage Connection Income	566	604
Swimming centres	5,552	5,661
Theatres	652	713
Tipping fees	19,713	20,794
Water connection fees	776	983
Other	1,214	969
<b>Total fees and charges – other</b>	<b>58,266</b>	<b>58,323</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>133,925</b>	<b>139,198</b>

continued on next page ...

Page 19 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Accounting policy for user charges and fees**

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

## (c) Interest and investment revenue (including losses)

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

– Overdue rates and annual charges (incl. special purpose rates)	1,895	1,724
– Cash and investments	13,178	11,898
<b>Amortisation of premiums and discounts</b>		
– Interest free (and interest reduced) loans provided	24	2
<b>Other</b>	9	11
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>15,106</b>	<b>13,635</b>

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	580	1,724
General Council cash and investments	6,669	5,012

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	3,131	3,618
– Section 64	1,742	1,998
Domestic waste management operations	2,984	1,283
<b>Total interest and investment revenue</b>	<b>15,106</b>	<b>13,635</b>

**Accounting policy for interest and investment revenue**

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

## (d) Other revenues

Arts centre	269	506
Cemetery income	316	290
Diesel rebate	319	79
Event revenue	1,753	1,908
Fines – other	375	276
Fines – parking	2,498	2,509
Insurance claims recoveries	580	192
Landfill sale of scrap metal	1,019	1,056
Landfill gas royalty payment	598	364
Legal fees recovery – other	203	166
Property rents	5,820	4,989
Recreation	319	464
Sales – general	953	792
Section 355 Committee income	370	234
Other	1,981	2,536
<b>TOTAL OTHER REVENUE</b>	<b>17,373</b>	<b>16,361</b>

**Accounting policy for other revenue**

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

continued on next page ...

Page 20 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Parking fines are recognised as revenue upon receipt from the Infringement Processing Bureau.

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 <sub>2</sub> 2019	Operating <sub>2</sub> 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	10,436	10,576	–	–
Financial assistance – local roads component	2,186	2,122	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	10,819	10,857	–	–
Financial assistance – local roads component	2,268	2,207	–	–
<b>Total general purpose</b>	<b>25,709</b>	<b>25,762</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Aged and disabled	23	62	10	–
Bushfire and emergency services	2,184	1,568	241	2,342
Child care	384	563	–	–
Community care	118	79	–	–
Community centres	–	–	661	–
Employment and training programs	30	61	–	–
Environmental programs	1,815	1,494	198	260
Health services	44	42	–	–
Heritage and cultural	61	12	495	–
Library	731	777	211	53
LIRS subsidy	882	1,025	–	–
Recreational facilities	1,102	9	11,256	9,488
Roads and bridges	–	139	8,663	9,930
Security equipment (CCTV)	–	–	155	301
Somersby Industrial Park	–	–	1,259	2,519
Street lighting	966	948	–	–
Transport (other roads and bridges funding)	118	1	45	138
Transport (roads to recovery)	–	–	1,979	4,014
Youth services	131	128	–	–
Other	55	92	–	–
<b>Total specific purpose</b>	<b>8,644</b>	<b>7,000</b>	<b>25,173</b>	<b>29,045</b>
<b>Total grants</b>	<b>34,353</b>	<b>32,762</b>	<b>25,173</b>	<b>29,045</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	26,319	26,536	13,453	20,838
– State funding	8,033	6,179	11,699	8,162

continued on next page ...

Page 21 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Operating <sub>2</sub> 2019	Operating <sub>2</sub> 2018	Capital 2019	Capital 2018
- Other funding	1	47	21	45
	<u>34,353</u>	<u>32,762</u>	<u>25,173</u>	<u>29,045</u>

\$ '000	Notes	Operating <sub>2</sub> 2019	Operating <sub>2</sub> 2018	Capital 2019	Capital 2018
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## (f) Contributions

**Developer contributions:  
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):****Cash contributions**

S 7.11 – contributions towards amenities/services	–	–	69	708
S 7.12 – fixed development consent levies	–	–	2,675	7,161
S 64 – water supply contributions	–	–	3,456	5,121
S 64 – sewerage service contributions	–	–	4,254	6,095
Other developer contributions	–	–	286	496
S 7.11 – stormwater contributions	–	–	1,344	2,999
S 7.11 – roadworks	–	–	2,639	5,619
S 7.11 – open space	–	–	3,433	7,192
S 7.11 – community facilities	–	–	1,778	3,992
<b>Total developer contributions – cash</b>	<u>–</u>	<u>–</u>	<u>19,934</u>	<u>39,383</u>

**Non-cash contributions**

S 7.11 – contributions towards amenities/services	–	–	21	–
S 7.11 – drainage assets	–	–	443	–
S 64 – sewerage service contributions	–	–	18	–
S 64 – water supply contributions	–	–	2	–
<b>Total developer contributions non-cash</b>	<u>–</u>	<u>–</u>	<u>484</u>	<u>–</u>

**Total developer contributions**

21	<u>–</u>	<u>–</u>	<u>20,418</u>	<u>39,383</u>
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**Other contributions:****Cash contributions**

Business development	–	–	2,036	1,500
Kerb and gutter	–	–	–	145
Land	–	–	–	1,015
Paving	–	–	273	61
Recreation and culture	39	–	575	394
RMS contributions (regional roads, block grant)	3,821	3,668	–	–
Roadworks	16	16	243	7,177
Sewerage (excl. section 64 contributions)	–	–	271	293
Vehicle contributions by employees	2,106	1,907	–	–
Water supplies (excl. section 64 contributions)	–	–	196	111
Other	283	248	265	341
<b>Total other contributions – cash</b>	<u>6,265</u>	<u>5,839</u>	<u>3,859</u>	<u>11,037</u>

**Non-cash contributions**

Dedications – subdivisions (other than by s7.11)	–	–	–	9,450
Other	–	–	18,073	–
<b>Total other contributions – non-cash</b>	<u>–</u>	<u>–</u>	<u>18,073</u>	<u>9,450</u>

continued on next page ...

Page 22 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	Operating <sub>2</sub> 2019	Operating <sub>2</sub> 2018	Capital 2019	Capital 2018
<b>Total other contributions</b>		6,265	5,839	21,932	20,487
<b>Total contributions</b>		6,265	5,839	42,350	59,870
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		40,618	38,601	67,523	88,915

**Accounting policy for grants and contributions**

Control over grants and contributions is normally obtained upon their receipt (or acquittal) 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 above.

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 Developer Consents, 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.

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.

(2) The Code of Accounting Practice and Financial Reporting Update 27 requires the separate disclosure of pensioner rebates and pensioner rate subsidies received within Notes 3e and 3f in 2018-19. Comparative amounts for 2017-18 have also been disclosed.

\$ '000	2019	2018
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## (g) Unspent grants and contributions

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

Unexpended at the close of the previous reporting period	4,462	2,879
<b>Add:</b> operating grants recognised in the current period but not yet spent	1,387	3,358
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(3,504)	(1,775)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>2,345</u>	<u>4,462</u>

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

Most significant include the Better Waste and Recycling program, Stronger Community Fund grants and Tuggerah Lakes Estuary grant.

**Capital grants**

Unexpended at the close of the previous reporting period	4,608	4,005
<b>Add:</b> capital grants recognised in the current period but not yet spent	5,576	885
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(1,315)	(282)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>8,869</u>	<u>4,608</u>

continued on next page ...

Page 23 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Various capital grants unspent and held as a restriction at year end.		
Most significant include Climate Change Fund (Water Supply Authority), Stronger Community Fund grants, Adcock Park upgrade, Greenfield Road, Empire Bay upgrade and Regional playspace at Sun Valley Reserve, Green Point.		
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	176,904	137,656
<b>Add:</b> contributions recognised in the current period but not yet spent	26,727	46,348
<b>Less:</b> contributions recognised in a previous reporting period now spent	(13,128)	(7,100)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>190,503</u>	<u>176,904</u>

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	157,663	154,031
Employee termination costs	272	1,192
Travel expenses	45	57
Employee leave entitlements (ELE)	26,206	16,402
Superannuation	17,969	16,623
Workers Compensation	3,859	2,231
Fringe benefit tax (FBT)	245	481
Payroll tax	2,148	2,608
Training costs (other than salaries and wages)	2,100	2,042
Uniforms and Protective clothing	1,302	993
Other	809	130
<b>Total employee costs</b>	<b>212,618</b>	<b>196,790</b>
Less: capitalised costs	(13,833)	(10,850)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>198,785</b>	<b>185,940</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 16 for more information.

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		17,104	18,841
Interest on other debts		70	141
<b>Total interest bearing liability costs expensed</b>		<b>17,174</b>	<b>18,982</b>
<b>(ii) Other borrowing costs</b>			
Remediation liabilities	12	1,730	1,681
Other liabilities		5	-
<b>Total other borrowing costs</b>		<b>1,735</b>	<b>1,681</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>18,909</b>	<b>20,663</b>

**Accounting policy for borrowing costs**

Borrowing costs are expensed.

continued on next page ...

Page 25 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	14,400	20,808
Contractor and consultancy costs	41,370	33,479
Contract costs Garbage collection	29,916	29,518
Contract costs Green waste processing	4,094	2,362
Contract costs Corporate systems	4,298	3,710
Contract costs Agency hire	8,979	7,921
Contract costs Roads	12,301	11,045
Auditors remuneration <sup>2</sup>	429	612
<b>Legal expenses:</b>		
– Legal expenses: planning and development	297	18
– Legal expenses: other	790	2,166
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	1,774	1,028
<b>Total materials and contracts</b>	<u>118,648</u>	<u>112,667</u>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>118,648</u>	<u>112,667</u>

**Accounting policy for operating leases**

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	30
Computers	933	588
Other	53	410
	<u>1,774</u>	<u>1,028</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	373	393
Other audit and assurance services	–	163
<b>Remuneration for audit and other assurance services</b>	<u>373</u>	<u>556</u>

**Total Auditor-General remuneration**

	<u>373</u>	<u>556</u>
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**Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

Audit of regulatory returns	–	3
<b>Remuneration for audit and other assurance services</b>	<u>–</u>	<u>3</u>

**(ii) Non-assurance services**

Other services	56	53
<b>Remuneration for non-assurance services</b>	<u>56</u>	<u>53</u>

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

	<u>56</u>	<u>56</u>
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continued on next page ...

Page 26 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
<b>Total Auditor remuneration</b>	<u>429</u>	<u>612</u>

\$ '000	Notes	2019	2018
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## (d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E

**Depreciation and amortisation**

Plant and equipment		7,341	8,818
Office equipment		1,747	2,257
Furniture and fittings		1,034	611
Land improvements (depreciable)		1,410	1,125

**Infrastructure:**

– Buildings – specialised		11,376	7,488
– Other structures		1,233	1,118
– Roads		33,481	31,892
– Bridges		612	641
– Footpaths		2,268	2,153
– Stormwater drainage		15,458	15,230
– Water supply network		26,034	25,120
– Sewerage network		34,402	33,070
– Swimming pools		227	75
– Other open space/recreational assets		3,315	3,130
– Other infrastructure		1,163	1,237

**Other assets:**

– Library books		810	864
– Other		89	100

**Reinstatement, rehabilitation and restoration assets:**

– Tip assets	9, 12	1,745	3,516
Intangible assets	10	1,904	935

**Total gross depreciation and amortisation costs**

<u>145,649</u>	<u>139,380</u>
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## Total depreciation and amortisation costs

<u>145,649</u>	<u>139,380</u>
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**Impairment / revaluation decrement of IPP&E**

Operational Land		–	35,221
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**Total gross IPP&E impairment / revaluation decrement costs / (reversals)**

<u>–</u>	<u>35,221</u>
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## Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement

<u>–</u>	<u>35,221</u>
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**TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E**

<u>145,649</u>	<u>174,601</u>
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**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E****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 9 for IPPE assets and Note 10 for intangible assets.

continued on next page ...

Page 27 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

**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.

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. Asset Revaluation Reserve balances from former Councils do not carry forward to merged Councils.

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	1,521	1,726
Bad and doubtful debts	1,279	763
Bank charges	1,339	1,333
Commissions	2,905	2,763
Computer software charges	8,657	8,056
Contributions/levies to other levels of government		
– Holiday Park levy	485	523
– NSW Fire and rescue levy	2,571	2,592
– NSW Rural fire service levy	1,175	1,209
– NSW State emergency services levy	455	530
– Waste levy	29,140	27,035
Councillor expenses – mayoral fee	86	79
Councillor expenses – councillors' fees	453	310
Councillors' expenses (incl. mayor) – other (excluding fees above)	86	37
Donations, Contributions and assistance to other organisations (Section 356)		
– The Art House	1,057	1,035
– Toukley Town Centre	220	220
– Wyong Town Centre	114	92
– Tourism Central Coast	–	821
– Surf Life Saving Clubs	208	193
– Gosford Town Centre	256	256
– Stronger communities fund	576	785
– Community grants	1,706	1,059
– Other contributions and donations	381	436
Election expenses	–	1,605
Electricity and heating	12,652	9,663

continued on next page ...

Page 28 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Events and promotions	1,477	751
Gas charges	330	536
Insurance	4,330	2,977
Licences	654	395
Planning NSW development application fees	563	786
Postage	1,227	1,151
Printing and stationery	1,047	1,410
Private works	422	1,046
Property rent	1,000	473
Street lighting	5,679	5,790
Subscriptions and publications	455	714
Telephone and communications	2,672	2,254
Tip rehabilitation provision adjustment	(1,830)	1,825
Valuer general fees	797	827
Vehicle registrations	807	846
Other	2,884	2,376
<b>Total other expenses</b>	<b>89,836</b>	<b>87,278</b>
<b>TOTAL OTHER EXPENSES</b>	<b>89,836</b>	<b>87,278</b>

**Accounting policy for other expenses**

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
<b>Buildings</b>			
Less: carrying amount of property assets sold/written off		(160)	(3,541)
<b>Net gain/(loss) on disposal</b>		<b>(160)</b>	<b>(3,541)</b>
<b>Plant and equipment</b>			
	9		
Proceeds from disposal – plant and equipment		2,092	1,763
Less: carrying amount of plant and equipment assets sold/written off		(1,916)	(1,176)
<b>Net gain/(loss) on disposal</b>		<b>176</b>	<b>587</b>
<b>Other Structures</b>			
	9		
Less: carrying amount of infrastructure assets sold/written off		(24)	–
<b>Net gain/(loss) on disposal</b>		<b>(24)</b>	<b>–</b>
<b>Investments</b>			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		281,453	326,765
Less: carrying amount of investments sold/redeemed/matured		(281,453)	(326,765)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Operational Land</b>			
Proceeds from disposal – Operational Land		–	1,340
Less: carrying amount of Operational Land assets sold/written off		–	(750)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>590</b>
<b>Stormwater drainage</b>			
Less: carrying amount of Stormwater Drainage assets sold/written off		(627)	(207)
<b>Net gain/(loss) on disposal</b>		<b>(627)</b>	<b>(207)</b>
<b>Sewerage network assets</b>			
Less: carrying amount of Sewerage Network assets sold/written off		(1,791)	(1,196)
<b>Net gain/(loss) on disposal</b>		<b>(1,791)</b>	<b>(1,196)</b>
<b>Office equipment</b>			
Less: carrying amount of Office Equipment assets sold/written off		(5)	(67)
<b>Net gain/(loss) on disposal</b>		<b>(5)</b>	<b>(67)</b>
<b>Library books</b>			
Proceeds from disposal – Library Books		–	5
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>5</b>
<b>Water supply assets</b>			
Less: carrying amount of water supply assets assets sold/written off		(596)	–
<b>Net gain/(loss) on disposal</b>		<b>(596)</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(3,027)</b>	<b>(3,829)</b>

**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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	18,231	9,451
Cash-equivalent assets		
– Deposits at call	25,828	50,051
<b>Total cash and cash equivalents</b>	<u>44,059</u>	<u>59,502</u>

**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	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
b. 'Debt Securities at amortised cost' / 'held to maturity' (2018)	340,739	93,717	151,453	265,750
<b>Total Investments</b>	<u>340,739</u>	<u>93,717</u>	<u>151,453</u>	<u>265,750</u>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<u>384,798</u>	<u>93,717</u>	<u>210,955</u>	<u>265,750</u>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	317,989	50,000	138,453	234,000
NCD's, FRN's (with maturities > 3 months)	22,750	43,717	13,000	31,750
<b>Total</b>	<u>340,739</u>	<u>93,717</u>	<u>151,453</u>	<u>265,750</u>

**Accounting policy for investments****Accounting policy under AASB 9 – applicable from 1 July 2018**

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.

**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 at amortised cost.

**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 and cash and cash equivalents in the Statement of Financial Position.

continued on next page ...

Page 31 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments (continued)

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.

**Accounting policy under AASB 139 – applicable for 2018 comparatives only****Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

**(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

**(b) Held to maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

**(c) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are measured at amortised cost.

**(d) Available for sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

**Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

**Impairment of financial assets**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

**Impairment of available for sale investments**

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	384,798	93,717	210,955	265,750
<b>attributable to:</b>				
External restrictions	219,165	93,717	97,960	163,036
Internal restrictions	114,697	–	17,195	102,714
Unrestricted	50,936	–	95,800	–
	<u>384,798</u>	<u>93,717</u>	<u>210,955</u>	<u>265,750</u>

\$ '000	2019	2018
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## Details of restrictions

**External restrictions – other**

Developer contributions – general	84,287	63,663
Developer contributions – water	38,250	35,916
Developer contributions – sewer	20,917	18,718
Developer contributions – drainage	32,467	27,705
Developer contributions – VPA – general	2,608	2,535
Developer contributions – VPA – water	1,028	2,326
Developer contributions – VPA – sewer	483	389
Developer contributions – VPA - drainage	1,337	–
Developer contributions – bonus provisions	5,002	4,918
Developer Contributions – Sec 94A Levy	14,695	11,754
Specific purpose unexpended grants – general	7,755	3,086
Specific purpose unexpended grants – water	2,355	3,612
Specific purpose unexpended grants – sewer	–	1,235
Specific purpose unexpended grants – waste	1,105	1,137
Water supplies	48	–
Drainage	100	–
Domestic waste management	71,133	57,021
Stormwater management	797	1,158
Contributions to works including COSS	6,336	5,932
Holiday parks	10,168	8,709
Cemeteries	806	729
Self insurance claims – general	5,976	6,320
Self insurance claims – water	798	611
Other External Restrictions – drainage	–	100
Self insurance claims – sewer	2,131	1,522
Other – Crown land	1,730	1,215
Other External Restrictions	570	685

**External restrictions – other**

<u>312,882</u>	<u>260,996</u>
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**Total external restrictions**

<u>312,882</u>	<u>260,996</u>
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**Internal restrictions**

Employees leave entitlement	11,638	12,074
Carbon emission reserve	1,066	1,066
Property development	15,251	15,251
Public liability insurance – general	–	277
Revolving energy	253	253
Section 355/advances/deposits	588	657

continued on next page ...

Page 33 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(c). Restricted cash, cash equivalents and investments – details (continued)

\$ '000	2019	2018
Special rates and other restrictions	24,190	23,263
Stronger communities fund	2,459	7,183
Tip replacement/rehabilitation	28,355	27,712
Waste disposal facility	30,468	31,810
Drainage Licence Fee	429	363
<b>Total internal restrictions</b>	<u>114,697</u>	<u>119,909</u>
<b>TOTAL RESTRICTIONS</b>	<u>427,579</u>	<u>380,905</u>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates	7,780	-	6,336	-
Interest and extra charges	2,786	-	2,870	-
User charges and fees	11,461	3,409	29,732	3,252
Contributions to works	-	-	139	-
Accrued revenues				
– Interest on investments	-	-	5,029	-
– User charges and fees	16,194	-	-	-
– Government subsidies	2,365	-	-	-
– Other income accruals	1,037	-	1,299	-
Government grants and subsidies	2,366	-	7,231	-
Net GST receivable	8,021	-	5,471	-
Sporting / community clubs	-	-	34	-
Domestic waste management annual charge	3,838	-	3,459	-
Drainage annual charge	1,374	-	2,047	-
Water annual charge	2,094	-	3,277	-
Sewerage annual charge	7,479	-	11,417	-
Central Coast Stadium	-	-	99	-
Liquid trade waste	-	-	443	-
Other debtors	4,406	-	8,548	307
<b>Total</b>	<b>71,201</b>	<b>3,409</b>	<b>87,431</b>	<b>3,559</b>
<b>Less: provision of impairment</b>				
User charges and fees	(941)	-	(701)	-
Other debtors	(1,453)	-	(615)	-
<b>Total provision for impairment – receivables</b>	<b>(2,394)</b>	<b>-</b>	<b>(1,316)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>	<b>68,807</b>	<b>3,409</b>	<b>86,115</b>	<b>3,559</b>
<b>Externally restricted receivables</b>				
Domestic waste management	3,838	-	3,459	-
<b>Total external restrictions</b>	<b>3,838</b>	<b>-</b>	<b>3,459</b>	<b>-</b>
<b>Unrestricted receivables</b>	<b>64,969</b>	<b>3,409</b>	<b>82,656</b>	<b>3,559</b>
<b>TOTAL NET RECEIVABLES</b>	<b>68,807</b>	<b>3,409</b>	<b>86,115</b>	<b>3,559</b>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,316	883
+ new provisions recognised during the year	1,159	762
– amounts already provided for and written off this year	(81)	(329)
<b>Balance at the end of the period</b>	<b>2,394</b>	<b>1,316</b>

continued on next page ...

Page 35 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables (continued)

**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****Accounting policy under AASB 9 applicable from 1 July 2018**

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 the council in full, without recourse by the 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.

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.

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

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.

**Accounting policy under AASB 139 – applicable for 2018 comparatives only**

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

continued on next page ...

Page 36 of 98

DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

**Central Coast Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 7. Receivables (continued)**

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When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	1,391	-	1,431	-
<b>Total inventories at cost</b>	<b>1,391</b>	<b>-</b>	<b>1,431</b>	<b>-</b>
<b>TOTAL INVENTORIES</b>	<b>1,391</b>	<b>-</b>	<b>1,431</b>	<b>-</b>
<b>(b) Other assets</b>				
Prepayments	5,481	-	3,607	-
Investment in the Art House	-	336	-	480
<b>TOTAL OTHER ASSETS</b>	<b>5,481</b>	<b>336</b>	<b>3,607</b>	<b>480</b>
<b>Total unrestricted assets</b>				
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>6,872</b>	<b>336</b>	<b>5,038</b>	<b>480</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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	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
– Community land	346,338	–	346,338	–	76	–	–	561	(89,065)	–	257,910	–	257,910
– Crown land	–	–	–	–	–	–	–	–	125,885	–	125,885	–	125,885
– 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 12):</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).

continued on next page ...

