



Financial Reports
Central Coast Council
13 May 2016 to 30 June 2017

Financial Reports

Central Coast Council

13 May 2016 to 30 June 2017

The Central Coast Council Financial Reports for the period 13 May 2016 to 30 June 2017 incorporate the following Financial Statements:

- General Purpose Financial Statements
- Special Purpose Financial Statements and
- Special Schedules

On the 12 May 2016 the *Local Government (Council Amalgamations) Proclamation 2016* was published which resulted in the dissolution of the former Gosford and Wyong Councils, and the formation of the Central Coast Council. Due to the difficulty in ending reporting at the time of proclamation, for convenience and taking into account materiality, 13 May 2016 has been chosen by amalgamated Councils to commence the financial reporting for the statutory reporting period ended 30 June 2017.



General Purpose Financial Statements

Central Coast Council

13 May 2016 to 30 June 2017

Central
Coast
Council

Central Coast Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	4
3. Primary Financial Statements:	
– Income Statement	5
– Statement of Comprehensive Income	6
– Statement of Financial Position	7
– Statement of Changes in Equity	8
– Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	104
– On the Conduct of the Audit (Sect 417 [3])	107

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Central Coast Council.
 - (ii) Central Coast Council is constituted under the *Local Government Act 1993* (LGA) and has its principal places of business at:
2 Hely Street, Wyong, NSW 2259, and
49 Mann Street, Gosford, NSW 2250
 - (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 9 March 2018. Council has the power to amend and reissue these financial statements.
-

Central Coast Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Understanding Council's financial statements

Introduction

Each year, individual Local Governments across New South Wales are required to present a set of audited financial statements to their Council and Community.

What you will find in the statements

At 12.25pm on 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that the Wyong Shire and Gosford City Councils would be amalgamated into the new Central Coast Council. Due to the difficulty in ending a reporting period in the middle of a day, reporting for the former councils ceased at close of business on 12 May 2016 and commenced for Central Coast Council on 13 May 2016. We note that this will not have a material impact on the financial performance of Central Coast Council.

These financial statements set out the financial position of Central Coast Council as at 30 June 2017 and the financial performance and cash flows for the reporting period 13 May 2016 to 30 June 2017.

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 Statement by Councillors and Management

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the period, 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

This statement summarises Council's financial performance for the period 13 May 2016 to 30 June 2017, listing all income and expenses.

In accordance with the Australian Accounting Standard *AASB 1004 Contributions*, the former Councils recognised 100% of their rates revenue for the 2015/16 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or, where earlier, upon receipt of the rates.

The former Councils also recognised 100% of the Financial Assistance Grants (FAGs) revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured.

As a consequence, these financial statements do not include a pro-rata of the rates and FAGs revenue for the period 13 May 2016 to 30 June 2017 but do include expenditure obligations for this period.

In June 2016 Council received 'one off' grant funding of \$10.0M for New Council Implementation Fund and \$10m for Stronger Communities Fund. During June 2017, Council received an advance payment of the 2017/18 financial year FAG in the amount of \$12,473,852. This amount has been reported in full as revenue in the current reporting period.

After adjusting for the above, the net operating result for the reporting period would be recorded as below.

Income Statement	Actual 13 May '16 to 30 June '17 \$M
Income from operations	633.4
Expenditure from operations	568.0
Net operating result (exclusive of capital grants and contributions)	65.4
Income from capital grants and contributions	90.3
Net operating result (inclusive of capital grants and contributions)	155.7
New council funding and FAG adjustment (2017/18)	(32.5)
Adjusted net operating result (inclusive of capital grants and contributions)	123.2

Under the Proclamation the assets and liabilities of the former Councils transferred to the new Council. The net value of the assets and liabilities transferred is shown in the income statement as a gain on amalgamation.

2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

Central Coast Council

General Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Understanding Council's financial statements (continued)

3. The Statement of Financial Position

This statement is an end of period snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent.

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.

Note 13a(ii) provides a visual representation of how Central Coast Council is performing in its key financial indicators. As this is the first year of operation, comparative results are not possible but will form part of this note to monitor on-going performance in future years.

About the Auditor's Reports

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

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.

Central Coast Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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 professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

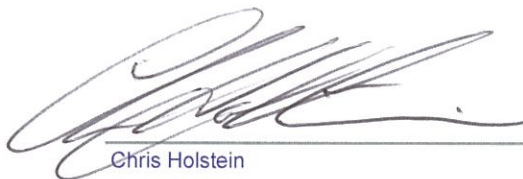
- present fairly the Council's operating result and financial position for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records

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

Signed in accordance with a resolution of Council made on 7 December 2017.