Page 39 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Infrastructure, property, plant and equipment (continued)

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	191,402	-	191,402	171,009	-	-	-	-	(113,006)	-	-	249,405	-	249,405
Plant and equipment	86,829	(43,316)	43,513	-	-	(1,176)	(8,818)	-	12,029	12	-	93,248	(47,687)	45,561
Office equipment	20,432	(14,193)	6,239	-	-	(67)	(2,257)	-	585	-	-	20,831	(16,330)	4,501
Furniture and fittings	14,874	(10,548)	4,326	-	-	-	(611)	-	-	-	-	14,874	(11,159)	3,715
<b>Land:</b>														
- Operational land	438,849	-	438,849	-	515	(750)	-	(35,221)	-	64,272	-	467,665	-	467,665
- Community land	410,510	-	410,510	-	101	-	-	-	-	(64,272)	-	346,338	-	346,338
- Land under roads (post 30/6/08)	1,004	-	1,004	-	399	-	-	-	-	-	-	1,404	-	1,404
Land improvements – depreciable	33,554	(13,396)	20,158	-	-	-	(1,125)	-	6	-	-	33,560	(14,521)	19,039
<b>Infrastructure:</b>														
- Buildings – specialised	522,921	(107,302)	415,619	-	-	(3,541)	(7,488)	-	1,412	(478)	59,440	783,880	(318,915)	464,965
- Other structures	32,670	(9,652)	23,018	-	-	-	(1,118)	-	38	478	-	33,312	(10,896)	22,416
- Roads	1,861,852	(554,376)	1,307,476	-	5,781	-	(31,892)	-	45,272	-	-	1,912,805	(586,167)	1,326,638
- Bridges	54,294	(18,161)	36,133	-	-	-	(641)	-	72	-	-	54,366	(18,802)	35,564
- Footpaths	107,058	(23,032)	84,026	-	1,396	-	(2,153)	-	1,957	-	-	110,412	(25,185)	85,227
- Bulk earthworks (non-depreciable)	366,338	-	366,338	-	-	-	-	-	574	320	-	367,233	-	367,233
- Stormwater drainage	1,447,079	(438,298)	1,008,781	-	4,567	(207)	(15,230)	-	13,514	-	-	1,464,883	(453,458)	1,011,425
- Water supply network	1,747,559	(713,469)	1,034,090	-	1,745	-	(25,120)	-	524	-	21,276	1,786,097	(753,582)	1,032,515
- Sewerage network	2,193,649	(803,730)	1,389,919	-	3,138	(1,196)	(33,070)	-	19,571	-	25,273	2,252,235	(848,600)	1,403,635
- Swimming pools	7,654	(4,761)	2,893	-	-	-	(75)	-	30	-	-	7,684	(4,836)	2,848
- Other open space/recreational assets	92,721	(33,734)	58,987	-	-	-	(3,130)	-	5,156	-	-	97,877	(36,864)	61,013
- Other infrastructure	40,187	(15,980)	24,207	-	-	-	(1,237)	-	1,415	-	-	41,602	(17,216)	24,386
<b>Other assets:</b>														
- Heritage collections	1,765	(834)	931	-	-	-	-	-	-	(931)	-	-	-	-
- Library books	15,848	(14,385)	1,463	-	-	-	(864)	-	1,224	-	-	16,819	(14,995)	1,824
- Other	38	(3)	35	-	-	-	(100)	-	-	931	-	1,803	(937)	866
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>														
- Tip assets	24,177	(12,585)	11,592	-	-	-	(3,516)	-	-	(320)	10,488	34,345	(16,101)	18,244
<b>Total Infrastructure, property, plant and equipment</b>	<b>9,713,264</b>	<b>(2,831,755)</b>	<b>6,881,509</b>	<b>171,009</b>	<b>17,642</b>	<b>(6,937)</b>	<b>(138,445)</b>	<b>(35,221)</b>	<b>(9,627)</b>	<b>12</b>	<b>116,477</b>	<b>10,192,678</b>	<b>(3,196,251)</b>	<b>6,996,427</b>

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

continued on next page ...

Page 40 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. 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 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 for nil or nominal consideration, 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 10	Playground equipment	5 to 40
Office furniture	5 to 35	Benches, seats etc.	10 to 50
Computer equipment	3 to 26		
Vehicles	2 to 10	<b>Buildings</b>	
Heavy equipment	5 to 50	Non-specialised	25 to 63
Other plant and equipment	2 to 40	Specialised	8 to 150
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	15 to 30	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20	Bulk earthworks	10 to 100
Sealed roads: structure	50	Swimming pools	10 to 100
Unsealed roads	20	Other open space/recreational assets	4 to 100
Bridge: concrete	100	Other infrastructure	10 to 100
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	13 to 40		

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.

continued on next page ...

Page 41 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Infrastructure, property, plant and equipment (continued)

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

**Crown reserves**

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

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating 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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	20,481	10,851
Accumulated amortisation	(10,083)	(9,148)
<b>Net book value – opening balance</b>	<b>10,398</b>	<b>1,703</b>
<b>Movements for the year</b>		
– Development costs (transfers from WIP)	3,233	9,630
– Amortisation charges	(1,904)	(935)
<b>Closing values at 30 June</b>		
Gross book value	23,714	20,481
Accumulated amortisation	(11,987)	(10,083)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>11,727</b>	<b>10,398</b>
<b>The net book value of intangible assets represents:</b>		
– Software	10,024	8,695
– Drainage easements	1,703	1,703
	<b>11,727</b>	<b>10,398</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. 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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	30,730	–	27,094	–
Accrued expenses:				
– Borrowings	–	–	1,530	–
– Salaries and wages	4,670	–	5,296	–
– Other expenditure accruals	29,641	–	32,781	–
Security bonds, deposits and retentions	4,658	–	9,904	–
Developer bonds	6,243	–	2,114	–
Overpayments	428	–	6,433	–
Other	536	–	1,164	–
<b>Total payables</b>	<b>76,906</b>	<b>–</b>	<b>86,316</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	16,144	7,465	6,680	10,189
<b>Total income received in advance</b>	<b>16,144</b>	<b>7,465</b>	<b>6,680</b>	<b>10,189</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	47,753	185,404	32,994	231,867
<b>Total borrowings</b>	<b>47,753</b>	<b>185,404</b>	<b>32,994</b>	<b>231,867</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>140,803</b>	<b>192,869</b>	<b>125,990</b>	<b>242,056</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 17.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	7,085	–	6,753	–
Developer contributions in advance General	1,802	4,401	–	6,761
Developer contributions in advance Water	59	–	–	1,746
Developer contributions in advance Sewer	–	499	–	653
Developer contributions in advance Drainage	–	1,377	–	–
Payables and borrowings relating to externally restricted assets	8,946	6,277	6,753	9,160
<b>Internally restricted assets</b>				
Insurance General Fund	–	–	231	–
Payables and borrowings relating to internally restricted assets	–	–	231	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>8,946</b>	<b>6,277</b>	<b>6,984</b>	<b>9,160</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>131,857</b>	<b>186,592</b>	<b>119,006</b>	<b>232,896</b>

continued on next page ...

Page 44 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>TOTAL PAYABLES AND BORROWINGS</b>	140,803	192,869	125,990	242,056

\$ '000	2019	2018
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**(b) 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	21,893	8,548
<b>Total payables and borrowings</b>	<b>21,893</b>	<b>8,548</b>

**(c) Changes in liabilities arising from financing activities**

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
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	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	288,837	(23,976)	–	–	–	264,861
<b>TOTAL</b>	<b>288,837</b>	<b>(23,976)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>264,861</b>

\$ '000	2019	2018
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**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>1</sup>	500	1,800
Credit cards/purchase cards	1,240	1,250
Master lease facilities	2,000	2,000
Standby credit facilities	–	5,000
<b>Total financing arrangements</b>	<b>3,740</b>	<b>10,050</b>

**Drawn facilities as at balance date:**

– Credit cards/purchase cards	113	94
– Lease facilities	148	432
<b>Total drawn financing arrangements</b>	<b>261</b>	<b>526</b>

continued on next page ...

Page 45 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	500	1,800
– Credit cards/purchase cards	1,127	1,156
– Lease facilities	1,852	1,568
– Standby credit facilities	–	5,000
<b>Total undrawn financing arrangements</b>	<b>3,479</b>	<b>9,524</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.

Leased 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.

## 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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	14,005	-	14,612	-
Sick leave	10,436	-	11,750	-
Long service leave	29,484	1,844	31,643	-
Other leave	1,035	-	1,027	-
<b>Sub-total – aggregate employee benefits</b>	<b>54,960</b>	<b>1,844</b>	<b>59,032</b>	<b>-</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	6,473	56,832	6,554	58,829
<b>Sub-total – asset remediation/restoration</b>	<b>6,473</b>	<b>56,832</b>	<b>6,554</b>	<b>58,829</b>
<b>Other provisions</b>				
Self insurance – workers compensation	1,841	7,064	2,110	5,989
Self insurance – public liability	530	-	199	-
Self insurance – other	30	-	79	-
Payroll tax	530	12	595	-
Other	2,054	-	607	-
<b>Sub-total – other provisions</b>	<b>4,985</b>	<b>7,076</b>	<b>3,590</b>	<b>5,989</b>
<b>TOTAL PROVISIONS</b>	<b>66,418</b>	<b>65,752</b>	<b>69,176</b>	<b>64,818</b>

**(a) Provisions relating to restricted assets**

<b>Externally restricted assets</b>				
Water	-	-	5,226	528
Sewer	-	-	5,728	965
Self insurance	1,841	7,064	1,904	6,549
Provisions relating to externally restricted assets	1,841	7,064	12,858	8,042
<b>Total provisions relating to restricted assets</b>	<b>1,841</b>	<b>7,064</b>	<b>12,858</b>	<b>8,042</b>
<b>Total provisions relating to unrestricted assets</b>	<b>64,577</b>	<b>58,688</b>	<b>56,318</b>	<b>56,776</b>
<b>TOTAL PROVISIONS</b>	<b>66,418</b>	<b>65,752</b>	<b>69,176</b>	<b>64,818</b>

\$ '000	2019	2018
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**(b) 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	32,858	37,154
	<u>32,858</u>	<u>37,154</u>

continued on next page ...

Page 47 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions (continued)

## (c) Description of and movements in provisions

\$ '000	Other provisions			Total
	Payroll Tax and Other	Self insurance	Asset remediation	
<b>2019</b>				
At beginning of year	1,202	8,377	65,383	74,962
<b>Changes to provision:</b>				
– Revised costs	–	–	(5,800)	(5,800)
– Revised discount rate	–	–	3,509	3,509
Additional provisions	4,143	6,121	461	10,725
Amounts used (payments)	(2,750)	(5,033)	(1,978)	(9,761)
Unwinding of discount	–	–	1,730	1,730
Total other provisions at end of period	2,595	9,465	63,305	75,365
<b>2018</b>				
At beginning of year	1,895	9,102	63,242	74,239
– Revised costs	–	–	591	591
– Revised discount rate	–	–	(273)	(273)
Additional provisions	113	1,944	1,506	3,563
Amounts used (payments)	(806)	(2,669)	(1,364)	(4,839)
Unwinding of discount	–	–	1,681	1,681
Total other provisions at end of period	1,202	8,377	65,383	74,962

## 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.

## 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 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

continued on next page ...

Page 48 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions (continued)

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 and quarries****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 6(c).

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:

continued on next page ...

Page 49 of 98

DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

**Central Coast Council**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 12. Provisions (continued)**

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- Claims escalation of 2.5% per annum and Bond Yields of between 1.750% and 3.409% per annum over a 12 year period.
- All monetary amounts for past Workers Compensation Claims were indexed to bring them to "standardised" values at June 2019.
- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in "standardised" values as at June 2019.

The last actuarial assessment of Workers Compensation Claims was undertaken in July 2019 and was performed by David A Zaman Pty Ltd, Director David Zaman, BSc, FIA, FIAA, MBA.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	44,059	59,502
<b>Balance as per the Statement of Cash Flows</b>		<b>44,059</b>	<b>59,502</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		62,397	66,214
<b>Adjust for non-cash items:</b>			
Depreciation, amortisation and impairment		145,649	139,380
Net losses/(gains) on disposal of assets		3,027	3,829
Non-cash capital grants and contributions		(18,073)	(9,450)
Decrements from revaluations direct to P&L		-	35,221
Interest on all fair value adjusted interest free advances made by Council		(24)	(2)
Unwinding of discount rates on reinstatement provisions		5,239	1,408
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		16,380	(1,489)
Increase/(decrease) in provision for impairment of receivables		1,078	433
Decrease/(increase) in inventories		40	(14)
Decrease/(increase) in other current assets		(1,730)	(1,640)
Increase/(decrease) in payables		3,636	15,856
Increase/(decrease) in accrued interest payable		(1,530)	(136)
Increase/(decrease) in other accrued expenses payable		(3,766)	8,997
Increase/(decrease) in other liabilities		(1,010)	2,556
Increase/(decrease) in provision for employee benefits		(2,228)	4,205
Increase/(decrease) in other provisions		(4,835)	(685)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>204,250</b>	<b>264,683</b>
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		18,073	9,450
<b>Total non-cash investing and financing activities</b>		<b>18,073</b>	<b>9,450</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. 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
The Art House, Wyong Shire Performing Arts and Conference Centre Limited	Operations undertaken - Performing Arts Place of business - 19-21 Margaret Street, Wyong

Interests in Subsidiary \$ '000	Ownership 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
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 provides financial support of \$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	2019	2018
<b>Summarised statement of comprehensive income</b>		
Revenue	2,307	2,113
Expenses	(2,451)	(1,933)
<b>Profit for the period</b>	<b>(144)</b>	<b>180</b>
<b>Total comprehensive income</b>	<b>(144)</b>	<b>180</b>
<b>Summarised statement of financial position</b>		
Current assets	588	776
Non-current assets	145	217
<b>Total assets</b>	<b>733</b>	<b>993</b>
Current liabilities	398	513
<b>Total liabilities</b>	<b>398</b>	<b>513</b>
<b>Net assets</b>	<b>335</b>	<b>480</b>

continued on next page ...

Page 52 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Interests in other entities (continued)

**Summarised statement of cash flows**

Cash flows from operating activities	(190)	312
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(190)</b>	<b>312</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.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

The financial performance and financial position of the Art House is not material to Council's financial performance and financial position.

**(b) Unconsolidated structured entities**

Council did not consolidate the following structured entities:

**Greater Toukley Vision Incorporated**

Council raises special rates and provides funding to this entity so that they can market and promote economic development in the specific suburb area where the special rates have been levied.

Greater Toukley Vision is reliant upon funding from Council. The Board are responsible for controlling and managing the affairs of the Corporation. The arrangement is defined in a funding agreement established in 2013 which has been extended to 30 June 2019.

**Nature of risks relating to the Unconsolidated Structured Entity**

The carrying amount of assets and liabilities is Nil. Council is not exposed to loss as a result of the above arrangements.

**Non-contractual financial support provided**

Council does not provide non-contractual financial support to this entity.

**Current intention to provide financial support**

Council will continue to provide financial support (in return for the delivery of specific functions) under the terms of a new funding agreement which expires on 30 June 2020.

**Wyong Regional Chamber of Commerce Incorporated**

Council raises special rates and provides funding to this entity so that they can market and promote economic development in the specific suburb area where the special rates have been levied.

Wyong Regional Chamber of Commerce is an entity in its own right in alliance with the NSW Central Coast Business Chamber and does not rely upon funding from Council. The Board are responsible for controlling and managing the affairs of the Corporation. Council's arrangement with Wyong Regional Chamber of Commerce is defined in a funding agreement established in 2013 which has been extended to 30 June 2019.

**Nature of risks relating to the Unconsolidated Structured Entity**

The carrying amount of assets and liabilities is Nil. Council is not exposed to loss as a result of the above arrangements.

continued on next page ...

Page 53 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Interests in other entities (continued)

**Non-contractual financial support provided**

Council does not provide non-contractual financial support to this entity.

**Current intention to provide financial support**

Council will continue to provide financial support (in return for the delivery of specific functions) under the terms of a new funding agreement which expires on 30 June 2020.

**Gosford Central Business District Improvement Incorporated**

Council raises special rates and provides funding to this entity so that they can market and promote economic development in the specific suburb area where the special rates have been levied.

In 2008 Gosford Central Business District Improvement, an independent not for profit organisation was established after extensive consultation with the business community. Gosford Central Business District Improvement is currently managed by a voluntary Board consisting of local business owners and community members. The Gosford town centre is currently managed by Gosford Central Business District Improvement on behalf of Council by way of a funding agreement which expires on 30 June 2019.

**Nature of risks relating to the Unconsolidated Structured Entity**

The carrying amount of assets and liabilities is Nil. Council is not exposed to loss as a result of the above arrangements.

**Non-contractual financial support provided**

Council does not provide non-contractual financial support to this entity.

**Current intention to provide financial support**

Council will continue to provide financial support (in return for the delivery of specific functions) under the terms of a new funding agreement which expires on 30 June 2020.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Commitments

\$ '000	2019	2018
<b>(a) 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>		
Plant and equipment	265	349
Land and buildings	4,777	3,459
Technology	12,420	5,582
Tip assets	1,408	2,635
Stormwater Management infrastructure	1,880	5,312
Open Space infrastructure	4,927	1,287
Road infrastructure	6,483	8,454
Sewerage and water infrastructure	10,150	7,069
<b>Total commitments</b>	<b>42,310</b>	<b>34,147</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	42,310	34,147
<b>Total payable</b>	<b>42,310</b>	<b>34,147</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	39,255	29,455
Future grants and contributions	2,007	2,057
Externally restricted reserves	1,048	2,635
<b>Total sources of funding</b>	<b>42,310</b>	<b>34,147</b>

**Details of capital commitments**

Major projects to continue next year include:

- \* Commence development of Regional Library and Commercial Area (Gosford CBD) \$0.3 million
- \* Sewer Siphon System Refurbishment - Springfield Rd Erina \$0.3 million
- \* Adcock Park upgrade West Gosford \$0.4 million
- \* Water Infrastructure Reinforcements - Gosford CBD \$0.4 million
- \* Upgrade amenities at Heazlett Park, Avoca Beach \$0.4 million
- \* Road Reconstruction Projects \$0.5 million
- \* Upgrade Dark Corner boat ramp carpark \$0.5 million
- \* Water Meter Replacement Program \$0.6 million
- \* Replace 5,000 seats at Central Coast Stadium \$0.6 million
- \* Tuggerah - Lake Road - Drainage Upgrade With Road Reconstruction and Traffic Facility Improvements \$0.6 million
- \* Upgrade swimming pool at Budgewoi Holiday Park \$0.6 million
- \* Water Reactive and Program Planning - Region Wide \$0.8 million
- \* Water Treatment Plant Major Upgrade - Mardi \$0.9 million
- \* Central Coast Regional Sporting Complex Construction \$1.1 million

continued on next page ...

Page 55 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Commitments (continued)

\* Rehabilitation - Wamervale Closed Landfill \$1.1 million

\* Sewer Infrastructure Reinforcements - Gosford CBD \$1.3 million

\* Renewal Works - Avoca Beach Seawall \$1.4 million

\* Water Service Connection \$2.0 million

\* Assets generated through Information Management and Technology \$12.3 million

\$ '000	2019	2018
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## (b) Operating lease commitments (non-cancellable)

**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	1,499	920
Later than one year and not later than 5 years	2,453	1,455
Later than 5 years	2,274	2,601
<b>Total non-cancellable operating lease commitments</b>	<b>6,226</b>	<b>4,976</b>

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

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.

Northlakes Childcare Centre premises - Expiry date of the operating lease is 31 December 2051.

Azzuro Blu Wharf - Expiry date of the operating lease is 31 December 2033.

**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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. 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 participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

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

Member Councils are treated as Pooled Employers for the purpose of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum 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 employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities as at 30 June 2018.

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

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 entity.

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

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

continued on next page ...

Page 57 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2019 was \$3.4 million.

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) on 31 December 2018 and covers the period ended 30 June 2018.

Council's expected contribution to the Fund for the next annual reporting period is \$3.5 million.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

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.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2019.

Council's past service contribution per annum as a percentage of the total past service contributions for all Pooled Employers (of \$40 million each year from 1 July 2018 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub 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.

continued on next page ...

Page 58 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Contingencies (continued)

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

**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 21).

**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 12 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 12. Post remediation and validation, Council will continue to monitor the 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 \$833,000. This estimate is based on the former landfill sites actual monitoring costs for 2018/19 of \$83,300 multiplied by 10 years.

**Waste Remediation**

Council commenced environmental investigations of six retired landfill sites in 2017-18 at a cost of \$300,000 which identified remediation works of approximately \$1,020,000 are required to be undertaken at Hylton Moore Oval and \$200,000 at Frost Reserve and these costs are provided for within the financial statements at Note 12. Three of the six sites (Hylton Moore Oval, Frost Reserve and Adcock Park) have since been identified as requiring further investigations and development of remediation plans. It is proposed to complete Voluntary Management Proposals for each of these sites in 2019/20 which will outline the planning for the completion of detailed investigations and the development of remediation action plans to be completed in 2020/21. The estimated cost of detailed site investigations and remediation plans across all three sites is an additional \$400,000 and this has been fully provided for within the financial statements at Note 12. At this stage there is no reliable way to estimate the cost of any further remediation activities that may be required at the 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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management

## Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	44,059	59,502	44,059	59,502
Receivables	72,216	89,674	72,216	89,674
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	434,456	417,203	434,456	417,203
<b>Total financial assets</b>	<b>550,731</b>	<b>566,379</b>	<b>550,731</b>	<b>566,379</b>
<b>Financial liabilities</b>				
Payables	76,906	86,316	76,906	86,316
Loans/advances	233,157	264,861	299,527	325,775
<b>Total financial liabilities</b>	<b>310,063</b>	<b>351,177</b>	<b>376,433</b>	<b>412,091</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 market 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.

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 and income.

continued on next page ...

Page 60 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

- **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 the investment counterparty will not complete their obligations particular to 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.

## (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>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)
<b>2018</b>				
Possible impact of a 10% movement in market values	47,671	47,671	(47,671)	(47,671)
Possible impact of a 1% movement in interest rates	4,767	4,767	(4,767)	(4,767)

## (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.

continued on next page ...

Page 61 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

\$ '000	Not yet due	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	18,063	1,245	2,899	358	22,565
<b>2018</b>						
Gross carrying amount	–	13,265	10,011	4,593	1,537	29,406

**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 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet due	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<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>
<b>2018</b>						
Gross carrying amount	51,710	1,147	1,853	1,010	5,864	61,584
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	22.44%	2.14%
<b>ECL provision</b>	–	–	–	–	<b>1,316</b>	<b>1,316</b>

**(c) Liquidity risk**

Payables 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. Council manages this risk through diversification of borrowing types, maturities and interest rate structures.

The Finance Section 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 outflows.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<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

continued on next page ...

Page 62 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>Total financial liabilities</b>		10,901	127,655	137,060	125,877	401,493	310,063
<b>2018</b>							
Trade/other payables	0.00%	9,904	76,412	-	-	86,316	86,316
Loans and advances	6.51%	-	50,470	176,938	147,649	375,057	264,861
<b>Total financial liabilities</b>		9,904	126,882	176,938	147,649	461,373	351,177

**Loan agreement breaches**

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations

Council's original budget for 2018/19 was adopted by Council on 25/06/2018 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 and by decisions made by Council.

While the Income Statement and Statement of Cash Flows included in this General Purpose Financial Report must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

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

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	2019 Budget	2019 Actual	2019 ----- Variance -----		
<b>REVENUES</b>					
Rates and annual charges	355,901	362,706	6,805	2%	<b>F</b>
User charges and fees	140,492	133,925	(6,567)	(5)%	<b>U</b>
Interest and investment revenue	12,618	15,106	2,488	20%	<b>F</b>
Income received from Interest on Investments during 2018-19 was higher than the original budget estimate due to the portfolio balance being greater throughout the year than originally anticipated. There was also a slight increase in interest rates during the year at times of reinvestment.					
Other revenues	13,369	17,373	4,004	30%	<b>F</b>
The favourable variance in Other Revenue is attributable to budget variations in property and rental income, fines, insurance recoveries, landfill gas royalty payments and other miscellaneous revenue items.					
Operating grants and contributions	36,831	40,618	3,787	10%	<b>F</b>
The favourable variance in Operating Grants and Contributions is due to additional grant funds being received throughout the year for Stronger Community Fund and Bushfire and Emergency Services grant programs. These grants were not included in the original budget (budgets increased via quarterly budget review process), as Council only includes grants and contributions budgets in the original budget if they have been approved at the time that the annual budget is developed each year.					
Capital grants and contributions	48,386	67,523	19,137	40%	<b>F</b>
The favourable variance in Capital Grants and Contributions is due to \$4.8 million additional grant funds being received throughout the year. These grants were not included in the original budget (budgets increased via quarterly budget review process), as Council only includes grants and contributions budgets in the original budget if they have been approved at the time that the annual budget is developed each year.					
An additional \$19.6 million was received in contributed and donated assets - mostly drainage assets and a shortfall of (\$7.3) million in Developer Contributions received when compared to the original budget. Developer Contributions are difficult to forecast as they are subject to external development activity within the area.					
Net gains from disposal of assets	2,325	-	(2,325)	100%	<b>U</b>

Income from Gain on Sale was not realised due to the timing of land sales identified for 2018-19.

continued on next page ...

Page 64 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>EXPENSES</b>				
Employee benefits and on-costs	184,213	198,785	(14,572)	(8)% U
Borrowing costs	18,703	18,909	(206)	(1)% U
Materials and contracts	131,038	118,648	12,390	9% F
Depreciation and amortisation	128,539	145,649	(17,110)	(13)% U

The variance in depreciation expense is due to the large number of completed projects that were capitalised throughout 2018-19 financial year and increase in the gross replacement cost for buildings revalued as at 30 June 2018 which was post development of the 2018-19 financial year budget. Quarterly budget adjustments were made as part of the quarterly budget review process.

Other expenses	98,979	89,836	9,143	9% F
Net losses from disposal of assets	-	3,027	(3,027)	∞ U

Net losses from the disposal of assets relates to the sale of plant and equipment items, and disposal of assets in water, sewer, stormwater drainage and building asset categories that were not included in the original budget.

## STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	166,935	204,250	37,315	22% F
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The favourable cash flow variance is due to variations in Income Statement categories described above.

Net cash provided from (used in) investing activities	(133,942)	(187,989)	(54,047)	40% U
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The additional funds generated from operational activities and underspend in capital works were invested in term deposits, in accordance with Council's Investment Policy, to maximise interest income until the funds are needed to complete those works.

Net cash provided from (used in) financing activities	(32,993)	(31,704)	1,289	(4)% F
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## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement

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 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).

The table below shows the assigned level for each asset and liability held at fair value by Council.

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	9					
Plant and equipment		12/05/16	-	-	49,850	49,850
Office equipment		12/05/16	-	-	4,415	4,415
Furniture and fittings		12/05/16	-	-	6,708	6,708
Operational land		30/06/18	-	-	430,967	430,967
Community land		12/05/16	-	-	257,910	257,910
Crown Land		12/05/16	-	-	125,885	125,885
Land under Roads		12/05/16	-	-	1,586	1,586
Tip assets		12/05/16	-	-	16,499	16,499
Land improvements – depreciable		12/05/16	-	-	25,488	25,488
Buildings – specialised		30/06/18	-	-	470,699	470,699
Other structures		12/05/16	-	-	24,434	24,434
Roads		12/05/16	-	-	1,354,860	1,354,860
Footpaths		12/05/16	-	-	89,836	89,836
Stormwater drainage		12/05/16	-	-	1,020,512	1,020,512
Bridges		12/05/16	-	-	35,017	35,017
Bulk earthworks – non depreciable		12/05/16	-	-	377,894	377,894
Water supply network		12/05/16	-	-	1,033,296	1,033,296
Sewerage network		12/05/16	-	-	1,410,293	1,410,293
Swimming pools		12/05/16	-	-	3,622	3,622
Other open space/recreational assets		12/05/16	-	-	72,712	72,712
Other infrastructure		12/05/16	-	-	24,451	24,451
Heritage collections		12/05/16	-	-	-	-
Library books		12/05/16	-	-	2,125	2,125
Other		12/05/16	-	-	807	807
<b>Total infrastructure, property, plant and equipment</b>			-	-	<b>6,839,866</b>	<b>6,839,866</b>

continued on next page ...

Page 66 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	9					
Plant and equipment		12/05/16	–	–	45,561	45,561
Office equipment		12/05/16	–	–	4,501	4,501
Furniture and fittings		12/05/16	–	–	3,715	3,715
Operational land		30/06/18	–	–	467,665	467,665
Community land		12/05/16	–	–	346,338	346,338
Crown Land		30/06/18	–	–	–	–
Land under Roads		12/05/16	–	–	1,404	1,404
Tip assets		12/05/16	–	–	18,244	18,244
Land improvements – depreciable		12/05/16	–	–	19,039	19,039
Buildings – specialised		30/06/18	–	–	464,965	464,965
Other structures		12/05/16	–	–	22,416	22,416
Roads		12/05/16	–	–	1,326,638	1,326,638
Footpaths		12/05/16	–	–	85,227	85,227
Stormwater drainage		12/05/16	–	–	1,011,425	1,011,425
Bridges		12/05/16	–	–	35,564	35,564
Bulk earthworks – non depreciable		12/05/16	–	–	367,233	367,233
Water supply network		12/05/16	–	–	1,032,515	1,032,515
Sewerage network		12/05/16	–	–	1,403,635	1,403,635
Swimming pools		12/05/16	–	–	2,848	2,848
Other open space/recreational assets		12/05/16	–	–	61,013	61,013
Other infrastructure		12/05/16	–	–	24,386	24,386
Heritage collections		12/05/16	–	–	–	–
Library books		12/05/16	–	–	1,824	1,824
Other		12/05/16	–	–	866	866
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>–</b>	<b>6,747,022</b>	<b>6,747,022</b>

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 3 inputs are based on the valuation techniques employed by the former Councils.

## Infrastructure, property, plant and equipment (IPP&amp;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.

continued on next page ...

Page 67 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

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.

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 will be to value the freehold land at market value basis.

Council engaged Scott Fullarton Valuation Pty Ltd to value operational land in 2018. Council's operational land was valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. Asset condition is also considered when determining the fair value.

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.

**Community land**

Community Land assets are comprised of Council owned land classified as Community Land under the *Local Government Act 1993*.

Council's accounting policy is to value 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.

This asset class is valued using unimproved land values provided by the Valuer General which is not considered to be an observable input based on market evidence and therefore contains Level 3 unobservable inputs.

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

**Crown Land**

This asset class is comprised of all land under the care and management of Council on behalf of the Crown.

Council's accounting policy is to value Crown 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.

This asset class is valued using unimproved land values provided by the Valuer General which is not considered to be an observable input based on market evidence and therefore contains Level 3 unobservable inputs.

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

continued on next page ...

Page 68 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

**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 – non specialised and 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.

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.

continued on next page ...

Page 69 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

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).

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.

continued on next page ...

Page 70 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

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.

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.

continued on next page ...

Page 71 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

**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.

**(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 equipment	Office equipment	Furniture and fittings	Operational land	Community Land
<b>2018</b>					
<b>Opening balance</b>	43,513	6,239	4,326	438,849	410,510
Transfers from/(to) another asset class	-	-	-	64,272	(64,272)
Purchases (GBV)	12,042	586	-	515	100
Disposals (WDV)	(1,176)	(67)	-	(750)	-
Depreciation and impairment	(8,818)	(2,257)	(611)	-	-
Revaluation decrements to Income Statement	-	-	-	(35,221)	-

continued on next page ...

Page 72 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community Land
<b>Closing balance</b>	45,561	4,501	3,715	467,665	346,338
<b>2019</b>					
<b>Opening balance</b>	45,561	4,501	3,715	467,665	346,338
Transfers from/(to) another asset class	-	-	-	(36,820)	(89,065)
Purchases (GBV)	13,546	1,666	4,027	122	637
Disposals (WDV)	(1,916)	(5)	-	-	-
Depreciation and impairment	(7,341)	(1,747)	(1,034)	-	-
<b>Closing balance</b>	49,850	4,415	6,708	430,967	257,910

\$ '000	Land under Roads	Tip assets	Crown Land	Land improvements	Buildings
<b>2018</b>					
<b>Opening balance</b>	1,004	11,592	-	20,158	415,619
Transfers from/(to) another asset class	-	(320)	-	-	(478)
Purchases (GBV)	400	-	-	6	1,413
Disposals (WDV)	-	-	-	-	(3,541)
Depreciation and impairment	-	(3,516)	-	(1,125)	(7,488)
Revaluation	-	10,488	-	-	59,440
<b>Closing balance</b>	1,404	18,244	-	19,039	464,965
<b>2019</b>					
<b>Opening balance</b>	1,404	18,244	-	19,039	464,965
Transfers from/(to) another asset class	-	-	125,885	-	-
Purchases (GBV)	182	-	-	7,863	17,270
Disposals (WDV)	-	-	-	(4)	(160)
Depreciation and impairment	-	(1,745)	-	(1,410)	(11,376)
<b>Closing balance</b>	1,586	16,499	125,885	25,488	470,699

\$ '000	Other structures	Roads	Bridges	Footpaths	Bulk earthworks
<b>2018</b>					
<b>Opening balance</b>	23,018	1,307,476	36,133	84,026	366,338
Transfers from/(to) another asset class	478	-	-	-	320
Purchases (GBV)	38	51,054	72	3,354	575
Depreciation and impairment	(1,118)	(31,892)	(641)	(2,153)	-
<b>Closing balance</b>	22,416	1,326,638	35,564	85,227	367,233
<b>2019</b>					
<b>Opening balance</b>	22,416	1,326,638	35,564	85,227	367,233
Purchases (GBV)	3,271	61,703	65	6,877	10,661
Disposals (WDV)	(20)	-	-	-	-
Depreciation and impairment	(1,233)	(33,481)	(612)	(2,268)	-
<b>Closing balance</b>	24,434	1,354,860	35,017	89,836	377,894

continued on next page ...

Page 73 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Open space / recreational
<b>2018</b>					
<b>Opening balance</b>	1,008,781	1,034,090	1,389,919	2,893	58,987
Purchases (GBV)	18,081	2,269	22,709	30	5,156
Disposals (WDV)	(207)	-	(1,196)	-	-
Depreciation and impairment	(15,230)	(25,120)	(33,070)	(75)	(3,130)
Revaluation increments to Equity (ARR)	-	21,276	25,273	-	-
<b>Closing balance</b>	<b>1,011,425</b>	<b>1,032,515</b>	<b>1,403,635</b>	<b>2,848</b>	<b>61,013</b>
<b>2019</b>					
<b>Opening balance</b>	1,011,425	1,032,515	1,403,635	2,848	61,013
Transfers from/(to) another asset class	-	(1,626)	1,626	-	-
Purchases (GBV)	25,172	12,732	15,683	1,001	15,014
Disposals (WDV)	(627)	(596)	(1,791)	-	-
Depreciation and impairment	(15,458)	(26,034)	(34,403)	(227)	(3,315)
Revaluation increments to Equity (ARR)	-	16,305	25,543	-	-
<b>Closing balance</b>	<b>1,020,512</b>	<b>1,033,296</b>	<b>1,410,293</b>	<b>3,622</b>	<b>72,712</b>

\$ '000	Other infrastructure	Heritage collections	Library books	Other	Total
<b>2018</b>					
<b>Opening balance</b>	24,207	931	1,463	35	<b>6,690,107</b>
Transfers from/(to) another asset class	-	(931)	-	931	-
Purchases (GBV)	1,416	-	1,225	-	<b>121,041</b>
Disposals (WDV)	-	-	-	-	<b>(6,937)</b>
Depreciation and impairment	(1,237)	-	(864)	(100)	<b>(138,445)</b>
Revaluation decrements to Income Statement	-	-	-	-	<b>(35,221)</b>
Revaluation	-	-	-	-	<b>69,928</b>
Revaluation increments to Equity (ARR)	-	-	-	-	<b>46,549</b>
<b>Closing balance</b>	<b>24,386</b>	<b>-</b>	<b>1,824</b>	<b>866</b>	<b>6,747,022</b>
<b>2019</b>					
<b>Opening balance</b>	24,386	-	1,824	866	<b>6,747,022</b>
Transfers from/(to) another asset class	-	-	-	28	<b>28</b>
Purchases (GBV)	1,228	-	1,111	-	<b>199,831</b>
Disposals (WDV)	-	-	-	-	<b>(5,119)</b>
Depreciation and impairment	(1,163)	-	(810)	(87)	<b>(143,744)</b>
Revaluation increments to Equity (ARR)	-	-	-	-	<b>41,848</b>
<b>Closing balance</b>	<b>24,451</b>	<b>-</b>	<b>2,125</b>	<b>807</b>	<b>6,839,866</b>

continued on next page ...

Page 74 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
<b>b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.</b>			
<b>Infrastructure, property, plant and equipment</b>			
Plant and equipment	49,850	Cost approach	Pattern of consumption, useful life and residual value
Office equipment	4,415	Cost approach	Pattern of consumption, useful life and residual value
Furniture and fittings	6,708	Cost approach	Pattern of consumption, useful life and residual value
Operational land	430,967	Market value	The market value of land varies significantly depending on the location of the land and current market conditions.
Community Land	257,910	Land values obtained from the NSW Valuer-General	Land value, land area
Crown Land	125,885	Land values obtained from NSW Valuer-General	Land value, land area
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.
Tip assets	16,499	Cost approach	Pattern of consumption and useful life
Land improvements	25,488	Cost approach	Pattern of consumption, useful life and residual value
Buildings	470,699	Market value	Pattern of consumption, useful life, residual value, asset condition and componentisation
Other structures	24,434	Cost approach	Useful life, pattern of consumption and asset condition
Roads	1,354,860	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Bridges	35,017	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Footpaths	89,836	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Bulk earthworks	377,894	Cost approach	Useful life, pattern of consumption and asset condition
Stormwater drainage	1,020,512	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Water supply network	1,033,296	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Sewerage network	1,410,293	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Swimming pools	3,622	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives

continued on next page ...

Page 75 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Open space / recreational	72,712	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Other infrastructure	24,451	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Library books	2,125	Cost approach	Useful life, pattern of consumption and asset condition
Other	807	Cost approach	Useful life, pattern of consumption and asset condition

## (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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Related Party Transactions

## (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, Directors and Executive Managers.

In 2017-18 Council's KMP also included Senior Managers and Unit Managers.

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

\$ '000	2019	2018
<b>Compensation:</b>		
Short-term benefits	4,371	13,877
Other long-term benefits	188	1,883
Termination benefits	–	781
<b>Total</b>	<b>4,559</b>	<b>16,541</b>

## (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>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	–	–
<b>2018</b>						
Employee expenses relating to close family members of KMP	1	649	–	Local Government (State) Award 2017	–	–
Asphalt services	2	612	30	7 days	–	–
Supply of apprentices and support services	3	546	37	7 days	–	–
Bush regeneration services	4	180	29	7 days	–	–

continued on next page ...

Page 77 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Related Party Transactions (continued)

- 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 2019 there was 1 close family member of KMP employed by Council. As at June 2018 there were 6 close family member of KMP employed by Council.
- 2 The Council purchased asphalt and related services during the year from Brisbane Water Bitumen, 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.
- 3 The Council entered into a 3 year contract in 2016 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 bush regeneration services during the year from Community Environment Network Inc, a organisation which has a member of Councils KMP as a voluntary Director and CEO during the year. Amounts were billed based on normal rates for such suppliers and were due and payable under normal payment terms.

## (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>2019</b>						
Funding and in-kind support services	5	1,100	1	Funding and support services provided in line with the funding agreement	-	-
<b>2018</b>						
Funding and in-kind support services	5	1,249	-	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.		

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. 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 30/6/2018			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>								
Drainage	20,519	970	443	424	(538)	–	21,375	–
Roads	10,738	2,284	–	377	(1,260)	–	12,139	(68)
Parking	3,719	–	–	102	2,222	(748)	5,295	77
Open space	9,444	2,753	21	428	(1)	(2,394)	10,230	(1,933)
Community facilities	17,728	1,641	–	493	(1)	3,142	23,003	170
Other	330	202	–	6	(124)	–	414	(16)
Drainage Capital	3,559	276	–	104	2,480	–	6,419	–
Drainage Land	2,131	67	–	59	760	–	3,017	–
Storm Water/Flood Mitigation	1,499	29	–	43	85	–	1,656	–
Roads Capital	3,811	356	–	101	962	–	5,230	–
Roads Land	6	2	–	–	76	–	84	–
Open Space Land	4,910	295	–	140	1,607	–	6,952	–
Open Space Embellishment	467	251	–	22	609	–	1,349	–
Community Capital	4,261	133	–	124	2,952	–	7,470	–
Community Land	403	5	–	10	(3)	–	415	–
Recreation	770	131	–	26	1,363	–	2,290	–
Footpaths	330	9	–	10	327	–	676	–
Environment Protection	619	14	–	17	94	–	744	–
Towncentre Improvements	1,807	45	–	32	(528)	–	1,356	–
Car Parking Administration	57	–	–	2	2	–	61	–
<b>S7.11 contributions – under a plan</b>	<b>87,108</b>	<b>9,463</b>	<b>464</b>	<b>2,520</b>	<b>11,084</b>	<b>–</b>	<b>110,175</b>	<b>(1,770)</b>

continued on next page ...

Page 79 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

	as at 30/6/2018			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>								
<b>S7.12 levies – under a plan</b>	11,754	2,675	–	359	(93)	–	14,695	–
<b>Total S7.11 and S7.12 revenue under plans</b>	98,862	12,138	464	2,879	10,991	–	124,870	(1,770)
S7.11 not under plans	4,260	–	–	131	386	–	4,777	–
S7.4 planning agreements	5,249	86	–	121	–	–	5,456	1,770
S64 contributions - Water	35,917	3,456	2	1,009	(2,190)	–	38,192	–
S64 contributions - Sewer	18,718	4,254	18	733	(2,788)	–	20,917	–
<b>Total contributions</b>	<b>163,006</b>	<b>19,934</b>	<b>484</b>	<b>4,873</b>	<b>6,399</b>	<b>–</b>	<b>194,212</b>	<b>–</b>

## S7.11 Contributions – under a plan

## CONTRIBUTION PLAN NUMBER 5 - WEST NARARA

Drainage Capital	570	81	–	17	308	–	976	–
Drainage Land	62	10	–	2	46	–	120	–
Roads Capital	144	21	–	5	85	–	255	–
Open Space Land	308	43	–	9	54	–	414	–
Community Capital	235	1	–	7	132	–	375	–
Recreation	–	42	–	2	153	–	197	–
<b>Total</b>	<b>1,319</b>	<b>198</b>	<b>–</b>	<b>42</b>	<b>778</b>	<b>–</b>	<b>2,337</b>	<b>–</b>

## CONTRIBUTION PLAN NUMBER 7 - NIAGARA PARK

Drainage Capital	151	8	–	5	114	–	278	–
Roads Capital	–	8	–	–	31	–	39	–
Open Space Land	13	6	–	1	3	–	23	–
Community Capital	18	–	–	–	86	–	104	–
Recreation	5	7	–	1	–	–	13	–
<b>Total</b>	<b>187</b>	<b>29</b>	<b>–</b>	<b>7</b>	<b>234</b>	<b>–</b>	<b>457</b>	<b>–</b>

## CONTRIBUTION PLAN NUMBER 8 - LISAROW

continued on next page ...

Page 80 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

	as at 30/6/2018			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>								
Drainage Capital	308	8	-	8	231	-	555	-
Drainage Land	507	21	-	14	288	-	830	-
Roads Capital	408	32	-	12	127	-	579	-
Open Space Land	59	12	-	2	65	-	138	-
Community Capital	1,899	15	-	53	1,168	-	3,135	-
Recreation	15	4	-	1	198	-	218	-
<b>Total</b>	<b>3,196</b>	<b>92</b>	<b>-</b>	<b>90</b>	<b>2,077</b>	<b>-</b>	<b>5,455</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 16 - KINCUMBER</b>								
Drainage Capital	315	8	-	9	82	-	414	-
Drainage Land	3	1	-	-	51	-	55	-
Roads Capital	266	3	-	7	226	-	502	-
Open Space Land	216	2	-	6	315	-	539	-
<b>Total</b>	<b>800</b>	<b>14</b>	<b>-</b>	<b>22</b>	<b>674</b>	<b>-</b>	<b>1,510</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 21 - KARIONG</b>								
Drainage Capital	-	-	-	-	372	-	372	-
Roads Capital	-	-	-	-	30	-	30	-
Open Space Land	899	-	-	25	75	-	999	-
Community Capital	-	-	-	-	499	-	499	-
<b>Total</b>	<b>899</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>976</b>	<b>-</b>	<b>1,900</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 23 - SPRINGFIELD</b>								
Drainage Capital	23	-	-	-	17	-	40	-
Drainage Land	18	-	-	-	16	-	34	-
Roads Capital	232	-	-	7	96	-	335	-
Parking	9	-	-	-	(9)	-	-	-
Open Space Land	300	-	-	8	152	-	460	-
<b>Total</b>	<b>582</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>272</b>	<b>-</b>	<b>869</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 31 - PENINSULA</b>								
Drainage Capital	1,720	94	-	50	796	-	2,660	-
Drainage Land	1,304	22	-	36	253	-	1,615	-

continued on next page ...

Page 81 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

	as at 30/6/2018			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Roads Capital	496	29	-	1	(199)	-	327	-
Open Space Land	1,987	88	-	53	703	-	2,831	-
Community Land	403	5	-	10	(3)	-	415	-
Open Space Embellishment	-	240	-	10	141	-	391	-
Community Capital	1,068	76	-	34	324	-	1,502	-
<b>Total</b>	<b>6,978</b>	<b>554</b>	<b>-</b>	<b>194</b>	<b>2,015</b>	<b>-</b>	<b>9,741</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 36 - ERINA VALLEY</b>								
Other	6	2	-	-	21	-	29	-
<b>Total</b>	<b>6</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>29</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 42 - ERINA</b>								
Drainage Capital	472	77	-	15	560	-	1,124	-
Drainage Land	237	13	-	7	106	-	363	-
Roads Capital	321	68	-	11	6	-	406	-
Roads Land	6	2	-	-	76	-	84	-
Open Space Land	920	144	-	30	45	-	1,139	-
Community Capital	433	10	-	12	637	-	1,092	-
Recreation	344	40	-	10	948	-	1,342	-
<b>Total</b>	<b>2,733</b>	<b>354</b>	<b>-</b>	<b>85</b>	<b>2,378</b>	<b>-</b>	<b>5,550</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 43 - EAST GOSFORD (PARTIALLY REPEALED)</b>								
Roads Capital	250	3	-	7	23	-	283	-
Open Space Embellishment	380	4	-	10	388	-	782	-
Footpaths	93	4	-	3	156	-	256	-
<b>Total</b>	<b>723</b>	<b>11</b>	<b>-</b>	<b>20</b>	<b>567</b>	<b>-</b>	<b>1,321</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 47A - TERRIGAL</b>								
Storm Water/Flood Mitigation	1,499	29	-	43	85	-	1,656	-
Open Space Embellishment	19	-	-	-	(12)	-	7	-
Footpaths	202	3	-	6	80	-	291	-
Towncentre Improvements	1,807	45	-	32	(528)	-	1,356	-
<b>Total</b>	<b>3,527</b>	<b>77</b>	<b>-</b>	<b>81</b>	<b>(375)</b>	<b>-</b>	<b>3,310</b>	<b>-</b>

continued on next page ...

Page 82 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019	
	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 48 - AVOCA</b>								
Open Space Embellishment	59	7	-	2	67	-	135	-
Footpaths	7	2	-	1	28	-	38	-
<b>Total</b>	<b>66</b>	<b>9</b>	<b>-</b>	<b>3</b>	<b>95</b>	<b>-</b>	<b>173</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 49 - NORTH GOSFORD</b>								
Open Space Land	208	-	-	6	195	-	409	-
Open Space Embellishment	9	-	-	-	(7)	-	2	-
Footpaths	28	-	-	-	63	-	91	-
<b>Total</b>	<b>245</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>251</b>	<b>-</b>	<b>502</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 52 - SPRINGFIELD / ERINA CREEK</b>								
Roads Capital	-	-	-	-	6	-	6	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 57 - JOHN WHITEWAY DRIVE (REPEALED)</b>								
Roads Capital	44	-	-	1	3	-	48	-
<b>Total</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>48</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 58 - ERINA FAIR</b>								
Roads Capital	481	138	-	17	298	-	934	-
<b>Total</b>	<b>481</b>	<b>138</b>	<b>-</b>	<b>17</b>	<b>298</b>	<b>-</b>	<b>934</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 67 - WOY WOY PARKING</b>								
Parking	813	-	-	22	501	-	1,336	-
<b>Total</b>	<b>813</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>501</b>	<b>-</b>	<b>1,336</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 68 - UMINA PARKING</b>								
Parking	362	-	-	10	69	-	441	-
<b>Total</b>	<b>362</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>69</b>	<b>-</b>	<b>441</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 69 - TERRIGAL PARKING</b>								
Parking	1,279	-	-	35	148	-	1,462	-
Car Parking Administration	57	-	-	2	2	-	61	-

continued on next page ...