Jane Smith
Mayor



Chris Holstein
Deputy Mayor



Brian Bell
General Manager



Vivienne Louie
Responsible accounting officer

Central Coast Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
<i>Revenue:</i>		
Rates and annual charges	3a	371,225
User charges and fees	3b	149,853
Interest and investment revenue	3c	14,096
Other revenues	3d	18,020
Grants and contributions provided for operating purposes	3e,f	80,235
Grants and contributions provided for capital purposes	3e,f	90,270
<i>Other income:</i>		
Net gains from the disposal of assets	5	–
Net share of interests in joint ventures and associates using the equity method	19	–
Total income from continuing operations		723,699
Expenses from continuing operations		
Employee benefits and on-costs	4a	187,074
Borrowing costs	4b	25,135
Materials and contracts	4c	124,465
Depreciation and amortisation	4d	150,215
Impairment	4d	–
Other expenses	4e	78,850
Net losses from the disposal of assets	5	2,257
Total expenses from continuing operations		567,996
Operating result from continuing operations		155,703
Net operating result for the period		155,703
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	6,704,827
Net result for the period		6,860,530
Net operating result attributable to Council		6,860,530
Net operating result attributable to non-controlling interests		–
Net operating result for the period before grants and contributions provided for capital purposes and gain on amalgamation		65,433

Central Coast Council

Statement of Comprehensive Income

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Net result for the period (as per Income Statement)		6,860,530
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result		
Gain (loss) on revaluation of I,PP&E	20b (ii)	33,461
Total items which will not be reclassified subsequently to the operating result		33,461
Amounts which will be reclassified subsequently to the operating result when specific conditions are met		
Nil		
Total other comprehensive income for the period		33,461
Total comprehensive income for the period		6,893,991
Total comprehensive income attributable to Council		6,893,991
Total comprehensive income attributable to non-controlling interests		–

Central Coast Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	2,597
Investments	6b	326,765
Receivables	7	84,912
Inventories	8	1,417
Other	8	2,147
Total current assets		417,838
Non-current assets		
Investments	6b	82,750
Receivables	7	3,706
Infrastructure, property, plant and equipment	9	6,881,509
Intangible assets	25	1,703
Other	8	300
Total non-current assets		6,969,968
TOTAL ASSETS		7,387,806
LIABILITIES		
Current liabilities		
Payables	10	59,441
Income received in advance	10	7,050
Borrowings	10	23,976
Provisions	10	63,002
Total current liabilities		153,469
Non-current liabilities		
Income received in advance	10	9,421
Borrowings	10	264,861
Provisions	10	66,064
Total non-current liabilities		340,346
TOTAL LIABILITIES		493,815
Net assets		6,893,991
EQUITY		
Retained earnings	20	6,860,530
Revaluation reserves	20	33,461
Council equity interest		6,893,991
Non-controlling equity interests		-
Total equity		6,893,991

Central Coast Council

Statement of Changes in Equity

for the period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17			Asset	Other	Council	Non-	Total
\$ '000	Notes	Retained	revaluation	reserves	interest	controlling	equity
		earnings	reserve	(Refer 20b)	(Refer 20b)	interest	
Opening balance		–	–	–	–	–	–
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–
Revised opening balance		–	–	–	–	–	–
c. Net result for the period		6,860,530	–	–	6,860,530	–	6,860,530
d. Other comprehensive income							
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	33,461	–	33,461	–	33,461
Other comprehensive income		–	33,461	–	33,461	–	33,461
Total comprehensive income (c&d)		6,860,530	33,461	–	6,893,991	–	6,893,991
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–
Equity – balance at end of the reporting period		6,860,530	33,461	–	6,893,991	–	6,893,991

Central Coast Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
Receipts:		
Rates and annual charges		394,896
User charges and fees		132,658
Investment and interest revenue received		12,073
Grants and contributions		148,414
Bonds, deposits and retention amounts received		2,266
Other		80,242
Payments:		
Employee benefits and on-costs		(186,926)
Materials and contracts		(126,940)
Borrowing costs		(27,998)
Other		(108,039)
Net cash provided from (or used in) operating activities	11b	320,646
Cash flows from investing activities		
Receipts:		
Sale of investment securities		297,500
Sale of infrastructure, property, plant and equipment		7,569
Deferred debtors receipts		2
Payments:		
Purchase of investment securities		(431,804)
Purchase of infrastructure, property, plant and equipment		(190,599)
Net cash provided from (or used in) investing activities		(317,332)
Cash flows from financing activities		
Receipts:		
Nil		
Payments:		
Repayment of borrowings and advances		(28,367)
Net cash flow provided from (used in) financing activities		(28,367)
Net increase/(decrease) in cash and cash equivalents		(25,053)
Plus: cash and cash equivalents – beginning of period	11a	–
Plus: cash transferred on amalgamation of councils	29	27,650
Cash and cash equivalents – end of the period	11a	2,597