Page 83 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018		Contributions received during the year		Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash	Held as restricted asset				Cumulative internal borrowings due/(payable)	
<b>Total</b>	<b>1,336</b>	<b>–</b>	<b>–</b>	<b>37</b>	<b>150</b>	<b>–</b>	<b>1,523</b>	<b>–</b>	
<b>CONTRIBUTION PLAN NUMBER 70 - EAST GOSFORD PARKING</b>									
Parking	131	–	–	4	83	–	218	–	
<b>Total</b>	<b>131</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>83</b>	<b>–</b>	<b>218</b>	<b>–</b>	
<b>CONTRIBUTION PLAN NUMBER 71 - CAR PARKING AVOCA BEACH</b>									
Parking	–	–	–	–	5	–	5	–	
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>5</b>	<b>–</b>	
<b>CONTRIBUTION PLAN NUMBER 72 - ETTALONG CAR PARKING</b>									
Parking	76	–	–	2	37	–	115	–	
<b>Total</b>	<b>76</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>37</b>	<b>–</b>	<b>115</b>	<b>–</b>	
<b>CONTRIBUTION PLAN NUMBER 98 - BENSVILLE</b>									
Roads Capital	–	–	–	–	7	–	7	–	
Open Space Embellishment	–	–	–	–	32	–	32	–	
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>39</b>	<b>–</b>	<b>39</b>	<b>–</b>	
<b>CONTRIBUTION PLAN NUMBER 164 - GOSFORD</b>									
Roads Capital	1,169	54	–	33	223	–	1,479	–	
Community Capital	608	31	–	18	106	–	763	–	
Recreation	406	38	–	12	64	–	520	–	
Environment Protection	619	14	–	17	94	–	744	–	
<b>Total</b>	<b>2,802</b>	<b>137</b>	<b>–</b>	<b>80</b>	<b>487</b>	<b>–</b>	<b>3,506</b>	<b>–</b>	
<b>CONTRIBUTION PLAN NUMBER 1 - WYONG</b>									
Drainage	2,053	–	–	35	–	–	2,088	–	
Roads	1,248	19	–	41	(482)	–	826	–	
Parking	1,033	–	–	28	1,388	(748)	1,701	–	
Open space	843	56	–	49	–	748	1,696	968	
Community facilities	2,155	80	–	47	–	–	2,282	500	
Other	50	–	–	1	–	–	51	–	

continued on next page ...

Page 84 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018		Contributions received during the year			(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash	Interest earned in year	Held as restricted asset			Cumulative internal borrowings due/(payable)	
<b>Total</b>	<b>7,382</b>	<b>155</b>	<b>–</b>	<b>201</b>	<b>906</b>	<b>–</b>	<b>8,644</b>	<b>1,468</b>	
<b>CONTRIBUTION PLAN NUMBER 2 - SOUTHERN LAKES</b>									
Drainage	1,249	14	–	22	–	–	1,285	–	
Roads	899	–	–	15	–	–	914	–	
Open space	1,348	176	–	36	–	–	1,560	624	
Community facilities	830	147	–	29	–	150	1,156	599	
Other	2	22	–	–	(22)	–	2	–	
<b>Total</b>	<b>4,328</b>	<b>359</b>	<b>–</b>	<b>102</b>	<b>(22)</b>	<b>150</b>	<b>4,917</b>	<b>1,223</b>	
<b>CONTRIBUTION PLAN NUMBER 3 - THE ENTRANCE</b>									
Drainage	4	–	–	1	–	–	5	–	
Roads	4,030	108	–	56	(778)	–	3,416	–	
Parking	9	–	–	1	–	–	10	77	
Open space	959	79	–	28	–	494	1,560	108	
Community facilities	801	115	–	23	–	(494)	445	(1,087)	
<b>Total</b>	<b>5,803</b>	<b>302</b>	<b>–</b>	<b>109</b>	<b>(778)</b>	<b>–</b>	<b>5,436</b>	<b>(902)</b>	
<b>CONTRIBUTION PLAN NUMBER 5 - OURIMBAH</b>									
Roads	248	4	–	4	–	–	256	–	
Open space	45	29	–	3	–	–	77	105	
Community facilities	1,824	24	–	34	–	–	1,882	135	
Other	1	2	–	–	(2)	–	1	–	
<b>Total</b>	<b>2,118</b>	<b>59</b>	<b>–</b>	<b>41</b>	<b>(2)</b>	<b>–</b>	<b>2,216</b>	<b>240</b>	
<b>CONTRIBUTION PLAN NUMBER 6 - TOUKLEY</b>									
Drainage	4	–	–	–	–	–	4	–	
Roads	16	–	–	–	–	–	16	–	
Parking	7	–	–	–	–	–	7	–	
Open space	719	109	21	17	–	–	845	106	
Community facilities	1,574	112	–	28	–	–	1,714	–	
<b>Total</b>	<b>2,320</b>	<b>221</b>	<b>21</b>	<b>45</b>	<b>–</b>	<b>–</b>	<b>2,586</b>	<b>106</b>	

continued on next page ...

Page 85 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

	as at 30/6/2018			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
<b>CONTRIBUTION PLAN NUMBER 7 - GOROKAN</b>								
Roads	52	-	-	13	-	-	65	-
Open space	444	102	-	21	-	-	567	682
Community facilities	431	86	-	10	-	-	527	36
Other	3	15	-	-	(15)	-	3	-
<b>Total</b>	<b>930</b>	<b>203</b>	<b>-</b>	<b>44</b>	<b>(15)</b>	<b>-</b>	<b>1,162</b>	<b>718</b>
<b>CONTRIBUTION PLAN NUMBER 8 - SAN REMO</b>								
Drainage	346	-	-	6	-	-	352	-
Roads	304	8	-	18	-	-	330	-
Open space	1,396	31	-	31	-	-	1,458	-
Community facilities	347	26	-	1	-	-	374	(395)
Other	3	5	-	-	(5)	-	3	-
<b>Total</b>	<b>2,396</b>	<b>70</b>	<b>-</b>	<b>56</b>	<b>(5)</b>	<b>-</b>	<b>2,517</b>	<b>(395)</b>
<b>CONTRIBUTION PLAN NUMBER 9 - BUDGEWOI</b>								
Roads	10	-	-	-	-	-	10	(111)
Open space	327	9	-	6	-	-	342	-
Community facilities	233	8	-	32	-	-	273	1,711
Other	1	1	-	-	(1)	-	1	-
<b>Total</b>	<b>571</b>	<b>18</b>	<b>-</b>	<b>38</b>	<b>(1)</b>	<b>-</b>	<b>626</b>	<b>1,600</b>
<b>CONTRIBUTION PLAN NUMBER - 13 SHIRE WIDE</b>								
Open space	384	217	-	18	(1)	-	618	-
Community facilities	242	168	-	1	(1)	(300)	110	(3,736)
Other	25	32	-	-	(28)	-	29	(16)
<b>Total</b>	<b>651</b>	<b>417</b>	<b>-</b>	<b>19</b>	<b>(30)</b>	<b>(300)</b>	<b>757</b>	<b>(3,752)</b>
<b>CONTRIBUTION PLAN NUMBER 15 - NORTHERN DISTRICTS</b>								
Roads	1,830	163	-	35	-	-	2,028	43
Open space	548	189	-	20	-	-	757	432
Community facilities	1,346	161	-	43	-	150	1,700	889
Other	2	22	-	-	(20)	-	4	-

continued on next page ...

Page 86 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

	as at 30/6/2018			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>								
<b>Total</b>	<b>3,726</b>	<b>535</b>	<b>–</b>	<b>98</b>	<b>(20)</b>	<b>150</b>	<b>4,489</b>	<b>1,364</b>
<b>CONTRIBUTION PLAN NUMBER 17 - WARNERVALE DISTRICT</b>								
Drainage	16,863	956	443	360	(538)	–	17,641	–
Roads	2,101	1,982	–	195	–	–	4,278	–
Open space	2,431	1,756	–	199	–	(3,636)	750	(4,958)
Community facilities	7,945	714	–	245	–	3,636	12,540	1,518
Other	237	101	–	5	(52)	–	291	–
<b>Total</b>	<b>29,577</b>	<b>5,509</b>	<b>443</b>	<b>1,004</b>	<b>(590)</b>	<b>–</b>	<b>35,500</b>	<b>(3,440)</b>

## S7.12 Levies – under a plan

## CONTRIBUTION PLAN NUMBER GCIP

Towncentre Improvements	9,643	1,445	–	302	(93)	–	11,297	–
<b>Total</b>	<b>9,643</b>	<b>1,445</b>	<b>–</b>	<b>302</b>	<b>(93)</b>	<b>–</b>	<b>11,297</b>	<b>–</b>

## CONTRIBUTION PLAN NUMBER WYONG

Other	2,111	1,230	–	57	–	–	3,398	–
<b>Total</b>	<b>2,111</b>	<b>1,230</b>	<b>–</b>	<b>57</b>	<b>–</b>	<b>–</b>	<b>3,398</b>	<b>–</b>

## S7.11 Contributions – not under a plan

## GOSFORD CITY IMPROVEMENT &amp; ERINA PARKING

Parking	2,679	–	–	73	84	–	2,836	–
Roads Capital	453	–	–	14	40	–	507	–
Open Space Land	335	–	–	22	227	–	584	–
Open Space Embellishment	212	–	–	6	35	–	253	–
Community Capital	503	–	–	14	–	–	517	–

continued on next page ...

Page 87 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year Cash	Non-cash	Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Environment Protection	78	-	-	2	-	-	80	-
<b>Total</b>	<b>4,260</b>	<b>-</b>	<b>-</b>	<b>131</b>	<b>386</b>	<b>-</b>	<b>4,777</b>	<b>-</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Financial result and financial position by fund

\$ '000	Drainage 2019	Domestic Waste 2019	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Income Statement by fund</b>					
<b>Income from continuing operations</b>					
Rates and annual charges	17,792	68,536	169,121	25,467	81,791
User charges and fees	–	21	64,380	63,580	5,944
Interest and investment revenue	209	2,984	5,773	2,123	4,017
Other revenues	–	–	17,123	198	52
Grants and contributions provided for operating purposes	332	–	39,808	5	473
Grants and contributions provided for capital purposes	15,860	–	41,646	4,302	5,715
<b>Total income from continuing operations</b>	<b>34,193</b>	<b>71,541</b>	<b>337,851</b>	<b>95,675</b>	<b>97,992</b>
<b>Expenses from continuing operations</b>					
Employee benefits and on-costs	2,172	37	163,983	15,864	16,729
Borrowing costs	602	–	1,171	12,962	4,174
Materials and contracts	1,820	45,107	50,550	10,777	10,394
Depreciation and amortisation	15,439	–	68,998	26,397	34,815
Other expenses	6,431	12,284	36,169	18,636	16,316
Net losses from the disposal of assets	627	–	13	596	1,791
<b>Total expenses from continuing operations</b>	<b>27,091</b>	<b>57,428</b>	<b>320,884</b>	<b>85,232</b>	<b>84,219</b>
<b>Operating result from continuing operations</b>	<b>7,102</b>	<b>14,113</b>	<b>16,967</b>	<b>10,443</b>	<b>13,773</b>
<b>Net operating result for the year</b>	<b>7,102</b>	<b>14,113</b>	<b>16,967</b>	<b>10,443</b>	<b>13,773</b>
<b>Net operating result attributable to each council fund</b>	<b>7,102</b>	<b>14,113</b>	<b>16,967</b>	<b>10,443</b>	<b>13,773</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(8,758)</b>	<b>14,113</b>	<b>(24,679)</b>	<b>6,141</b>	<b>8,058</b>

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

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Financial result and financial position by fund (continued)

\$ '000	Drainage 2019	Domestic Waste 2019	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Statement of Financial Position by fund</b>					
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	18	2,013	29,258	2,999	9,771
Investments	237	44,030	128,774	39,898	127,800
Receivables	2,220	1,547	52,901	25,300	11,839
Inventories	-	-	1,391	-	-
Other	-	-	5,481	-	-
<b>Total current assets</b>	<b>2,475</b>	<b>47,590</b>	<b>217,805</b>	<b>68,197</b>	<b>149,410</b>
<b>Non-current assets</b>					
Investments	-	32,615	46,060	11,214	3,828
Receivables	-	-	3	263	11,529
Infrastructure, property, plant and equipment	1,065,328	-	3,400,343	1,123,114	1,488,319
Intangible assets	1,703	-	10,024	-	-
Other	-	-	336	-	-
<b>Total non-current assets</b>	<b>1,067,031</b>	<b>32,615</b>	<b>3,456,766</b>	<b>1,134,591</b>	<b>1,503,676</b>
<b>TOTAL ASSETS</b>	<b>1,069,506</b>	<b>80,205</b>	<b>3,674,571</b>	<b>1,202,788</b>	<b>1,653,086</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	25,714	7,086	60,553	4,486	4,067
Income received in advance	186	1,645	10,716	2,836	761
Borrowings	709	-	4,295	36,766	5,983
Provisions	364	-	55,708	4,863	5,483
<b>Total current liabilities</b>	<b>26,973</b>	<b>8,731</b>	<b>131,272</b>	<b>48,951</b>	<b>16,294</b>
<b>Non-current liabilities</b>					
Income received in advance	1,377	-	4,951	-	1,137
Borrowings	7,553	-	13,209	135,190	61,714
Provisions	5	-	63,001	773	1,973
<b>Total non-current liabilities</b>	<b>8,935</b>	<b>-</b>	<b>81,161</b>	<b>135,963</b>	<b>64,824</b>
<b>TOTAL LIABILITIES</b>	<b>35,908</b>	<b>8,731</b>	<b>212,433</b>	<b>184,914</b>	<b>81,118</b>
<b>Net assets</b>	<b>1,033,598</b>	<b>71,474</b>	<b>3,462,138</b>	<b>1,017,874</b>	<b>1,571,968</b>
<b>EQUITY</b>					
Accumulated surplus	1,033,598	71,474	3,396,918	964,704	1,498,571
Revaluation reserves	-	-	65,220	53,170	73,397
<b>Council equity interest</b>	<b>1,033,598</b>	<b>71,474</b>	<b>3,462,138</b>	<b>1,017,874</b>	<b>1,571,968</b>
<b>Total equity</b>	<b>1,033,598</b>	<b>71,474</b>	<b>3,462,138</b>	<b>1,017,874</b>	<b>1,571,968</b>

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

<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.

continued on next page ...

Page 90 of 98

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Financial result and financial position by fund (continued)

## Details of individual internal loans for the year ended 30 June 2019

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref 2013 GF-WF	Council ID / Ref 2015 SF-WF	Council ID / Ref 2015 GF-WF
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	845,585	844,916
<b>Principal outstanding at end of year</b>	<b>16,184,200</b>	<b>8,739,562</b>	<b>8,817,841</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(2,099)</b>	<b>(0.37)%</b>	2.91%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>569,728</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>523,229</b>	<b>82.11%</b>	79.49%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>637,251</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	<b>237,474</b>	<b>1.68x</b>	1.55x	>1.50x
Current liabilities less specific purpose liabilities <sup>3,4</sup>	<b>141,683</b>			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>162,459</b>	<b>3.21x</b>	3.95x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>50,613</b>			
<b>5. Rates, annual charges and interest outstanding percentage</b>				
Rates, annual charges and interest outstanding	<b>25,351</b>	<b>6.53%</b>	7.82%	<5.00%
Rates, annual charges and interest collectible	<b>388,126</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>412,048</b>	<b>9.80</b>	12.03	>3.00
Monthly payments from cash flow of operating and financing activities	<b>42,026</b>	<b>mths</b>	mths	mths

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

(3) Refer to Notes 11 and 12.

(4) Refer to Note 11(b) and 12(b) - excludes all payables and provisions not expected to be paid in the next 12 months (including Employee Leave Entitlements ELE ).

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(4.84)%</b>	0.92%	<b>7.37%</b>	11.78%	<b>10.67%</b>	1.76%	>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>	<b>77.20%</b>	74.66%	<b>94.23%</b>	91.82%	<b>92.46%</b>	88.51%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>1.02x</b>	1.01x	<b>0.57x</b>	1.28x	<b>10.12x</b>	9.99x	>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>	<b>29.41x</b>	19.80x	<b>1.19x</b>	1.75x	<b>5.13x</b>	5.12x	>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	<b>2.00%</b>	4.67%	<b>8.96%</b>	19.34%	<b>8.84%</b>	16.15%	<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	<b>5.87</b>	13.17	<b>21.63</b>	2.40	<b>301.50</b>	15.57	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	<b>mths</b>	mths	mths

(1) - (2) Refer to Notes at Note 23a above.

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

End of audited Financial Statements

DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

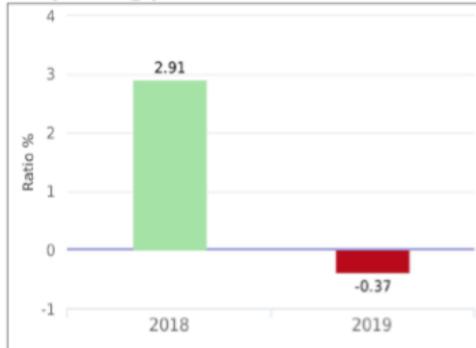
Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(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 2018/19 result**

2018/19 ratio (0.37)%

Council's operating performance ratio is just under the benchmark. Council will continue to review its operations to look for innovative ways to deliver services and take advantage of efficiencies to achieve the benchmark.

Benchmark: — > 0.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

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 2018/19 result**

2018/19 ratio 82.11%

Council's own source operating revenue ratio is above the 60% benchmark and demonstrates fiscal flexibility if faced with unforeseen events.

Benchmark: — > 60.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

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 2018/19 result**

2018/19 ratio 1.68x

Council's unrestricted current ratio is designed to represent Council's ability to meet short-term obligations as they fall due. Cash allocated to specific projects is restricted and cannot be used to meet Council's other operating and borrowing costs. Council has met the benchmark in 2018-19. Council will continue to monitor cash and investment balances and restrictions to ensure that Council has sufficient funds available to meet short term obligations.

Benchmark: — > 1.50x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

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Page 94 of 98

DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

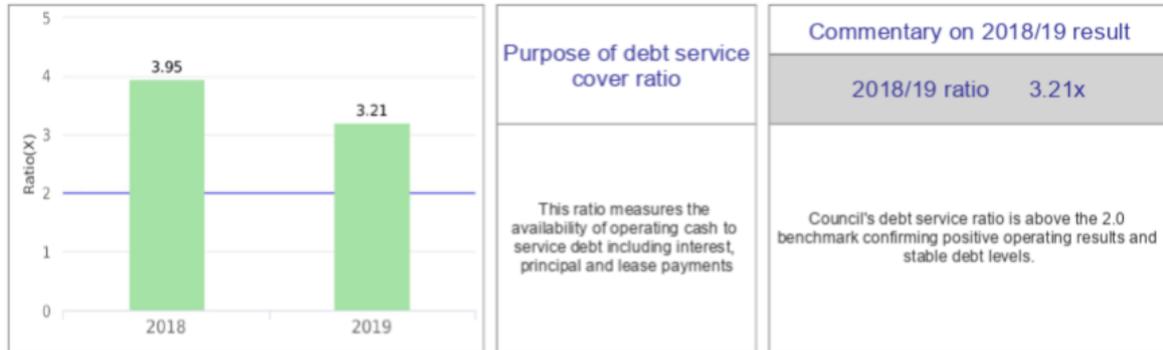
Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



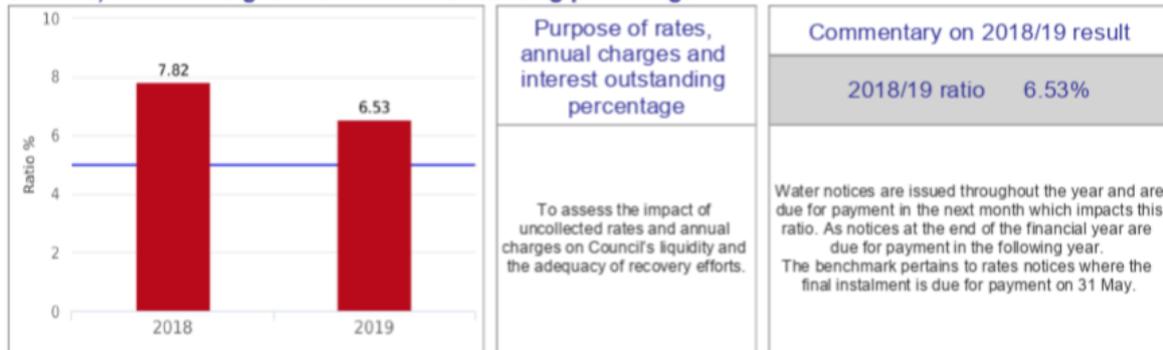
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges and interest outstanding percentage



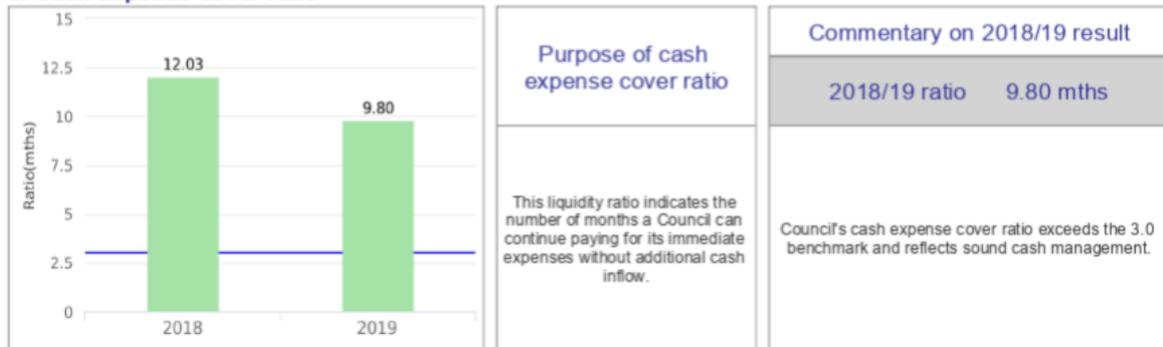
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Council information and contact details

**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**

Gary Murphy

**RESPONSIBLE ACCOUNTING OFFICER**

Craig Norman

**PUBLIC OFFICER**

Shane Sullivan

**AUDITORS**

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

**Elected members****MAYOR**

Lisa Matthews (The Entrance Ward)

**COUNCILLORS**

Jane Smith - Deputy Mayor (Gosford East Ward)

Greg Best (Budgewoi Ward)

Jillian Hogan (Budgewoi Ward)

Doug Vincent (Budgewoi Ward)

Rebecca Gale (Gosford East Ward)

Jeff Sundstrom (Gosford East Ward)

Chris Holstein (Gosford West Ward)

Troy Marquart (Gosford West Ward)

Richard Mehrtens (Gosford West Ward)

Bruce McLachlan (The Entrance Ward)

Jilly Pilon (The Entrance Ward)

Chris Burke (Wyong Ward)

Louise Greenaway (Wyong Ward)

Kyle MacGregor (Wyong Ward)

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

**DRAFT UNAUDITED FINANCIAL STATEMENTS**

Financial Statements 2019

**Central Coast Council**

**General Purpose Financial Statements**

for the year ended 30 June 2019

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**Independent Auditor's Report**

Please upload Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

**DRAFT UNAUDITED FINANCIAL STATEMENTS**

Financial Statements 2019

**Central Coast Council**

**General Purpose Financial Statements**

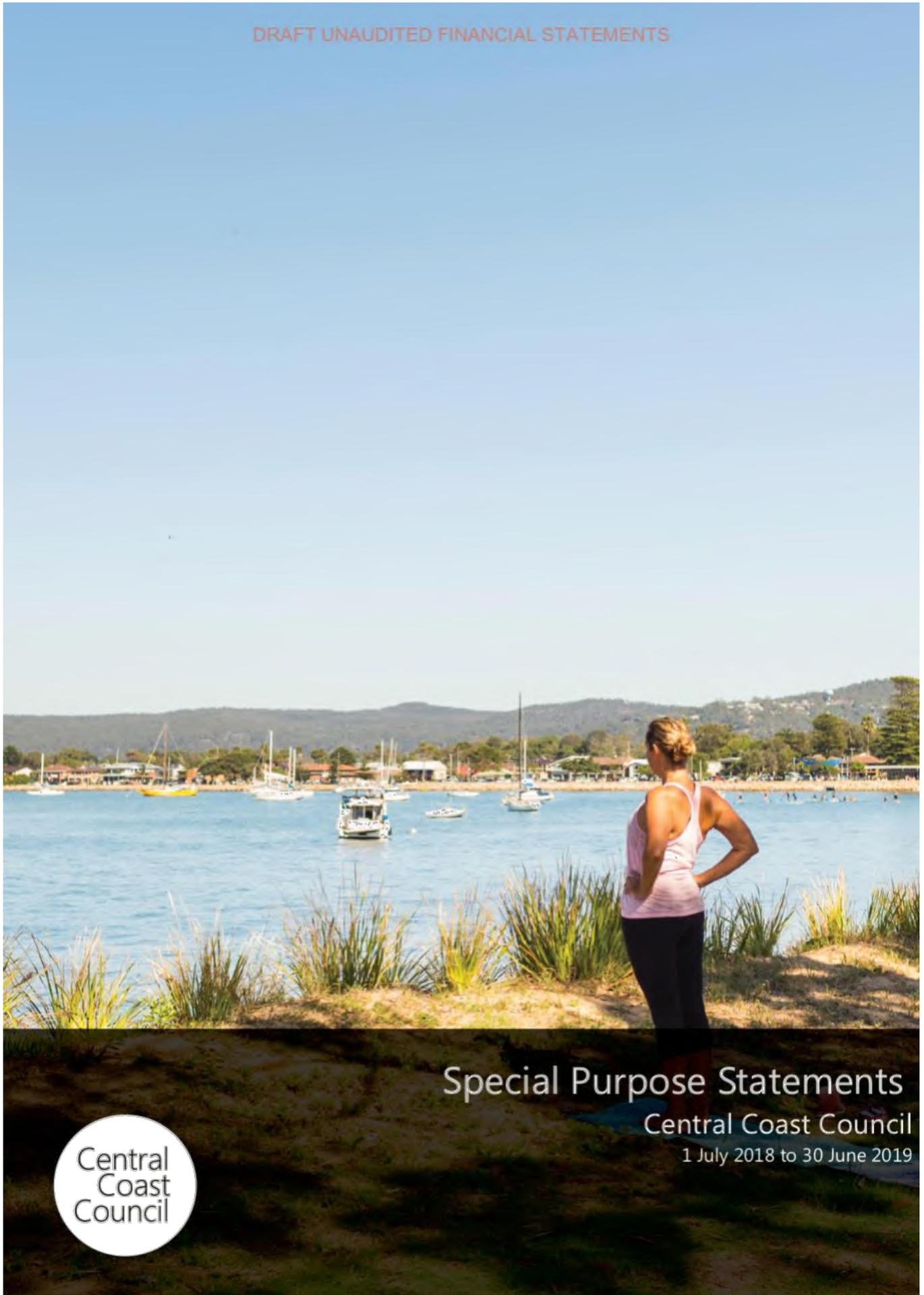
for the year ended 30 June 2019

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**Independent Auditor's Report**

Please upift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

DRAFT UNAUDITED FINANCIAL STATEMENTS



Special Purpose Statements  
Central Coast Council  
1 July 2018 to 30 June 2019



## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Drainage	6
Income Statement – Holiday Parks	7
Income Statement – Leisure Centres	8
Income Statement – Child Care	9
Income Statement – Commercial Waste	10
Income Statement – Building Certification	11
Statement of Financial Position – Water Supply Business Activity	12
Statement of Financial Position – Sewerage Business Activity	13
Statement of Financial Position – Drainage	14
Statement of Financial Position – Holiday Parks	15
Statement of Financial Position – Leisure Centres	16
Statement of Financial Position – Child Care	17
Statement of Financial Position – Commercial Waste	18
Statement of Financial Position – Building Certification	19
<b>Note 1 – Significant Accounting Policies</b>	<b>20</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>24</b>

**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).

DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

Central Coast Council

Special Purpose Financial Statements

for the year ended 30 June 2019

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Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- the NSW Government Policy Statement *'Application of National Competition Policy to Local Government'*,
- the Division of Local Government Guidelines *'Pricing 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 XX February 2020.

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Lisa Matthews  
Mayor

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Jane Smith  
Deputy Mayor

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Gary Murphy  
Chief Executive Officer

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Craig Norman  
Responsible Accounting Officer

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	25,467	23,966
User charges	62,535	66,588
Fees	1,045	1,326
Interest	2,123	2,344
Grants and contributions provided for non-capital purposes	5	1,246
Other income	198	185
<b>Total income from continuing operations</b>	<b>91,373</b>	<b>95,655</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	15,864	16,255
Borrowing costs	12,962	15,344
Materials and contracts	10,777	20,004
Depreciation, amortisation and impairment	26,397	28,303
Water purchase charges	1,757	342
Loss on sale of assets	596	–
Calculated taxation equivalents	616	575
Other expenses	16,879	3,821
<b>Total expenses from continuing operations</b>	<b>85,848</b>	<b>84,644</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>5,525</b>	<b>11,011</b>
Grants and contributions provided for capital purposes	4,302	7,162
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>9,827</b>	<b>18,173</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>9,827</b>	<b>18,173</b>
Less: corporate taxation equivalent (27.5% 2018-19 : 30% 2017-18) [based on result before capital]	(1,519)	(3,303)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>8,308</b>	<b>14,870</b>
<b>Plus accumulated surplus</b>	<b>954,261</b>	<b>935,513</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	616	575
– Corporate taxation equivalent	1,519	3,303
<b>Closing accumulated surplus</b>	<b>964,704</b>	<b>954,261</b>
<b>Return on capital %</b>	<b>1.6%</b>	<b>2.4%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>3,017</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	8,308	14,870
Less: capital grants and contributions (excluding developer contributions)	(4,302)	(7,162)
<b>Surplus for dividend calculation purposes</b>	<b>4,006</b>	<b>7,708</b>
<b>Potential dividend calculated from surplus</b>	<b>2,003</b>	<b>3,854</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	81,791	79,316
User charges	2,481	2,490
Liquid trade waste charges	2,369	2,902
Fees	1,094	1,164
Interest	4,017	2,577
Grants and contributions provided for non-capital purposes	473	1,806
Other income	52	111
<b>Total income from continuing operations</b>	<b>92,277</b>	<b>90,366</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	16,729	12,842
Borrowing costs	4,174	4,588
Materials and contracts	10,394	22,961
Depreciation, amortisation and impairment	34,815	43,289
Loss on sale of assets	1,791	1,196
Calculated taxation equivalents	234	221
Other expenses	16,316	5,326
<b>Total expenses from continuing operations</b>	<b>84,453</b>	<b>90,423</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>7,824</b>	<b>(57)</b>
Grants and contributions provided for capital purposes	5,715	9,694
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>13,539</b>	<b>9,637</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>13,539</b>	<b>9,637</b>
Less: corporate taxation equivalent (27.5% 2018-19 : 30% 2017-18) [based on result before capital]	(2,152)	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>11,387</b>	<b>9,637</b>
<b>Plus accumulated surplus</b>	<b>1,484,799</b>	<b>1,466,511</b>
<b>Plus/less: prior period adjustments</b>	<b>-</b>	<b>8,430</b>
<b>Plus adjustments for amounts unpaid:</b>		
- Taxation equivalent payments	234	221
- Corporate taxation equivalent	2,152	-
<b>Closing accumulated surplus</b>	<b>1,498,572</b>	<b>1,484,799</b>
<b>Return on capital %</b>	<b>0.8%</b>	<b>0.3%</b>
<b>Subsidy from Council</b>	<b>7,648</b>	<b>34,356</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	11,387	9,637
Less: capital grants and contributions (excluding developer contributions)	(5,715)	(9,694)
<b>Surplus for dividend calculation purposes</b>	<b>5,672</b>	<b>-</b>
<b>Potential dividend calculated from surplus</b>	<b>2,836</b>	<b>-</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Income Statement – Drainage

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
Access charges	17,792	17,624
Fees	–	95
Interest	209	858
Grants and contributions provided for non-capital purposes	332	127
<b>Total income from continuing operations</b>	<b>18,333</b>	<b>18,704</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,172	1,752
Borrowing costs	602	571
Materials and contracts	1,820	7,613
Depreciation, amortisation and impairment	15,439	28,268
Loss on sale of assets	627	207
Calculated taxation equivalents	65	89
Other expenses	6,431	21
<b>Total expenses from continuing operations</b>	<b>27,156</b>	<b>38,521</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(8,823)</b>	<b>(19,817)</b>
Grants and contributions provided for capital purposes	15,860	8,874
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>7,037</b>	<b>(10,943)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>7,037</b>	<b>(10,943)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>7,037</b>	<b>(10,943)</b>
<b>Plus accumulated surplus</b>	<b>1,026,493</b>	<b>1,037,347</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	65	89
<b>Closing accumulated surplus</b>	<b>1,033,595</b>	<b>1,026,493</b>
<b>Return on capital %</b>	<b>(0.8)%</b>	<b>(1.9)%</b>
<b>Subsidy from Council</b>	<b>22,283</b>	<b>46,574</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Income Statement – Holiday Parks

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
User charges	10,105	10,266
<b>Total income from continuing operations</b>	<u>10,105</u>	<u>10,266</u>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	245	208
Materials and contracts	3,494	3,460
Depreciation, amortisation and impairment	618	449
Calculated taxation equivalents	279	295
Other expenses	3,809	3,608
<b>Total expenses from continuing operations</b>	<u>8,445</u>	<u>8,020</u>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	1,660	2,246
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<u>1,660</u>	<u>2,246</u>
<b>Surplus (deficit) from all operations before tax</b>	<u>1,660</u>	<u>2,246</u>
Less: corporate taxation equivalent (27.5% 2018-19 : 30% 2017-18) [based on result before capital]	(457)	(674)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<u>1,203</u>	<u>1,572</u>
<b>Plus accumulated surplus</b>	39,271	36,730
<b>Plus/less: other adjustments (prior year dividend payable to Council)</b>	(9,718)	-
<b>Plus adjustments for amounts unpaid:</b>		
- Taxation equivalent payments	279	295
- Corporate taxation equivalent	457	674
- Dividend payable	(4,743)	-
<b>Closing accumulated surplus</b>	<u>26,749</u>	<u>39,271</u>
<b>Return on capital %</b>	8.8%	10.2%

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Income Statement – Leisure Centres

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
User charges	6,589	6,224
Other income	466	577
<b>Total income from continuing operations</b>	<u>7,055</u>	<u>6,801</u>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	6,182	4,572
Materials and contracts	2,177	3,671
Depreciation, amortisation and impairment	1,163	467
Calculated taxation equivalents	421	465
Other expenses	793	744
<b>Total expenses from continuing operations</b>	<u>10,736</u>	<u>9,919</u>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	(3,681)	(3,118)
Grants and contributions provided for capital purposes	281	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<u>(3,400)</u>	<u>(3,118)</u>
<b>Surplus (deficit) from all operations before tax</b>	<u>(3,400)</u>	<u>(3,118)</u>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<u>(3,400)</u>	<u>(3,118)</u>
<b>Plus accumulated surplus</b>	(7,938)	(5,285)
<b>Plus/less: other adjustments (prior year subsidy payable by Council)</b>	41,756	–
<b>Plus revaluations</b>	5,488	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	421	465
– Subsidy payable/contribution to operations by Council	4,359	–
<b>Closing accumulated surplus</b>	<u>40,686</u>	<u>(7,938)</u>
<b>Return on capital %</b>	(8.6)%	(9.0)%
<b>Subsidy from Council</b>	4,248	4,027

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Income Statement – Child Care

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
User charges	6,427	6,326
Grants and contributions provided for non-capital purposes	394	520
Other income	–	1
<b>Total income from continuing operations</b>	<b>6,821</b>	<b>6,847</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	6,393	5,986
Materials and contracts	1,550	1,762
Depreciation, amortisation and impairment	57	14
Loss on sale of assets	6	–
Calculated taxation equivalents	362	347
Other expenses	145	79
<b>Total expenses from continuing operations</b>	<b>8,513</b>	<b>8,188</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,692)</b>	<b>(1,341)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,692)</b>	<b>(1,341)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(1,692)</b>	<b>(1,341)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,692)</b>	<b>(1,341)</b>
<b>Plus accumulated surplus</b>	<b>(3,644)</b>	<b>(2,650)</b>
Plus/less: other adjustments (prior year subsidy payable by Council)	2,927	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	362	347
– Subsidy payable/contribution to operations by Council	1,430	–
<b>Closing accumulated surplus</b>	<b>(617)</b>	<b>(3,644)</b>
<b>Return on capital %</b>	<b>(239.3)%</b>	<b>(174.8)%</b>
<b>Subsidy from Council</b>	<b>1,701</b>	<b>1,361</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Income Statement – Commercial Waste

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
Access charges	4,169	4,825
Interest	3	3
<b>Total income from continuing operations</b>	<u>4,172</u>	<u>4,828</u>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2	–
Materials and contracts	1,232	720
Calculated taxation equivalents	–	38
Other expenses	1,706	1,506
<b>Total expenses from continuing operations</b>	<u>2,940</u>	<u>2,264</u>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<u>1,232</u>	<u>2,564</u>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<u>1,232</u>	<u>2,564</u>
<b>Surplus (deficit) from all operations before tax</b>	<u>1,232</u>	<u>2,564</u>
Less: corporate taxation equivalent (27.5% 2018-19 30% 2017-18) [based on result before capital]	(339)	(769)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<u>893</u>	<u>1,795</u>
<b>Plus accumulated surplus</b>	4,035	1,433
<b>Plus/less: other adjustments (prior year dividend payable to Council)</b>	(4,387)	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	38
– Corporate taxation equivalent	339	769
– Dividend payable	(1,123)	–
<b>Closing accumulated surplus</b>	<u>(243)</u>	<u>4,035</u>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Income Statement – Building Certification

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>Income from continuing operations</b>		
Fees	1,490	1,642
Other income	12	10
<b>Total income from continuing operations</b>	<u>1,502</u>	<u>1,652</u>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,878	1,227
Materials and contracts	1,020	481
Calculated taxation equivalents	21	27
Other expenses	10	13
<b>Total expenses from continuing operations</b>	<u>3,929</u>	<u>1,748</u>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<u>(2,427)</u>	<u>(96)</u>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<u>(2,427)</u>	<u>(96)</u>
<b>Surplus (deficit) from all operations before tax</b>	<u>(2,427)</u>	<u>(96)</u>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<u>(2,427)</u>	<u>(96)</u>
<b>Plus accumulated surplus</b>	886	955
<b>Plus/less: other adjustments (prior year dividend payable to Council)</b>	(1,430)	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	21	27
– Subsidy payable/contribution to operations by Council	2,339	–
<b>Closing accumulated surplus</b>	<u>(611)</u>	<u>886</u>
<b>Subsidy from Council</b>	2,427	96

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,999	11,141
Investments	39,898	8,117
Receivables	25,300	43,627
<b>Total current assets</b>	<b>68,197</b>	<b>62,885</b>
<b>Non-current assets</b>		
Investments	11,214	24,675
Receivables	263	302
Infrastructure, property, plant and equipment	1,123,114	1,116,818
<b>Total non-current assets</b>	<b>1,134,591</b>	<b>1,141,795</b>
<b>TOTAL ASSETS</b>	<b>1,202,788</b>	<b>1,204,680</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	4,486	5,871
Income received in advance	2,836	1,714
Borrowings	36,766	25,920
Provisions	4,863	5,226
<b>Total current liabilities</b>	<b>48,951</b>	<b>38,731</b>
<b>Non-current liabilities</b>		
Payables	–	1,746
Borrowings	135,190	172,515
Provisions	773	528
<b>Total non-current liabilities</b>	<b>135,963</b>	<b>174,789</b>
<b>TOTAL LIABILITIES</b>	<b>184,914</b>	<b>213,520</b>
<b>NET ASSETS</b>	<b>1,017,874</b>	<b>991,160</b>
<b>EQUITY</b>		
Accumulated surplus	964,704	954,262
Revaluation reserves	53,170	36,898
<b>TOTAL EQUITY</b>	<b>1,017,874</b>	<b>991,160</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	9,771	59,328
Investments	127,800	43,225
Receivables	11,839	16,467
<b>Total current assets</b>	<b>149,410</b>	<b>119,020</b>
<b>Non-current assets</b>		
Investments	3,828	6,622
Receivables	11,529	11,992
Infrastructure, property, plant and equipment	1,488,319	1,478,597
<b>Total non-current assets</b>	<b>1,503,676</b>	<b>1,497,211</b>
<b>TOTAL ASSETS</b>	<b>1,653,086</b>	<b>1,616,231</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	4,067	3,079
Income received in advance	761	51
Borrowings	5,983	5,341
Provisions	5,483	5,728
<b>Total current liabilities</b>	<b>16,294</b>	<b>14,199</b>
<b>Non-current liabilities</b>		
Payables	-	653
Income received in advance	1,137	478
Borrowings	61,714	67,318
Provisions	1,973	965
<b>Total non-current liabilities</b>	<b>64,824</b>	<b>69,414</b>
<b>TOTAL LIABILITIES</b>	<b>81,118</b>	<b>83,613</b>
<b>NET ASSETS</b>	<b>1,571,968</b>	<b>1,532,618</b>
<b>EQUITY</b>		
Accumulated surplus	1,498,571	1,484,798
Revaluation reserves	73,397	47,820
<b>TOTAL EQUITY</b>	<b>1,571,968</b>	<b>1,532,618</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Statement of Financial Position – Drainage

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	18	5,173
Investments	237	3,769
Receivables	2,220	2,156
<b>Total current assets</b>	<b>2,475</b>	<b>11,098</b>
<b>Non-current assets</b>		
Investments	–	20,318
Infrastructure, property, plant and equipment	1,065,328	1,039,071
Intangible assets	1,703	1,703
<b>Total non-current assets</b>	<b>1,067,031</b>	<b>1,061,092</b>
<b>TOTAL ASSETS</b>	<b>1,069,506</b>	<b>1,072,190</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	25,714	35,185
Income received in advance	186	–
Borrowings	709	433
Provisions	364	984
<b>Total current liabilities</b>	<b>26,973</b>	<b>36,602</b>
<b>Non-current liabilities</b>		
Income received in advance	1,377	–
Borrowings	7,553	9,094
Provisions	5	–
<b>Total non-current liabilities</b>	<b>8,935</b>	<b>9,094</b>
<b>TOTAL LIABILITIES</b>	<b>35,908</b>	<b>45,696</b>
<b>NET ASSETS</b>	<b>1,033,598</b>	<b>1,026,494</b>
<b>EQUITY</b>		
Accumulated surplus	1,033,598	1,026,494
<b>TOTAL EQUITY</b>	<b>1,033,598</b>	<b>1,026,494</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Statement of Financial Position – Holiday Parks

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	10,168	8,709
Receivables	401	183
Other	28	–
<b>Total current assets</b>	<u>10,597</u>	<u>8,892</u>
<b>Non-current assets</b>		
Receivables	–	9,718
Infrastructure, property, plant and equipment	18,874	22,021
<b>Total non-current assets</b>	<u>18,874</u>	<u>31,739</u>
<b>TOTAL ASSETS</b>	<u>29,471</u>	<u>40,631</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,678	521
Income received in advance	994	795
Provisions	46	44
<b>Total current liabilities</b>	<u>2,718</u>	<u>1,360</u>
<b>Non-current liabilities</b>		
Provisions	4	–
<b>Total non-current liabilities</b>	<u>4</u>	<u>–</u>
<b>TOTAL LIABILITIES</b>	<u>2,722</u>	<u>1,360</u>
<b>NET ASSETS</b>	<u>26,749</u>	<u>39,271</u>
<b>EQUITY</b>		
Accumulated surplus	26,749	39,271
<b>TOTAL EQUITY</b>	<u>26,749</u>	<u>39,271</u>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Statement of Financial Position – Leisure Centres

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4	–
Receivables	94	–
<b>Total current assets</b>	<u>98</u>	<u>–</u>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	42,973	34,565
<b>Total non-current assets</b>	<u>42,973</u>	<u>34,565</u>
<b>TOTAL ASSETS</b>	<u>43,071</u>	<u>34,565</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,591	56
Borrowings	–	41,756
Provisions	773	691
<b>Total current liabilities</b>	<u>2,364</u>	<u>42,503</u>
<b>Non-current liabilities</b>		
Provisions	21	–
<b>Total non-current liabilities</b>	<u>21</u>	<u>–</u>
<b>TOTAL LIABILITIES</b>	<u>2,385</u>	<u>42,503</u>
<b>NET ASSETS</b>	<u>40,686</u>	<u>(7,938)</u>
<b>EQUITY</b>		
Accumulated surplus	35,198	(7,938)
Revaluation reserves	5,488	–
<b>TOTAL EQUITY</b>	<u>40,686</u>	<u>(7,938)</u>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Statement of Financial Position – Child Care

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	63	–
<b>Total current assets</b>	<u>63</u>	<u>–</u>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	707	767
<b>Total non-current assets</b>	<u>707</u>	<u>767</u>
<b>TOTAL ASSETS</b>	<u>770</u>	<u>767</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	260	223
Borrowings	–	2,927
Provisions	1,088	1,261
<b>Total current liabilities</b>	<u>1,348</u>	<u>4,411</u>
<b>Non-current liabilities</b>		
Provisions	39	–
<b>Total non-current liabilities</b>	<u>39</u>	<u>–</u>
<b>TOTAL LIABILITIES</b>	<u>1,387</u>	<u>4,411</u>
<b>NET ASSETS</b>	<u>(617)</u>	<u>(3,644)</u>
<b>EQUITY</b>		
Accumulated surplus	(617)	(3,644)
<b>TOTAL EQUITY</b>	<u>(617)</u>	<u>(3,644)</u>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Statement of Financial Position – Commercial Waste

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Non-current assets</b>		
Receivables	–	4,387
<b>Total non-current assets</b>	<u>–</u>	<u>4,387</u>
<b>TOTAL ASSETS</b>	<u>–</u>	<u>4,387</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	243	352
<b>Total current liabilities</b>	<u>243</u>	<u>352</u>
<b>TOTAL LIABILITIES</b>	<u>243</u>	<u>352</u>
<b>NET ASSETS</b>	<u>(243)</u>	<u>4,035</u>
<b>EQUITY</b>		
Accumulated surplus	(243)	4,035
<b>TOTAL EQUITY</b>	<u>(243)</u>	<u>4,035</u>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Statement of Financial Position – Building Certification

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	–	1,430
<b>Total current assets</b>	<u>–</u>	<u>1,430</u>
<b>TOTAL ASSETS</b>	<u>–</u>	<u>1,430</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	159	15
Provisions	437	529
<b>Total current liabilities</b>	<u>596</u>	<u>544</u>
<b>Non-current liabilities</b>		
Provisions	15	–
<b>Total non-current liabilities</b>	<u>15</u>	<u>–</u>
<b>TOTAL LIABILITIES</b>	<u>611</u>	<u>544</u>
<b>NET ASSETS</b>	<u>(611)</u>	<u>886</u>
<b>EQUITY</b>		
Accumulated surplus	(611)	886
<b>TOTAL EQUITY</b>	<u>(611)</u>	<u>886</u>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

## 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; stormwater drainage

**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.

continued on next page ...

Page 20 of 24

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

## Note 1. Significant Accounting Policies (continued)

**f. Holiday Parks**

Provision of holiday parks.

**g. Leisure Centres**

Provision of leisure centres.

**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% (2018-19) 30.0% (2017-18)

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Planning, Industry and Environment (DPI) - 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 DPI - Water 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 DPI - 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.

continued on next page ...

Page 21 of 24

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Special Purpose Financial Statements 2019

## Central Coast Council

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

## Note 1. Significant Accounting Policies (continued)

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.

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 actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

---

**Written down value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30 June 2019.

**(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 NSW government guidelines and must not exceed:

- 50% of the relevant surplus in any one year, or

continued on next page ...