Please refer to Note 11 for additional cash flow information

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	11
2(a)	Council functions/activities – financial information	25
2(b)	Council functions/activities – component descriptions	26
3	Income from continuing operations	28
4	Expenses from continuing operations	34
5	Gains or losses from the disposal of assets	38
6(a)	Cash and cash equivalent assets	39
6(b)	Investments	39
6(c)	Restricted cash, cash equivalents and investments – details	40
7	Receivables	42
8	Inventories and other assets	43
9(a)	Infrastructure, property, plant and equipment	44
9(b)	Externally restricted infrastructure, property, plant and equipment	45
10(a)	Payables, borrowings and provisions	45
10(b)	Description of (and movements in) provisions	47
11	Statement of cash flows – additional information	48
12	Commitments for expenditure	50
13	Statement of performance measures:	
13a	Local government industry indicators (consolidated)	52
13b	Local government industry indicators (by fund)	55
14	Investment properties	56
15	Financial risk management	56
16	Material budget variations	59
17	Statement of developer contributions	60
18	Contingencies and other liabilities/assets not recognised	78
19	Interests in other entities	80
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	83
21	Financial result and financial position by fund	84
22	'Held for sale' non-current assets and disposal groups	86
23	Events occurring after the reporting date	86
24	Discontinued operations	86
25	Intangible assets	87
26	Reinstatement, rehabilitation and restoration liabilities	88
27	Fair value measurement	89
28	Related party disclosures	100
29	Local Government amalgamation	100
	Additional council disclosures	
30	Council information and contact details	103

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

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 periods presented unless otherwise stated.

(a) Basis of preparation

(i) Background

The Local Government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the *Local Government Act* 1993 transferred the assets and liabilities of the former councils, Wyong Shire Council and Gosford City Council, to Central Coast Council as at 12.25pm on 12 May 2016. Due to the difficulty in ending a reporting period in the middle of a day, reporting for the former councils ceased at close of business on 12 May 2016 and commenced for Central Coast Council on 13 May 2016. We note that this will not have a material impact on the financial performance of Central Coast Council.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Central Coast Council, being 13 May 2016 and ending on 30 June 2017. Future reporting periods will be from 1 July to 30 June of the relevant years.

Assets and liabilities of the former Wyong Shire and Gosford City councils transferred as a result of amalgamation have been recognised by Central Coast Council at the carrying amount recorded by the former councils. Central Coast Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 13 May 2016. The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

These general purpose financial statements have been prepared in accordance with:

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

Central Coast Council is a not-for-profit entity for the purpose of preparing these financial statements.

(ii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this period's financial statements which have had any material impact on reported financial position, performance or cash flows of Council.

(iii) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the reporting period 13 May 2016 to 30 June 2017.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (w).

(iv) 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 property, plant and equipment.

(v) Significant accounting estimates and adjustments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Council's accounting policies.

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

Critical accounting estimates and assumptions

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

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Significant judgements in applying the Council's accounting policies

(i) Impairment of Receivables

Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

(i) Income recognition as a result of Council's amalgamation

Central Coast Council was formed on 13 May 2016 through the amalgamation of the former Gosford City Council and former Wyong Shire Council.

In accordance with Australian Accounting Standards the former Councils recognised 100% of their rates revenue for the 2015/16 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or where earlier, upon receipt of the rates.

As a consequence these financial statements do not include a pro-rata of the rates and FAGs revenue for the period from 13 May 2016 to 30 June 2016.

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

(ii) Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when Council obtains control over the assets comprising these receipts. 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.

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.

Rates are recognised as revenue for the period 1 July 2016 to 30 June 2017. No adjustments have been made for rates not earned during the period 13 May 2016 to 30 June 2016.

Annual charges are recognised as revenue for the period 13 May 2016 to 30 June 2017.

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

Revenue from contributions is recognised when Council either obtains control of the contribution or the right to receive it; and it is probable that the economic benefits comprising the contribution will flow to Council and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial period were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at reporting date, the unused grant or contribution is disclosed in Note 3 (g). This note also discloses the amount of unused grant or contribution received by the former councils from prior years that was expended on Council's operations during the current period.

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.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *Environmental Planning and Assessment Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

A detailed note relating to developer contributions can be found at Note 17.

(iii) User charges and fees

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

(iv) Sale of plant, property, infrastructure and equipment

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

(v) Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

(vi) Other Income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

Cash and other assets of the following entities have been included as part of the consolidated fund:

- General purpose operations
- Committees established under the Local Government Act 1993 S355
- Somersby Industrial Estate

(ii) The Trust Fund

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

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

Trust monies and property held by Council in its capacity as a Trustee and not subject to the control of Council have been excluded from these statements.