Page 22 of 24

**DRAFT UNAUDITED FINANCIAL STATEMENTS**

Special Purpose Financial Statements 2019

**Central Coast Council**

**Notes to the Special Purpose Financial Statements**

for the year ended 30 June 2019

**Note 1. Significant Accounting Policies (continued)**

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- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DoI - Water 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.**

**DRAFT UNAUDITED FINANCIAL STATEMENTS**

**Central Coast Council**

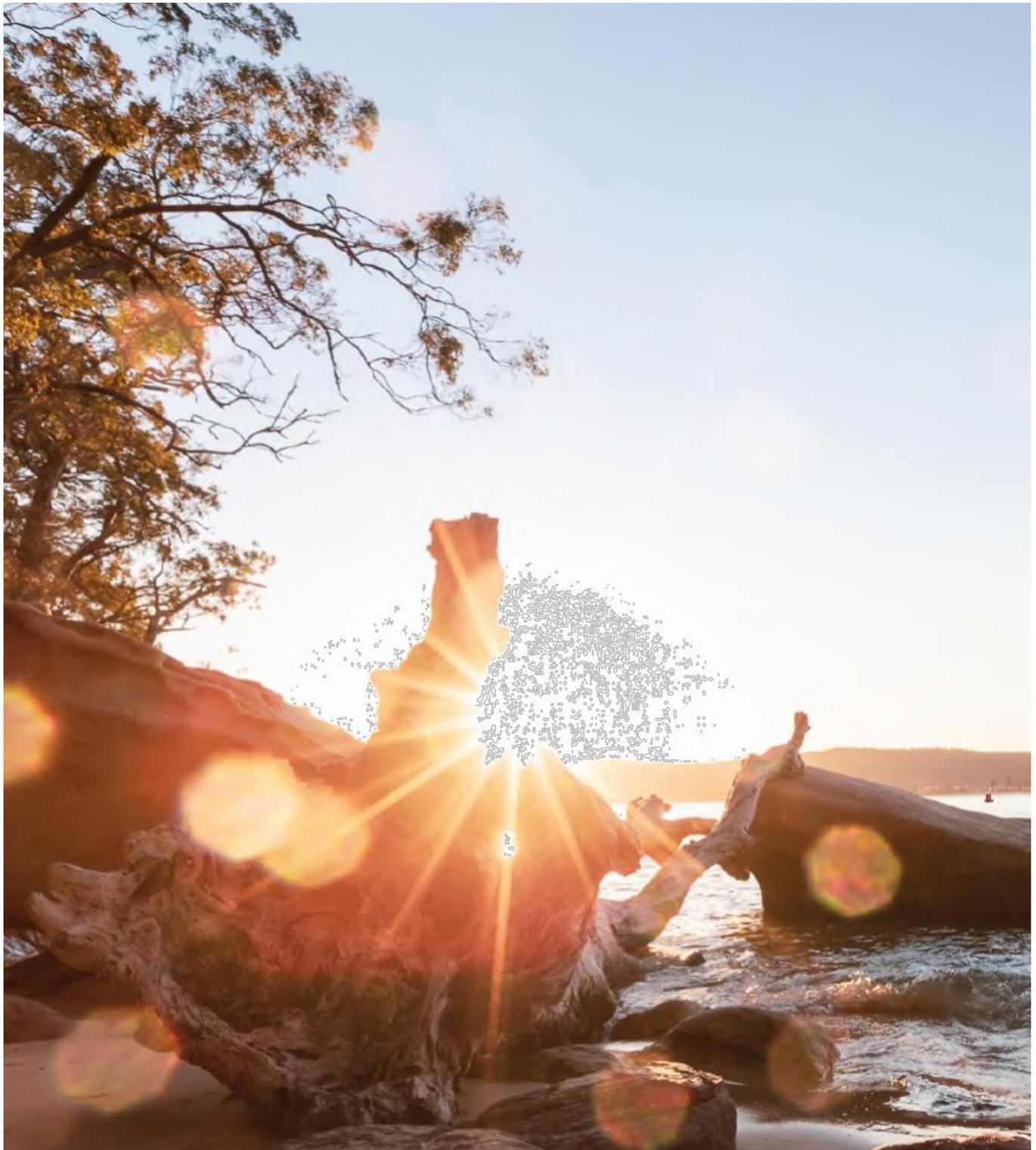
Special Purpose Financial Statements 2019

**Special Purpose Financial Statements**

for the year ended 30 June 2019

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Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).



Special Schedules  
Central Coast Council  
1 July 2018 to 30 June 2019

**Central Coast Council**

Special Schedules 2019

**Special Schedules**

for the year ended 30 June 2019

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<b>Contents</b>	<b>Page</b>
<b>Special Schedules</b>	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	4

## Central Coast Council

## Permissible income for general rates

		2019/20 Wyong Shire Council \$ '000	2019/20 Gosford City Council \$ '000	2019/20 Central Coast Council \$ '000	2018/19 Wyong Shire Council \$ '000	2018/19 Gosford City Council \$ '000	2018/19 Central Coast Council \$ '000
<b>Notional general income calculation <sup>1</sup></b>							
Last year notional general income yield	a	87,953	79,416	167,369	85,770	77,663	163,433
Plus or minus adjustments <sup>2</sup>	b	373	160	533	371	61	432
<b>Notional general income</b>	c = a + b	<b>88,326</b>	<b>79,576</b>	<b>167,902</b>	<b>86,141</b>	<b>77,724</b>	<b>163,865</b>
<b>Permissible income calculation</b>							
Or rate peg percentage	e	2.70%	2.70%		2.30%	2.30%	
Less expiring special variation amount	g	-	(944)	(944)	-	-	-
Or plus rate peg amount	i = e x (c + g)	2,385	2,123	4,508	1,980	1,788	3,768
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>90,711</b>	<b>80,755</b>	<b>171,466</b>	<b>88,121</b>	<b>79,512</b>	<b>167,633</b>
Plus (or minus) last year's carry forward total	l	198	92	290	59	(4)	55
Less valuation objections claimed in the previous year	m	(10)	-	(10)	(8)	-	(8)
<b>Sub-total</b>	n = (l + m)	<b>188</b>	<b>92</b>	<b>280</b>	<b>51</b>	<b>(4)</b>	<b>47</b>
<b>Total permissible income</b>	o = k + n	<b>90,899</b>	<b>80,847</b>	<b>171,746</b>	<b>88,172</b>	<b>79,508</b>	<b>167,680</b>
Less notional general income yield	p	90,498	80,006	170,504	87,953	79,416	167,369
<b>Catch-up or (excess) result</b>	q = o - p	<b>401</b>	<b>841</b>	<b>1,242</b>	<b>219</b>	<b>92</b>	<b>311</b>
Plus income lost due to valuation objections claimed	r	-	-	-	10	-	10
Less unused catch-up <sup>3</sup>	s	(19)	-	(19)	(31)	-	(31)
<b>Carry forward to next year <sup>4</sup></b>	t = q + r + s	<b>382</b>	<b>841</b>	<b>1,223</b>	<b>198</b>	<b>92</b>	<b>290</b>

(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) 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.

(4) 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

## Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard		Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council						1	2	3	4	5
<b>(a) Report on Infrastructure Assets - Values</b>													
<b>Buildings</b>	Buildings	2,348	2,348	16,809	9,129	470,699	800,422	20.3%	36.4%	41.9%	1.2%	0.2%	
	<b>Sub-total</b>	<b>2,348</b>	<b>2,348</b>	<b>16,809</b>	<b>9,129</b>	<b>470,699</b>	<b>800,422</b>	<b>20.3%</b>	<b>36.4%</b>	<b>41.9%</b>	<b>1.2%</b>	<b>0.2%</b>	
<b>Other structures</b>	Other structures	244	244	545	199	24,434	36,343	48.1%	24.5%	24.3%	2.8%	0.3%	
	<b>Sub-total</b>	<b>244</b>	<b>244</b>	<b>545</b>	<b>199</b>	<b>24,434</b>	<b>36,343</b>	<b>48.1%</b>	<b>24.5%</b>	<b>24.3%</b>	<b>2.8%</b>	<b>0.3%</b>	
<b>Roads</b>	Sealed roads	75,069	75,069	10,622	11,304	1,100,211	1,584,119	56.6%	18.2%	17.6%	4.4%	3.2%	
	Unsealed roads	472	472	114	156	8,541	21,849	42.6%	44.0%	10.5%	0.7%	2.2%	
	Bridges	832	832	1,089	388	35,017	54,431	30.9%	33.3%	32.9%	2.5%	0.4%	
	Footpaths	133	133	2,346	837	89,836	117,288	63.4%	33.3%	3.0%	0.2%	0.1%	
	Other road assets	8,085	8,085	2,031	2,630	246,108	368,540	23.3%	22.3%	50.6%	3.0%	0.8%	
	Bulk earthworks	-	-	-	2,697	377,894	377,894	100.0%	0.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>84,591</b>	<b>84,591</b>	<b>16,202</b>	<b>18,012</b>	<b>1,857,607</b>	<b>2,524,121</b>	<b>57.9%</b>	<b>17.3%</b>	<b>19.4%</b>	<b>3.3%</b>	<b>2.1%</b>	
<b>Water supply network</b>	Water supply network	20,199	20,199	25,837	19,322	1,033,296	1,823,426	23.7%	50.7%	23.0%	1.0%	1.6%	
	<b>Sub-total</b>	<b>20,199</b>	<b>20,199</b>	<b>25,837</b>	<b>19,322</b>	<b>1,033,296</b>	<b>1,823,426</b>	<b>23.7%</b>	<b>50.7%</b>	<b>23.0%</b>	<b>1.0%</b>	<b>1.6%</b>	
<b>Sewerage network</b>	Sewerage network	21,997	21,997	13,860	22,389	1,410,293	2,305,734	16.6%	67.8%	12.7%	1.8%	1.1%	
	<b>Sub-total</b>	<b>21,997</b>	<b>21,997</b>	<b>13,860</b>	<b>22,389</b>	<b>1,410,293</b>	<b>2,305,734</b>	<b>16.6%</b>	<b>67.8%</b>	<b>12.7%</b>	<b>1.8%</b>	<b>1.1%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	10,564	10,564	8,372	6,074	1,020,512	1,489,091	26.4%	20.8%	51.6%	0.7%	0.5%	
	<b>Sub-total</b>	<b>10,564</b>	<b>10,564</b>	<b>8,372</b>	<b>6,074</b>	<b>1,020,512</b>	<b>1,489,091</b>	<b>26.4%</b>	<b>20.8%</b>	<b>51.6%</b>	<b>0.7%</b>	<b>0.5%</b>	
<b>Open space / recreational assets</b>	Swimming pools	-	-	261	991	3,622	8,685	11.5%	46.4%	42.1%	0.0%	0.0%	
	Open Space/Recreational Assets	967	967	1,670	3,623	72,712	111,351	47.4%	33.6%	14.4%	4.6%	0.0%	
	<b>Sub-total</b>	<b>967</b>	<b>967</b>	<b>1,931</b>	<b>4,614</b>	<b>76,334</b>	<b>120,036</b>	<b>44.8%</b>	<b>34.5%</b>	<b>16.4%</b>	<b>4.3%</b>	<b>0.0%</b>	
<b>Other infrastructure assets</b>	Other	1,702	1,702	642	86	24,451	42,831	21.7%	32.5%	28.9%	14.5%	2.4%	
	<b>Sub-total</b>	<b>1,702</b>	<b>1,702</b>	<b>642</b>	<b>86</b>	<b>24,451</b>	<b>42,831</b>	<b>21.7%</b>	<b>32.5%</b>	<b>28.9%</b>	<b>14.5%</b>	<b>2.4%</b>	
	<b>TOTAL - ALL ASSETS</b>	<b>142,612</b>	<b>142,612</b>	<b>84,198</b>	<b>79,825</b>	<b>5,917,626</b>	<b>9,142,004</b>	<b>31.9%</b>	<b>39.3%</b>	<b>25.7%</b>	<b>1.9%</b>	<b>1.2%</b>	

(a) Required maintenance is the amount identified in Council's asset management plans.

continued on next page ...

Page 4 of 8

**Central Coast Council**

Special Schedules 2019

**Report on Infrastructure Assets - Values (continued)**

as at 30 June 2019

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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

continued on next page ...

Page 5 of 8

## Central Coast Council

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>				
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>				
Asset renewals <sup>2</sup>	171,763	132.56%	72.26%	>=100.00%
Depreciation, amortisation and impairment	129,569			
<b>Infrastructure backlog ratio <sup>1</sup></b>				
Estimated cost to bring assets to a satisfactory standard	142,612	2.41%	2.43%	<2.00%
Net carrying amount of infrastructure assets	5,917,626			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	79,825	94.81%	91.44%	>100.00%
Required asset maintenance	84,198			
<b>Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	142,612	1.56%	1.59%	
Gross replacement cost	9,142,004			

(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

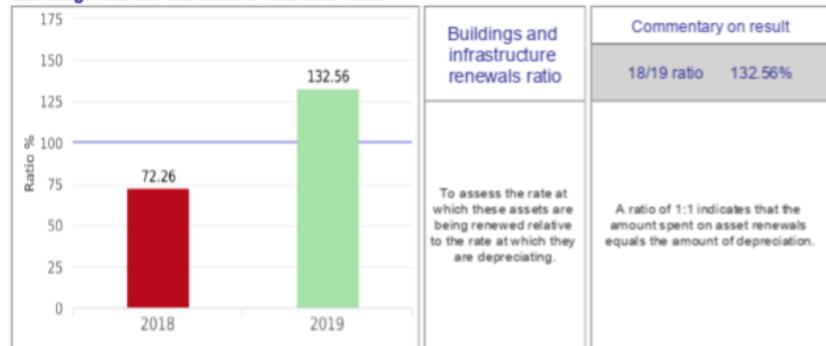
(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Central Coast Council

Report on Infrastructure Assets (continued)

as at 30 June 2019

Buildings and infrastructure renewals ratio



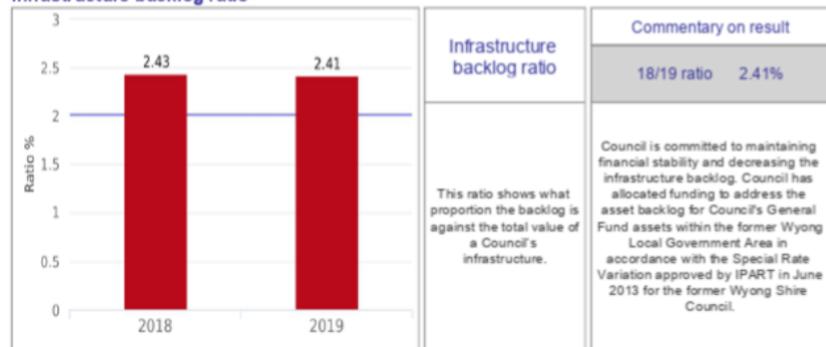
Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
■ Ratio is outside benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Asset maintenance ratio



Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
■ Ratio is outside benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Infrastructure backlog ratio



Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
■ Ratio is outside benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Cost to bring assets to agreed service level



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## Central Coast Council

## Report on Infrastructure Assets (continued)

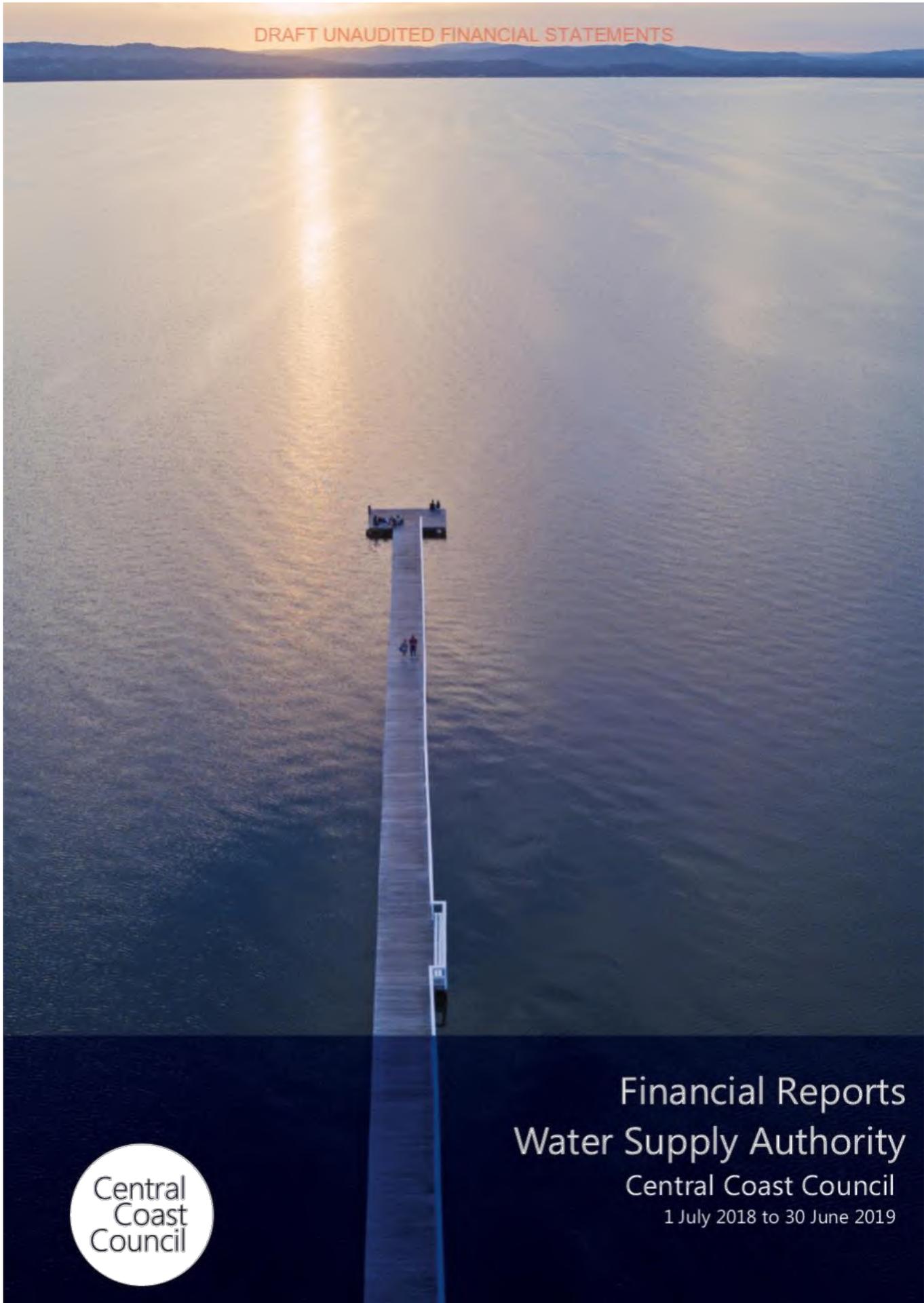
as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	<b>192.95%</b>	139.04%	<b>90.42%</b>	–	<b>43.11%</b>	–	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>2.89%</b>	2.95%	<b>1.95%</b>	1.93%	<b>1.56%</b>	1.54%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>85.65%</b>	81.48%	<b>74.78%</b>	70.07%	<b>161.54%</b>	163.27%	>100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>2.00%</b>	2.06%	<b>1.11%</b>	1.12%	<b>0.95%</b>	0.96%	

(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.

DRAFT UNAUDITED FINANCIAL STATEMENTS



Financial Reports  
Water Supply Authority  
Central Coast Council  
1 July 2018 to 30 June 2019

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>3</b>
<b>2. Statement by Councillors and Management</b>	<b>5</b>
<b>3. Primary Financial Statements:</b>	
Income Statement	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
<b>4. Notes to the Financial Statements</b>	<b>11</b>
<b>5. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	61
On the Financial Statements (Sect 417 [3])	62

**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)

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## General Purpose Financial Statements

for the year ended 30 June 2019

## 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 Central Coast Council Water Supply Authority for the financial year ended 30 June 2019.

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 Councillor/Management Statement**

The financial statements must be certified by senior staff as 'presenting fairly' the Central Coast Council Water Supply Authority'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 Central Coast Council Water Supply Authority's financial performance for the year, listing all income and expenses. This statement also displays Central Coast Council Water Supply Authority'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 Central Coast Council Water Supply Authority's Infrastructure, property, plant and equipment.

**3. The Statement of Financial Position**

A 30 June snapshot of Central Coast Council Water Supply Authority'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 Central Coast Council Water Supply Authority's "net wealth".

**5. The Statement of Cash Flows**

Indicates where Central Coast Council Water Supply Authority's cash came from and where it was spent. This statement also displays Central Coast Council Water Supply Authority'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**

Central Coast Council Water Supply Authority's financial statements are required to be audited by the Audit Office of NSW.

In NSW the auditor provides an opinion on whether the financial statements present fairly the Central Coast Council Water Supply Authority's financial performance and 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.

**DRAFT UNAUDITED FINANCIAL STATEMENTS**

**Central Coast Council - Water Supply Authority**

Financial Statements 2019

**General Purpose Financial Statements**

for the year ended 30 June 2019

**Understanding Council's Financial Statements (continued)**

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The public can make submissions to Central Coast Council Water Supply Authority up to seven days subsequent to the public presentation of the financial statements.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## General Purpose Financial Statements

for the year ended 30 June 2019

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

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, and
- the *Local Government Act 1993 (NSW)*

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 XX February 2020.

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Lisa Matthews  
Mayor

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Jane Smith  
Councillor

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Gary Murphy  
Chief Executive Officer

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Craig Norman  
Responsible Accounting Officer

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
124,199	Rates and annual charges	2a	125,048	123,651
70,568	User charges and fees	2b	69,526	74,242
3,931	Interest and investment revenue	2c	5,839	5,256
424	Other revenues	2d	250	296
980	Grants and contributions provided for operating purposes	2e,2f	810	625
11,169	Grants and contributions provided for capital purposes	2e,2f	25,877	25,729
<u>211,271</u>	<b>Total income from continuing operations</b>		<u>227,350</u>	<u>229,799</u>
<b>Expenses from continuing operations</b>				
28,247	Employee benefits and on-costs	3a	34,765	30,848
17,333	Borrowing costs	3b	17,228	19,980
26,813	Materials and contracts	3c	22,991	20,625
73,206	Depreciation and amortisation	3d	76,651	73,853
42,927	Other expenses	3e	41,383	39,329
-	Net losses from the disposal of assets	4	3,014	1,404
-	Revaluation decrement / impairment of IPP&E	3d	-	26,007
<u>188,526</u>	<b>Total expenses from continuing operations</b>		<u>196,032</u>	<u>212,046</u>
<u>22,745</u>	<b>Operating result from continuing operations</b>		<u>31,318</u>	<u>17,753</u>
<u>22,745</u>	<b>Net operating result for the year</b>		<u>31,318</u>	<u>17,753</u>
22,745	Net operating result attributable to Central Coast Council Water Supply Authority		31,318	17,753
<u>11,576</u>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<u>5,441</u>	<u>(7,976)</u>

<sup>(1)</sup> Central Coast Council Water Supply Authority has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>31,318</b>	<b>17,753</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	7	41,849	51,257
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>41,849</b>	<b>51,257</b>
<b>Total other comprehensive income for the year</b>		<b>41,849</b>	<b>51,257</b>
<b>Total comprehensive income for the year</b>		<b>73,167</b>	<b>69,010</b>
Total comprehensive income attributable to Central Coast Council Water Supply Authority		73,167	69,010

<sup>(1)</sup> Central Coast Council Water Supply Authority has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	5(a)	12,788	34,717
Investments	5(b)	167,935	98,442
Receivables	6	39,005	48,917
<b>Total current assets</b>		<u>219,728</u>	<u>182,076</u>
<b>Non-current assets</b>			
Investments	5(b)	15,041	49,209
Receivables	6	3,406	3,554
Infrastructure, property, plant and equipment	7	3,676,762	3,634,487
Intangible assets	8	1,703	1,703
<b>Total non-current assets</b>		<u>3,696,912</u>	<u>3,688,953</u>
<b>TOTAL ASSETS</b>		<u>3,916,640</u>	<u>3,871,029</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	9	34,267	31,180
Income received in advance	9	3,783	1,766
Borrowings	9	43,105	31,314
Provisions	10	10,710	11,938
<b>Total current liabilities</b>		<u>91,865</u>	<u>76,198</u>
<b>Non-current liabilities</b>			
Payables	9	-	2,399
Income received in advance	9	2,513	478
Borrowings	9	196,071	240,188
Provisions	10	2,751	1,493
<b>Total non-current liabilities</b>		<u>201,335</u>	<u>244,558</u>
<b>TOTAL LIABILITIES</b>		<u>293,200</u>	<u>320,756</u>
<b>Net assets</b>		<u>3,623,440</u>	<u>3,550,273</u>
<b>EQUITY</b>			
Accumulated surplus		3,496,873	3,465,555
Revaluation reserves		126,567	84,718
<b>Council equity interest</b>		<u>3,623,440</u>	<u>3,550,273</u>
<b>Total equity</b>		<u>3,623,440</u>	<u>3,550,273</u>

(1) Central Coast Council Water Supply Authority has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council - Water Supply Authority

## Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		3,465,555	84,718	3,550,273	3,447,802	33,461	3,481,263
<b>Restated opening balance</b>		<b>3,465,555</b>	<b>84,718</b>	<b>3,550,273</b>	<b>3,447,802</b>	<b>33,461</b>	<b>3,481,263</b>
Net operating result for the year		31,318	–	31,318	17,753	–	17,753
<b>Restated net operating result for the period</b>		<b>31,318</b>	<b>–</b>	<b>31,318</b>	<b>17,753</b>	<b>–</b>	<b>17,753</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	7	–	41,849	41,849	–	51,257	51,257
<b>Other comprehensive income</b>		<b>–</b>	<b>41,849</b>	<b>41,849</b>	<b>–</b>	<b>51,257</b>	<b>51,257</b>
<b>Total comprehensive income</b>		<b>31,318</b>	<b>41,849</b>	<b>73,167</b>	<b>17,753</b>	<b>51,257</b>	<b>69,010</b>
<b>Equity – balance at end of the reporting period</b>		<b>3,496,873</b>	<b>126,567</b>	<b>3,623,440</b>	<b>3,465,555</b>	<b>84,718</b>	<b>3,550,273</b>

(1) Central Coast Council Water Supply Authority has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
124,432	Rates and annual charges		125,048	119,101
69,415	User charges and fees		76,796	81,611
4,443	Investment and interest revenue received		7,386	5,815
12,097	Grants and contributions		11,511	18,980
–	Bonds, deposits and retention amounts received		–	2,448
–	Other		5,545	7,332
<b>Payments</b>				
(28,954)	Employee benefits and on-costs		(36,706)	(30,267)
(28,184)	Materials and contracts		(21,135)	(17,466)
(17,845)	Borrowing costs		(18,629)	(19,668)
–	Bonds, deposits and retention amounts refunded		(2,423)	–
(42,927)	Other		(36,756)	(40,046)
92,477	<b>Net cash provided (or used in) operating activities</b>	11b	110,637	127,840
<b>Cash flows from investing activities</b>				
<b>Receipts</b>				
7,815	Sale of investment securities		238,704	226,653
<b>Payments</b>				
(20,315)	Purchase of investment securities		(274,029)	(258,990)
(46,443)	Purchase of infrastructure, property, plant and equipment		(64,915)	(37,674)
(58,943)	<b>Net cash provided (or used in) investing activities</b>		(100,240)	(70,011)
<b>Cash flows from financing activities</b>				
<b>Payments</b>				
(33,534)	Repayment of borrowings and advances		(32,326)	(23,300)
(33,534)	<b>Net cash flow provided (used in) financing activities</b>		(32,326)	(23,300)
–	<b>Net increase/(decrease) in cash and cash equivalents</b>		(21,929)	34,529
2,400	Plus: cash and cash equivalents – beginning of period	11a	34,717	188
2,400	<b>Cash and cash equivalents – end of the year</b>	11a	12,788	34,717
Additional Information:				
139,028	plus: Investments on hand – end of year	5(b)	182,976	147,651
141,428	<b>Total cash, cash equivalents and investments</b>		195,764	182,368

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	12
2	Income from continuing operations	16
3	Expenses from continuing operations	20
4	Gains or losses from the disposal, replacement and de-recognition of assets	24
5(a)	Cash and cash equivalent assets	25
5(b)	Investments	25
5(c)	Restricted cash, cash equivalents and investments – details	28
6	Receivables	29
7	Infrastructure, property, plant and equipment	31
8	Intangible assets	34
9	Payables and borrowings	35
10	Provisions	38
11	Statement of cash flows – additional information	41
12	Commitments	42
13	Contingencies and other assets/liabilities not recognised	43
14	Financial risk management	44
15	Fair Value Measurement	48
16	Related Party Transactions	55
17(a)	Statement of performance measures – consolidated results	57
<b>Additional Council disclosures (unaudited)</b>		
17(b)	Statement of performance measures – consolidated results (graphs)	58
18	Council information and contact details	60

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation

These financial statements were authorised for issue by Central Coast Council Water Supply Authority (CCCWSA) on XX February 2020. CCCWSA has the power to amend and reissue these financial statements.

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, the *Public Finance and Audit Act 1983* and the *Local Government Act 1993 (NSW)* and Regulations.

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.

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 for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 15 – Material budget variations

and are clearly marked.

**(a) New and amended standards adopted by Central Coast Council Water Supply Authority**

During the year, CCCWSA adopted all standards which were mandatorily effective for the first time at 30 June 2019.

The Council has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

**Classification of financial assets**

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

**Measurement of equity instruments**

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

**Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

**(b) 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.

**(c) 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 7
- (ii) employee benefit provisions – refer Note 10.

**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 6.

**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.

**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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

**New accounting standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by CCCWSA).

CCCWSA are progressing through the analysis of the impact of the new accounting standards relevant for 2019-20. For the purpose of this year's financial statements, CCCWSA have only qualitatively assessed the impact of the new accounting standards.

Further work is required by CCCWSA to ascertain the full quantitative impact on CCCWSA's 2019-20 financial statements.

CCCWSA's assessment of these new standards and interpretations (where they have been deemed as having a material impact on CCCWSA's future financial performance, financial position and cash flows) are set out below:

**AASB 16 Leases**

AASB 16 will result (for the year ending 30 June 2020 and beyond) in almost all operating leases being recognised on the balance sheet by CCCWSA (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where CCCWSA commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

CCCWSA staff have reviewed all of CCCWSA's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1 July 2019).

AASB 16 will affect CCCWSA's accounting for existing operating lease agreements that are in place as at 30 June 2019.

CCCWSA's activities as a lessor are not material and hence CCCWSA does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

**AASB 15 Revenue from Contracts with Customers and associated amending standards**

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

CCCWSA should assess each revenue stream but particular impact is expected for grant income and annual charges which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Specific potential impacts of AASB15 are expected to include:

- An opening adjustment to Accumulated Surplus to reflect any income previously recognised for agreements where CCCWSA is yet to fulfil performance obligations.
- Deferred income recognition for sponsorship agreements, with income to be recognised consistent with CCCWSA's fulfilment of performance obligations under the sponsorship agreement.
- Deferred income recognition for certain specific grants, to align income recognition with the fulfilment of performance obligations.
- Recognition of gross revenue (and corresponding expense amount) for contract arrangements currently paid on a net basis.

CCCWSA is currently in the process of determining the potential impacts of the implementation of AASB15 and will reflect accordingly in 2019-20.

continued on next page ...

Page 14 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 1. Basis of preparation (continued)

**AASB 1058 Income of Not-For-Profit Entities**

AASB 1058 supersedes all the income recognition requirements relating to CCCWSA, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a CCCWSA receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the CCCWSA's objective is principally to enable the asset to further the CCCWSA's objectives.

Upon initial recognition of the asset, this standard requires CCCWSA to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable CCCWSA to acquire or construct a recognisable non-financial asset to be controlled by CCCWSA (i.e. an in-substance acquisition of a non-financial asset), the CCCWSA recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. CCCWSA will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable CCCWSA to acquire or construct a recognisable non-financial asset to be controlled by CCCWSA, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Specific potential impacts of AASB are expected to include:

- An opening adjustment to Accumulated Surplus to reflect any income previously recognised for agreements where CCCWSA is yet to fulfil performance obligations.
- Deferred income recognition for certain specific purpose grants, to align income recognition with the fulfilment of performance obligations.

CCCWSA is currently in the process of determining the potential impacts of the implementation of AASB1058 and will reflect accordingly in 2019-20.

**AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities**

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

CCCWSA has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

CCCWSA holds a number of 'peppercorn' leases as a lessor and will review disclosure requirements for 2019-20. From a financial position there will be no impact to the Annual Financial Statements.

CCCWSA has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 2. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Annual charges</b>		
Water supply services	26,435	26,158
Sewerage services	82,318	81,478
Drainage	17,791	17,624
Liquid trade waste	429	190
Less: pensioner rebates (mandatory)	(2,384)	(3,328)
Less: pensioner rebates (Council policy)	(1,951)	(1,024)
<b>Annual charges levied</b>	<b>122,638</b>	<b>121,098</b>
Pensioner subsidies received: <sup>1</sup>		
– Water	1,214	1,289
– Sewerage	1,196	1,264
<b>Total annual charges</b>	<b>125,048</b>	<b>123,651</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>125,048</b>	<b>123,651</b>

**Accounting policy for rates and charges**

Annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in 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.

Control over assets acquired from 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.

(1) The Code of Accounting Practice and Financial Reporting Update 27 requires the separate disclosure of pensioner rebates and pensioner rate subsidies within Note 2a in 2018-19. Comparative amounts for 2017-18 have also been disclosed.

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	62,406	66,418
Sewerage services	2,611	2,490
Liquid trade waste	2,369	2,749
<b>Total specific user charges</b>	<b>67,386</b>	<b>71,657</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Building services – other	185	–
Inspection services	23	24
Regulatory/ statutory fees	67	378
Registration fees	40	–
<b>Total fees and charges – statutory/regulatory</b>	<b>315</b>	<b>402</b>

continued on next page ...

Page 16 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 2. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Water connection fees	744	872
Sewer application fees	40	24
Sewer diagrams	343	393
Special water meter reading fees	10	14
Water carters licence fees	88	64
Sewer connection fees	495	446
Other	105	370
<b>Total fees and charges – other</b>	<b>1,825</b>	<b>2,183</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>69,526</b>	<b>74,242</b>

**Accounting policy for user charges and fees**

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

## (c) Interest and investment revenue (including losses)

<b>Interest on financial assets measured at amortised cost</b>		
– Overdue annual charges	1,061	976
– Cash and investments	4,769	4,269
<b>Other</b>	<b>9</b>	<b>11</b>
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>5,839</b>	<b>5,256</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue annual charges	1,061	976
General Council cash and investments	2,406	1,472
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	630	810
– Section 64	1,742	1,998
<b>Total interest and investment revenue</b>	<b>5,839</b>	<b>5,256</b>

**Accounting policy for interest and investment revenue**

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

## (d) Other revenues

Property rents	84	108
Other supply/ services – water	114	77
Other supply/ services – sewer	52	111
<b>TOTAL OTHER REVENUE</b>	<b>250</b>	<b>296</b>

**Accounting policy for other revenue**

CCCWSA recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the 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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 2. Income 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 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>Specific purpose</b>				
Bushfire and emergency services	–	–	–	62
LIRS subsidy	530	610	–	–
Drainage / environment	–	–	459	1,300
Other	280	15	–	–
<b>Total specific purpose</b>	<b>810</b>	<b>625</b>	<b>459</b>	<b>1,362</b>
<b>Total grants</b>	<b>810</b>	<b>625</b>	<b>459</b>	<b>1,362</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	–	–	456	–
– State funding	810	625	3	1,362
	<b>810</b>	<b>625</b>	<b>459</b>	<b>1,362</b>

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) 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		–	–	3,459	5,121
S 64 – sewerage service contributions		–	–	4,271	6,095
S 7.11 – drainage assets		–	–	1,787	3,000
Other developer contributions		–	–	86	–
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>9,603</b>	<b>14,216</b>
<b>Total developer contributions</b>		<b>–</b>	<b>–</b>	<b>9,603</b>	<b>14,216</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Sewerage (excl. section 64 contributions)		–	–	271	460
Water supplies (excl. section 64 contributions)		–	–	196	241
Other		–	–	172	–
<b>Total other contributions – cash</b>		<b>–</b>	<b>–</b>	<b>639</b>	<b>701</b>
<b>Non-cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		–	–	–	9,450
Other		–	–	15,176	–

continued on next page ...

Page 18 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 2. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>Total other contributions – non-cash</b>		–	–	15,176	9,450
<b>Total other contributions</b>		–	–	15,815	10,151
<b>Total contributions</b>		–	–	25,418	24,367
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		810	625	25,877	25,729

**Accounting policy for grants and contributions**

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer. Developer Contributions may only be expended for the purpose for which the contributions were required, but CCCWSA may apply contributions according to the priorities established in work schedules.

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 above.

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	2019	2018
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## (g) Unspent grants and contributions

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

Unexpended at the close of the previous reporting period	2,496	–
<b>Add:</b> operating grants recognised in the current period but not yet spent	–	2,496
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(2,493)	–
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>3</u>	<u>2,496</u>

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

**Capital grants**

Unexpended at the close of the previous reporting period	2,352	2,353
<b>Less:</b> capital grants recognised in a previous reporting period now spent	–	(1)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>2,352</u>	<u>2,352</u>

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

**Contributions**

Unexpended at the close of the previous reporting period	85,154	69,820
<b>Add:</b> contributions recognised in the current period but not yet spent	11,607	17,023
<b>Less:</b> contributions recognised in a previous reporting period now spent	(5,516)	(1,689)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>91,245</u>	<u>85,154</u>

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	29,491	27,037
Employee termination costs	32	302
Travel expenses	1	-
Employee leave entitlements (ELE)	3,597	1,878
Superannuation	2,230	2,241
Workers Compensation	1,324	(19)
Payroll tax	2,143	2,617
Training costs (other than salaries and wages)	30	100
Uniforms and Protective clothing	212	175
Other	-	6
<b>Total employee costs</b>	<b>39,060</b>	<b>34,337</b>
Less: capitalised costs	(4,295)	(3,489)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>34,765</b>	<b>30,848</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 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 13 for more information.

**(b) Borrowing costs****(i) Interest bearing liability costs**

Interest on loans	17,209	19,915
Other debts	19	65
<b>Total interest bearing liability costs expensed</b>	<b>17,228</b>	<b>19,980</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>17,228</b>	<b>19,980</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.

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	10,005	10,881
Contractor and consultancy costs	10,829	7,349

continued on next page ...

Page 20 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council - Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Auditors remuneration <sup>2</sup>	79	82
Agency Hire	2,078	2,309
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	4
<b>Total materials and contracts</b>	<u>22,991</u>	<u>20,625</u>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>22,991</u>	<u>20,625</u>

**Accounting policy for operating leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to CCCWSA 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:**

Motor vehicles	–	4
	<u>–</u>	<u>4</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	79	82
<b>Remuneration for audit and other assurance services</b>	<u>79</u>	<u>82</u>

**Total Auditor-General remuneration**

<u>79</u>	<u>82</u>
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**Non NSW Auditor-General audit firms****Total remuneration of non NSW Auditor-General audit firms**

<u>–</u>	<u>–</u>
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**Total Auditor remuneration**

<u>79</u>	<u>82</u>
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**(d) Depreciation, amortisation and impairment of intangible assets and IPP&E****Depreciation and amortisation**

Plant and equipment	14	14
Office equipment	21	21
Furniture and fittings	15	18

**Infrastructure:**

– Buildings – specialised	682	333
– Other structures	56	46
– Roads	1	1
– Stormwater drainage	15,431	15,230
– Water supply network	26,032	25,120
– Sewerage network	34,399	33,070

**Total gross depreciation and amortisation costs**

<u>76,651</u>	<u>73,853</u>
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**Total depreciation and amortisation costs**

<u>76,651</u>	<u>73,853</u>
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continued on next page ...

Page 21 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council - Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Impairment / revaluation decrement of IPP&amp;E</b>		
Operational Land	–	26,007
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>	<u>–</u>	<u>26,007</u>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement	<u>–</u>	<u>26,007</u>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>	<u>76,651</u>	<u>99,860</u>

**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E****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 7 for IPPE assets and Note 8 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	2019	2018
<b>(e) Other expenses</b>		
Advertising	13	15
Administration support	18,826	20,718
Bad and doubtful debts	94	127
Computer software charges	426	702
Electricity and heating	8,940	6,781
Gas charges	13	147
Insurance	111	47
Licences	457	312
Plant hire	5,558	4,638
Printing and stationery	59	33
Road opening permits	–	165
Subscriptions and publications	22	68
Telephone and communications	43	118
Tipping fees	4,910	4,529
Water purchases	1,757	342

continued on next page ...

Page 22 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

<u>\$ '000</u>	<u>2019</u>	<u>2018</u>
Water and sewer operations	–	524
Other	154	63
<b>Total other expenses</b>	<u>41,383</u>	<u>39,329</u>
<b><u>TOTAL OTHER EXPENSES</u></b>	<u>41,383</u>	<u>39,329</u>

**Accounting policy for other expenses**

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
<b>Infrastructure</b>	7		
Less: carrying amount of infrastructure assets sold/written off		(3,014)	(1,404)
<b>Net gain/(loss) on disposal</b>		<u>(3,014)</u>	<u>(1,404)</u>
<b>Investments</b>	5(b)		
Proceeds from disposal/redemptions/maturities – investments		119,352	226,653
Less: carrying amount of investments sold/redeemed/matured		(119,352)	(226,653)
<b>Net gain/(loss) on disposal</b>		<u>–</u>	<u>–</u>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<u>(3,014)</u>	<u>(1,404)</u>

**Accounting policy for disposal of assets**

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

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 5(a). Cash and cash equivalent assets

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash-equivalent assets		
– Deposits at call	12,788	34,717
<b>Total cash and cash equivalents</b>	<b>12,788</b>	<b>34,717</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 5(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at amortised cost' / 'held to maturity' (2018)	167,935	15,041	98,442	49,209
<b>Total Investments</b>	<b>167,935</b>	<b>15,041</b>	<b>98,442</b>	<b>49,209</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>180,723</b>	<b>15,041</b>	<b>133,159</b>	<b>49,209</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	156,664	8,025	96,035	43,330
NCD's, FRN's (with maturities > 3 months)	11,271	7,016	2,407	5,879
<b>Total</b>	<b>167,935</b>	<b>15,041</b>	<b>98,442</b>	<b>49,209</b>

**Accounting policy for investments**

No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

**Accounting policy under AASB 9 – applicable from 1 July 2018**

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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 5(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 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.

**Accounting policy under AASB 139 – applicable for 2018 comparatives only****Classification**

CCCWSA classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

**(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

**(b) Held to maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that CCCWSA's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

**(c) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**(d) Available for sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 5(b). Investments (continued)

determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

**Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which CCCWSA commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and CCCWSA has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

**Impairment of financial assets**

CCCWSA assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

**Impairment of available for sale investments**

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 5(c). Restricted cash, cash equivalents and investments – details

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	180,723	15,041	133,159	49,209
<b>attributable to:</b>				
External restrictions	84,872	15,041	44,430	47,709
Internal restrictions	1,894	-	1,084	1,500
Unrestricted	93,957	-	87,645	-
	<u>180,723</u>	<u>15,041</u>	<u>133,159</u>	<u>49,209</u>

\$ '000	2019	2018
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## Details of restrictions

**External restrictions – other**

Developer contributions – water fund	38,250	35,918
Developer contributions – sewer fund	20,917	18,718
Developer contributions – drainage	32,467	27,708
Developer contributions – VPA – water	1,028	2,325
Developer contributions – VPA – sewer	483	389
Developer contributions - VPA - drainage	1,337	-
Specific purpose unexpended grants-water fund	2,355	3,613
Specific purpose unexpended grants-sewer fund	-	1,235
Water supplies	47	-
Drainage	100	-
Self insurance – sewer	2,131	1,522
Self insurance – water	798	611
Contributions to works – water	-	100
<b>External restrictions – other</b>	<u>99,913</u>	<u>92,139</u>
<b>Total external restrictions</b>	<u>99,913</u>	<u>92,139</u>

**Internal restrictions**

Employee leave entitlement – water	873	964
Employees leave entitlement – drainage	66	181
Employee leave entitlement – sewer	955	1,030
Public liability insurance – water	-	42
Public liability insurance – sewer	-	4
Other (St Hubert's Drainage Licence Fee)	-	363
<b>Total internal restrictions</b>	<u>1,894</u>	<u>2,584</u>

**TOTAL RESTRICTIONS**101,807      94,723

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Interest and extra charges	1,258	-	1,261	-
User charges and fees	8,522	3,406	11,894	3,252
Accrued revenues				
– Interest on investments	-	-	1,544	-
– User charges and fees	15,586	-	14,243	-
– Government grants and subsidies	2,371	-	2,785	-
– Other income accruals	93	-	5	-
Drainage annual charges	1,374	-	2,047	-
Liquid trade waste	-	-	440	-
Sewerage annual charges	7,479	-	11,417	-
Water annual charges	2,094	-	3,277	-
Other debtors	228	-	4	302
<b>Total</b>	<u>39,005</u>	<u>3,406</u>	<u>48,917</u>	<u>3,554</u>
<b>TOTAL NET RECEIVABLES</b>	<u>39,005</u>	<u>3,406</u>	<u>48,917</u>	<u>3,554</u>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	-	28
– amounts already provided for and written off this year	-	(28)
<b>Balance at the end of the period</b>	<u>-</u>	<u>-</u>

## 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

## Accounting policy under AASB 9 applicable from 1 July 2018

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.

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6. Receivables (continued)

- 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.

**Accounting policy under AASB 139 – applicable for 2018 comparatives only**

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the CCCWSA will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Annual charges outstanding are secured against the property.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council - Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period						as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	WP 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
– 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>

continued on next page ...

Page 31 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council - Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Infrastructure, property, plant and equipment (continued)

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	79,583	-	79,583	32,566	-	-	-	-	(33,609)	-	-	78,540	-	78,540
Plant and equipment	7,328	(3,957)	3,371	-	-	-	(14)	-	-	(3,293)	-	1,133	(1,070)	63
Office equipment	746	(695)	51	-	-	-	(21)	-	-	-	-	620	(590)	30
Furniture and fittings	854	(698)	156	-	-	-	(18)	-	-	-	-	854	(716)	138
<b>Land:</b>														
- Operational land	79,346	-	79,346	-	-	-	-	(26,007)	-	17,367	-	70,706	-	70,706
- Community land	22,682	-	22,682	-	7	-	-	-	-	(15,338)	-	7,351	-	7,351
<b>Infrastructure:</b>														
- Buildings - specialised	30,984	(6,467)	24,517	-	-	-	(333)	-	-	(128)	4,708	47,042	(18,278)	28,764
- Other structures	1,445	(246)	1,199	-	-	-	(46)	-	-	128	-	1,631	(350)	1,281
- Roads	42	(18)	24	-	-	-	(1)	-	-	-	-	42	(19)	23
- Bulk earthworks (non-depreciable)	16	-	16	-	-	-	-	-	-	-	-	16	-	16
- Stormwater drainage	1,438,951	(436,535)	1,002,416	-	4,567	(207)	(15,230)	-	13,514	6,365	-	1,464,883	(453,458)	1,011,425
- Water supply network	1,747,559	(713,469)	1,034,090	-	1,745	-	(25,120)	-	524	-	21,276	1,786,097	(753,582)	1,032,515
- Sewerage network	2,193,649	(803,730)	1,389,919	-	3,138	(1,196)	(33,070)	-	19,571	-	25,273	2,252,235	(848,600)	1,403,635
<b>Total Infrastructure, property, plant and equipment</b>	<b>5,603,185</b>	<b>(1,965,815)</b>	<b>3,637,370</b>	<b>32,566</b>	<b>9,457</b>	<b>(1,403)</b>	<b>(73,853)</b>	<b>(26,007)</b>	<b>-</b>	<b>5,101</b>	<b>51,257</b>	<b>5,711,150</b>	<b>(2,076,663)</b>	<b>3,634,487</b>

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

continued on next page ...

Page 32 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. 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 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 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 for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land and bulk earthworks are not depreciated. The 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 equipment	5 to 20	Non specialised buildings	16 to 100
Office furniture	10 to 15	Specialised buildings	6 to 100
Computer equipment	5 to 10		
Other plant and equipment	6 to 10		
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Bridge: concrete	100	Bulk earthworks	100
Bridge: other	50		

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</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>
<b>Closing values at 30 June</b>		
Gross book value	4,172	4,172
Accumulated amortisation	(2,469)	(2,469)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>1,703</b>	<b>1,703</b>
<b>The net book value of intangible assets represents:</b>		
Drainage easements	1,703	1,703
	<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 the 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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	5,466	–	3,610	–
Accrued expenses:				
– Borrowings	–	–	1,401	–
– Salaries and wages	–	–	614	–
– Other expenditure accruals	3,526	–	3,169	–
Security bonds, deposits and retentions	275	–	299	2,399
Payable to General Fund	25,000	–	21,000	–
Other	–	–	1,087	–
<b>Total payables</b>	<b>34,267</b>	<b>–</b>	<b>31,180</b>	<b>2,399</b>
<b>Income received in advance</b>				
Payments received in advance	3,783	2,513	1,766	478
<b>Total income received in advance</b>	<b>3,783</b>	<b>2,513</b>	<b>1,766</b>	<b>478</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	41,978	172,195	30,250	215,186
Loans – unsecured	1,127	23,876	1,064	25,002
<b>Total borrowings</b>	<b>43,105</b>	<b>196,071</b>	<b>31,314</b>	<b>240,188</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>81,155</b>	<b>198,584</b>	<b>64,260</b>	<b>243,065</b>

(1) Loans are secured over the general rating income of Central Coast Council Water Supply Authority.  
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 14.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	1,933	–	–	–
Developer contributions in advance sewer	–	499	–	653
Developer contributions in advance water	59	–	–	1,746
Developer contributions in advance drainage	–	1,377	–	–
Payables and borrowings relating to externally restricted assets	1,992	1,876	–	2,399
<b>Total payables and borrowings relating to restricted assets</b>	<b>1,992</b>	<b>1,876</b>	<b>–</b>	<b>2,399</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>79,163</b>	<b>196,708</b>	<b>64,260</b>	<b>240,666</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>81,155</b>	<b>198,584</b>	<b>64,260</b>	<b>243,065</b>

continued on next page ...

Page 35 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Payables and borrowings (continued)

\$ '000	2019	2018
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**(b) 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	2,851	1,351
<b>Total payables and borrowings</b>	<b>2,851</b>	<b>1,351</b>

**(c) Changes in liabilities arising from financing activities**

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
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>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	264,956	(19,520)	–	–	–	245,436
Loan – unsecured	29,846	(3,780)	–	–	–	26,066
<b>TOTAL</b>	<b>294,802</b>	<b>(23,300)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>271,502</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 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.

DRAFT UNAUDITED FINANCIAL STATEMENTS

Central Coast Council - Water Supply Authority

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Payables and borrowings (continued)

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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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	2,322	-	2,587	-
Sick leave	1,807	-	2,294	-
Long service leave	5,000	217	5,798	-
Other leave	218	-	212	-
<b>Sub-total – aggregate employee benefits</b>	<b>9,347</b>	<b>217</b>	<b>10,891</b>	<b>-</b>
<b>Other provisions</b>				
Self insurance – workers compensation	407	2,522	405	1,493
Self insurance – other	23	-	47	-
Payroll tax	530	12	595	-
Other	403	-	-	-
<b>Sub-total – other provisions</b>	<b>1,363</b>	<b>2,534</b>	<b>1,047</b>	<b>1,493</b>
<b>TOTAL PROVISIONS</b>	<b>10,710</b>	<b>2,751</b>	<b>11,938</b>	<b>1,493</b>

## (a) Provisions relating to restricted assets

<b>Internally restricted assets</b>				
Self insurance – workers' compensation	407	2,522	405	1,493
Provisions relating to internally restricted assets	407	2,522	405	1,493
<b>Total provisions relating to restricted assets</b>	<b>407</b>	<b>2,522</b>	<b>405</b>	<b>1,493</b>
<b>Total provisions relating to unrestricted assets</b>	<b>10,303</b>	<b>229</b>	<b>11,533</b>	<b>-</b>
<b>TOTAL PROVISIONS</b>	<b>10,710</b>	<b>2,751</b>	<b>11,938</b>	<b>1,493</b>

\$ '000	2019	2018
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## (b) 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	5,563	6,949
	<b>5,563</b>	<b>6,949</b>

## (c) Description of and movements in provisions

\$ '000	Other provisions		Total
	Other (Payroll Tax)	Self insurance	
<b>2019</b>			
At beginning of year	595	1,945	2,540
Additional provisions	2,493	1,296	3,789
Amounts used (payments)	(2,143)	(289)	(2,432)

continued on next page ...

Page 38 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Provisions (continued)

\$ '000	Other provisions		
	Other (Payroll Tax)	Self insurance	Total
Total other provisions at end of period	945	2,952	3,897
<b>2018</b>			
At beginning of year	482	2,146	2,628
Additional provisions	113	10	123
Amounts used (payments)	–	(211)	(211)
Total other provisions at end of period	595	1,945	2,540

## 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.

## 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 5(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.

continued on next page ...

Page 39 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Provisions (continued)

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Public Liability and Professional Indemnity claims are expensed as they meet the recognition criteria 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 and Bond Yields of between 1.750% and 3.409% per annum over a 12 year period.
- All monetary amounts for past Workers Compensation Claims were indexed to bring them to "standardised" values at June 2019.
- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in "standardised" values as at June 2019.

The last actuarial assessment of Workers Compensation Claims was undertaken in July 2019 and was performed by David A Zaman Pty Ltd, Director David Zaman, BSc, FIA, FIAA, MBA.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	5(a)	12,788	34,717
<b>Balance as per the Statement of Cash Flows</b>		<u>12,788</u>	<u>34,717</u>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		31,318	17,753
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		76,651	73,853
Net losses/(gains) on disposal of assets		3,014	1,404
Non-cash capital grants and contributions		(15,176)	(9,450)
Revaluation decrements / impairments of IPP&E direct to P&L		-	26,007
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		10,060	(5,588)
Increase/(decrease) in provision for impairment of receivables		-	(28)
Decrease/(increase) in other current assets		-	336
Increase/(decrease) in payables		1,856	3,159
Increase/(decrease) in accrued interest payable		(1,401)	312
Increase/(decrease) in other accrued expenses payable		(257)	19,896
Increase/(decrease) in other liabilities		4,542	(241)
Increase/(decrease) in provision for employee benefits		(1,327)	515
Increase/(decrease) in other provisions		1,357	(88)
<b>Net cash provided from operating activities from the Statement of Cash Flows</b>		<u>110,637</u>	<u>127,840</u>
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		15,176	9,450
<b>Total non-cash investing and financing activities</b>		<u>15,176</u>	<u>9,450</u>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Commitments

\$ '000	2019	2018
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## (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**

Other – Stormwater Management	980	3,245
Infrastructure	10,150	7,069
<b>Total commitments</b>	<b>11,130</b>	<b>10,314</b>

**These expenditures are payable as follows:**

Within the next year	11,130	10,314
<b>Total payable</b>	<b>11,130</b>	<b>10,314</b>

**Sources for funding of capital commitments:**

Unrestricted general funds	11,130	10,314
<b>Total sources of funding</b>	<b>11,130</b>	<b>10,314</b>

**Details of capital commitments**

Major projects include:

- \* Sewer Siphon System Refurbishment - Springfield Road Erina \$0.3 million
- \* Water Infrastructure Reinforcements - Gosford CBD \$0.4 million
- \* Water Meter Replacement Program \$0.6 million
- \* Water Reactive and Program Planning - Region Wide \$0.8million
- \* Water Treatment Plant Major Upgrade - Mardi \$0.9 million
- \* Sewer Infrastructure Reinforcements - Gosford CBD \$1.3 million
- \* Water Service Connection \$2.0 million

## (b) Operating lease commitments (non-cancellable)

**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	–	4
Later than one year and not later than 5 years	–	16
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>20</b>

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Contingencies and other assets/liabilities not recognised

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 Council's financial report.

**LIABILITIES NOT RECOGNISED****1. Guarantees****(i) 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 2018-19 were recognised as an expense. The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA of Mercer Consulting (Australia) on 31 December 2018, and covers the year ended 30 June 2018.

The position is monitored annually and the actuary has estimated that, as at 30 June 2019, 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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Financial risk management

## Risk management

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

The 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 the 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 Council's financial assets and financial liabilities recognised in the financial statements is presented below.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	12,788	34,717	12,788	34,717
Receivables	42,411	52,471	42,411	52,471
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	182,976	147,651	182,976	147,651
<b>Total financial assets</b>	<b>238,175</b>	<b>234,839</b>	<b>238,175</b>	<b>234,839</b>
<b>Financial liabilities</b>				
Payables	34,267	33,579	34,267	33,579
Loans/advances	239,176	271,502	275,358	330,508
<b>Total financial liabilities</b>	<b>273,443</b>	<b>305,081</b>	<b>309,625</b>	<b>364,087</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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Financial risk management (continued)

- **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 the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to CCCWSA – be it of a capital or income nature.

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>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>2018</b>				
Possible impact of a 10% movement in market values	18,237	18,237	(18,237)	(18,237)
Possible impact of a 1% movement in interest rates	1,824	1,824	(1,824)	(1,824)

## (b) Credit risk

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

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

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

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

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

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

## Credit risk profile

## Receivables – annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	9,981	6,212	2,747	5,419	491	24,850

continued on next page ...

Page 45 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2018</b>						
Gross carrying amount	–	9,187	5,542	2,481	792	18,002

**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 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<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>	–	–	–	–	–	–
<b>2018</b>						
Gross carrying amount	28,612	45	571	1,389	3,852	34,469
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

## (c) Liquidity risk

Payables 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 and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<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>

continued on next page ...

Page 46 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables	0.00%	2,698	30,881	–	–	33,579	33,579
Loans and advances	6.50%	–	49,824	172,016	184,324	406,164	271,502
<b>Total financial liabilities</b>		<b>2,698</b>	<b>80,705</b>	<b>172,016</b>	<b>184,324</b>	<b>439,743</b>	<b>305,081</b>

**Loan agreement breaches**

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. 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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	7					
Plant and equipment		13/05/16	–	–	48	48
Office equipment		13/05/16	–	–	9	9
Furniture and fittings		13/05/16	–	–	123	123
Operational land		30/06/18	–	–	70,793	70,793
Community land		13/05/16	–	–	7,351	7,351
Buildings – specialised		30/06/18	–	–	31,207	31,207
Other structures		13/05/16	–	–	1,293	1,293
Roads		13/05/16	–	–	22	22
Bulk earthworks (non depreciable)		13/05/16	–	–	16	16
Stormwater drainage		13/05/16	–	–	1,020,512	1,020,512
Water supply network		13/05/16	–	–	1,033,296	1,033,296
Sewerage network		13/05/16	–	–	1,410,293	1,410,293
<b>Total infrastructure, property, plant and equipment</b>			–	–	<b>3,574,963</b>	<b>3,574,963</b>

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	7					
Plant and equipment		13/05/16	–	–	63	63
Office equipment		13/05/16	–	–	30	30
Furniture and fittings		13/05/16	–	–	138	138
Operational land		30/06/18	–	–	70,706	70,706
Community land		13/05/16	–	–	7,351	7,351

continued on next page ...

Page 48 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Buildings – specialised		13/05/16	–	–	28,764	28,764
Other structures		13/05/16	–	–	1,281	1,281
Roads		13/05/16	–	–	23	23
Bulk earthworks (non depreciable)		13/05/16	–	–	16	16
Stormwater drainage		13/05/16	–	–	1,011,425	1,011,425
Water supply network		13/05/16	–	–	1,032,515	1,032,515
Sewerage network		13/05/16	–	–	1,403,635	1,403,635
<b>Total infrastructure, property, plant and equipment</b>			–	–	<b>3,555,947</b>	<b>3,555,947</b>

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 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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. 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 will be to value the freehold land on a market value basis.

CCCWSA engaged Scott Fullarton Valuation Pty Ltd to value operational land in 2018. CCCWSA's operational land was valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. Asset condition is also considered when determining the fair value.

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.

**Community land**

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

CCCWSA accounting policy is to value 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.

This asset class is valued using unimproved land values provided by the Valuer General which is not considered to be an observable input based on market evidence and therefore contains Level 3 unobservable inputs.

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

**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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Fair Value Measurement (continued)

**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.

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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land
<b>2018</b>					
<b>Opening balance</b>	3,371	51	156	79,346	22,682
Transfers from/(to) another asset class	(3,293)	-	-	17,367	(15,338)
Purchases (GBV)	-	-	-	-	7
Depreciation and impairment	(14)	(21)	(18)	(26,007)	-
<b>Closing balance</b>	<b>64</b>	<b>30</b>	<b>138</b>	<b>70,706</b>	<b>7,351</b>
<b>2019</b>					
<b>Opening balance</b>	64	30	138	70,706	7,351
Purchases (GBV)	-	-	-	87	-
Depreciation and impairment	(14)	(21)	(15)	-	-
<b>Closing balance</b>	<b>50</b>	<b>9</b>	<b>123</b>	<b>70,793</b>	<b>7,351</b>

\$ '000	Buildings specialised	Other structures	Roads	Bulk earthworks	Stormwater drainage
<b>2018</b>					
<b>Opening balance</b>	24,517	1,199	24	16	1,002,416
Transfers from/(to) another asset class	(128)	128	-	-	6,365
Purchases (GBV)	-	-	-	-	18,081
Disposals (WDV)	-	-	-	-	(207)
Depreciation and impairment	(333)	(46)	(1)	-	(15,230)
Revaluation increments to equity (ARR)	4,708	-	-	-	-
<b>Closing balance</b>	<b>28,764</b>	<b>1,281</b>	<b>23</b>	<b>16</b>	<b>1,011,425</b>
<b>2019</b>					
<b>Opening balance</b>	28,764	1,281	23	16	1,011,425
Transfers from/(to) another asset class	-	68	-	-	1,508
Purchases (GBV)	3,125	-	-	-	23,637
Disposals (WDV)	-	-	-	-	(627)
Depreciation and impairment	(682)	(56)	(1)	-	(15,431)
<b>Closing balance</b>	<b>31,207</b>	<b>1,293</b>	<b>22</b>	<b>16</b>	<b>1,020,512</b>

\$ '000	Water supply network	Sewerage network	Total
<b>2018</b>			
<b>Opening balance</b>	1,034,090	1,389,919	<b>3,557,787</b>
Transfers from/(to) another asset class	-	-	<b>5,101</b>
Purchases (GBV)	2,269	22,709	<b>43,066</b>
Disposals (WDV)	-	(1,196)	<b>(1,403)</b>
Depreciation and impairment	(25,120)	(33,070)	<b>(99,860)</b>
Revaluation increments to equity (ARR)	21,276	25,273	<b>51,257</b>
<b>Closing balance</b>	<b>1,032,515</b>	<b>1,403,635</b>	<b>3,555,948</b>

continued on next page ...

Page 52 of 62

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Fair Value Measurement (continued)

\$ '000	Water supply network	Sewerage network	Total
<b>2019</b>			
<b>Opening balance</b>	1,032,515	1,403,635	<b>3,555,948</b>
Transfers from/(to) another asset class	(1,167)	2,566	<b>2,975</b>
Purchases (GBV)	12,270	14,739	<b>53,858</b>
Disposals (WDV)	(596)	(1,791)	<b>(3,014)</b>
Depreciation and impairment	(26,032)	(34,399)	<b>(76,651)</b>
Revaluation increments to equity (ARR)	16,306	25,543	<b>41,849</b>
<b>Closing balance</b>	<b>1,033,296</b>	<b>1,410,293</b>	<b>3,574,965</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 (30/6/19)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Plant and equipment	50	Cost approach	Pattern of consumption, useful life and residual value
Office equipment	9	Cost approach	Pattern of consumption, useful life and residual value
Furniture and fittings	123	Cost approach	Pattern of consumption, useful life and residual value
Operational land	70,793	Market value	The market value of land varies significantly depending on the location of the land and current market conditions.
Community land	7,351	Land values obtained from the NSW Valuer-General	Land value, land area
Buildings specialised	31,207	Market value	Pattern of consumption, useful life, residual value, asset condition and componentisation
Other structures	1,293	Cost approach	Useful life, pattern of consumption and asset condition
Roads	22	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	1,020,512	Cost approach	Current replacement cost of modern equivalent asset, asset condition and remaining lives
Water supply network	1,033,296	Cost approach	Current replacement cost of modern equivalent asset, asset condition and remaining lives
Sewerage network	1,410,293	Cost approach	Current replacement cost of modern equivalent asset, asset condition and remaining lives

## (5) Highest and best use

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

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Fair Value Measurement (continued)

**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.

## DRAFT UNAUDITED FINANCIAL STATEMENTS

Financial Statements 2019

## Central Coast Council - Water Supply Authority

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Related Party Transactions

## (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, Directors and Executive Managers.

In 2017-18 CCCWSA KMP also included Senior Managers and Unit Managers.

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

\$ '000	2019	2018
<b>Compensation:</b>		
Short-term benefits	913	2,958
Other long-term benefits	44	417
Termination benefits	–	85
<b>Total</b>	<b>957</b>	<b>3,460</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	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>2019</b>						
Employee expenses relating to close family members of KMP	1	11	–	Local Government (State) Award 2017	–	–
<b>2018</b>						
Employee expenses relating to close family members of KMP	1	171	–	Local Government (State) Award 2017	–	–
Supply of apprentices and support services	2	97	5	7 days	–	–

1 Close family members of CCCWSA's KMP are employed by the Council under the relevant pay award on an arms length basis. As at June 2019 there were no close family members of KMP employed by the CCCWSA. As at June 2018 there were 4 close family members of KMP employed by the CCCWSA

2 A 3 year contract entered into in 2016 with Central Coast Group Training Limited, a company which is controlled by a member of the KMP of CCCWSA. The contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable based on 7 days terms for the duration of the contract.

continued on next page ...

Page 55 of 62

**DRAFT UNAUDITED FINANCIAL STATEMENTS**

Financial Statements 2019

**Central Coast Council - Water Supply Authority**

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 16. Related Party Transactions (continued)**

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## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	8,455	4.20%	9.52%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	201,473			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	198,253	87.20%	87.42%	>60.00%
Total continuing operating revenue <sup>1</sup>	227,350			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	134,468	1.65x	2.03x	>1.50x
Current liabilities less specific purpose liabilities	81,459			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	102,334	2.07x	2.62x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	49,554			
<b>5. Annual charges and interest outstanding percentage</b>				
Annual charges and interest outstanding	12,205	8.61%	12.98%	<5.00%
Annual charges and interest collectible	141,701			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	177,477	14.39 mths	15.98 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	12,331			

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

End of audited Financial Statements

DRAFT UNAUDITED FINANCIAL STATEMENTS

Central Coast Council - Water Supply Authority

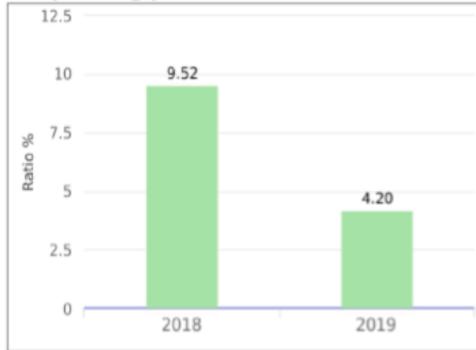
Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 4.20%

The positive ratio demonstrates the Central Coast Council Water Supply Authority's (CCCWSA) sound fiscal management and commitment to achieving financial sustainability.

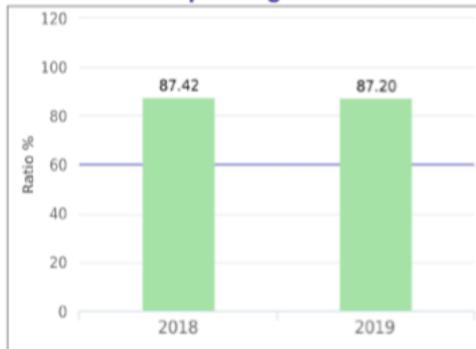
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

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 2018/19 result**

2018/19 ratio 87.20%

CCCWSA's own source operating revenue is above the 60% benchmark and demonstrates fiscal flexibility if faced with unforeseen events.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

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 CCCWSA.

**Commentary on 2018/19 result**

2018/19 ratio 1.65x

CCCWSA's unrestricted current ratio is designed to represent CCCWSA's ability to meet short-term obligations as they fall due. Cash allocated to specific projects is restricted and cannot be used to fund CCCWSA's other operating and borrowing costs. CCCWSA met the 1.5 benchmark in 2018-19 and will continue to monitor cash and investment balances and restrictions to ensure that CCCWSA has sufficient funds to meet short term obligations

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

DRAFT UNAUDITED FINANCIAL STATEMENTS

Central Coast Council - Water Supply Authority

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17(b). 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 2018/19 result**

2018/19 ratio 2.07x

The CCCWSA's debt service cover ratio is above the 2.0 benchmark confirming positive operating results and stable debt levels.

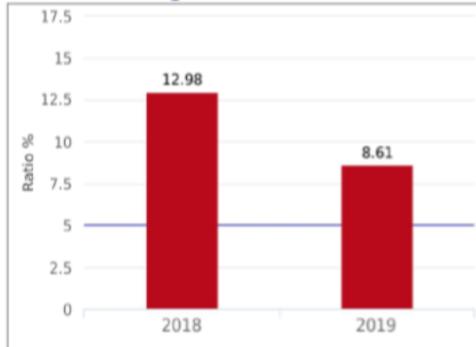
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Annual charges and interest outstanding percentage



**Purpose of annual charges and interest outstanding percentage**

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

**Commentary on 2018/19 result**

2018/19 ratio 8.61%

Water notices are issued throughout the year and are due for payment in the next month which impacts this ratio. As notices at the end of the financial year are due for payment in the following year. The benchmark pertains to rates notices where the final instalment is due for payment on the 31st May.

Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 CCCWSA can continue paying for its immediate expenses without additional cash inflow.

**Commentary on 2018/19 result**

2018/19 ratio 14.39 mths

The CCCWSA's cash expense cover ratio exceeds the 3.0 benchmark and reflects sound cash management.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

## DRAFT UNAUDITED FINANCIAL STATEMENTS

## Central Coast Council - Water Supply Authority

Financial Statements 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Council information and contact details

**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

**Opening hours:**

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

**Telephone:** 1300 463 954**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**

Gary Murphy

**Responsible Accounting Officer**

Craig Norman

**Public Officer**

Shane Sullivan

**Auditors**

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

**Elected members****MAYOR**

Lisa Matthews (The Entrance Ward)

**COUNCILLORS**

Jane Smith - Deputy Mayor (Gosford East Ward)  
Greg Best (Budgewoi Ward)  
Jillian Hogan (Budgewoi Ward)  
Doug Vincent (Budgewoi Ward)  
Rebecca Gale (Gosford East Ward)  
Jeff Sundstrom (Gosford East Ward)  
Chris Holstein (Gosford West Ward)  
Troy Marquart (Gosford West Ward)  
Richard Mehtens (Gosford West Ward)  
Bruce McLachlan (The Entrance Ward)  
Jilly Pilon (The Entrance Ward)  
Chris Burke (Wyong Ward)  
Louise Greenaway (Wyong Ward)  
Kyle MacGregor (Wyong Ward)

**Other information**

ABN: 73 149 644 003

**DRAFT UNAUDITED FINANCIAL STATEMENTS**

**Central Coast Council - Water Supply Authority**

Financial Statements 2019

**General Purpose Financial Statements**

for the year ended 30 June 2019

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**Independent Auditor's Report**

Please upift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

**DRAFT UNAUDITED FINANCIAL STATEMENTS**

**Central Coast Council - Water Supply Authority**

Financial Statements 2019

**General Purpose Financial Statements**

for the year ended 30 June 2019

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**Independent Auditor's Report**

Please upift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).