(iii) Interests in other entities

Subsidiaries

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

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

A list of controlled entities is contained in Note 19 to the financial statements.

Joint arrangements

Council has determined that it does not have any joint operations or joint ventures.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Joint operations (controlled assets and operations)

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

Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method in accordance with AASB128 *Associates and Joint Ventures* and are carried at cost.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance leases

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

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

Property, plant and equipment acquired under finance leases are depreciated over the shorter of each leased asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Operating Leases

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets 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 which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and Cash Equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions, and
- 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.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs. 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.

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(h) Investments and other financial assets

Classification

Council (in accordance with AASB 139) 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.

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was 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.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Assets in this category are classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the Statement of Financial Position date.

(ii) Loans and receivables

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

They are included in current assets, except for those with maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are included in receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(iii) 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. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. 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.

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. Financial assets 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.

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

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

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

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

(i) Assets carried at amortised cost

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. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that 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. The amount of the impairment allowance is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the *Local Government Act 1993* (NSW) and Clause 212 of the *Local Government (General) Regulation 2005* (NSW).

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its investment policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. As at the reporting date, Council does not hold any investments that are not prescribed.

(i) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Council for similar financial instruments.

(j) Infrastructure, property, plant and equipment (IPPE)

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

At reporting date, the following classes of IPPE were stated at their fair value:

- Operational land (external valuation)
- Buildings – (external valuation)
- Water/Sewerage networks (external and internal valuation)
- Plant and equipment (as approximated by depreciated historical cost)
- Road assets – roads including other road related assets, bridges and footpaths (internal valuation)

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- Drainage assets – (internal valuation)
- Bulk earthworks – (internal valuation)
- Community land – (Valuer General's valuation)
- Land improvements (as approximated by depreciated historical cost)
- Other structures (as approximated by depreciated historical cost)
- Art collection (external valuation)
- Other assets (as approximated by depreciated historical cost)

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material. Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of *Water's Rates Reference Manual*.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a maximum five year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised in 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.

Land, land under roads, bulk earthworks, detention basins and wetlands (part of the Stormwater Drainage asset class) 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:

Plant and equipment	
Vehicles	2 to 10 years
Heavy equipment	5 to 50 years
Small equipment	2 to 40 years
Other plant and equipment	2 to 40 years
Office equipment	2 to 10 years
Furniture and fittings	3 to 35 years
Depreciable land improvements	5 to 100 years
Buildings	
Non-specialised	25 to 63 years
Specialised	8 to 150 years
Other structures	5 to 100 years
Roads	
Surface	8 to 95 years
Base and sub-base	5 to 180 years
Car parks	15 to 180 years
Other road related assets, including bus shelters, guard rails, kerb and gutters, median, pavement, pedestrian refuge, roundabouts, shared paths, speed humps and street lighting)	3 to 116 years
Bridges	
Footbridges	30 to 100 years
Road bridges	10 to 100 years
Footpaths	15 to 100 years
Stormwater drainage	5 to 500 years
Water supply network	4 to 333 years
Sewerage network	4 to 238 years
Swimming pools	10 to 100 years
Open space/recreational assets	4 to 100 years
Heritage collections	5 to 500 years
Library books	4 to 8 years

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Other assets	5 to 50 Years
Tip asset	4 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Any asset recorded with an estimated useful life in excess of 100 years has been assessed as such through external valuation. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(k) Payables

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

(l) 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 draw down occurs. To the extent 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.

(m) 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.

(n) 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.

(o) Employee benefits

(i) 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 reporting 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.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which 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 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.

(iii) Retirement benefit obligations

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

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using

the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council 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.

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA of Mercer Consulting (Australia) Pty Ltd on 30 June 2017. The position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of 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 period ended 30 June 2017 was \$3,891,262.

The expected contributions to the Fund by Council for the next annual reporting period are \$3,774,931. Additional contributions of \$5,046,000 are estimated to remain in place until 30 June 2020.

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

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

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

All the Schemes are closed to new members.

Defined contribution plans

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

(p) Land under roads

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

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

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

(q) Self-insurance

Council has decided to self-insure for various risks, including public liability and workers compensation. A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10. Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6 (c).

(r) 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 services, direct payroll and payroll-related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis.

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

Consistent with NSW Treasury policy, easements (the right of access over land) are recognised as intangible assets and are not amortised.

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.

(s) Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, the 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 the Council's Income Statement.

(t) Rural fire service assets

Under section 119 of the *Rural Fires 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

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

on behalf of which the firefighting equipment has been purchased or constructed'.

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

(u) Taxes

Council is exempt from both Commonwealth Income Tax and Capital Gains Tax, however, it does have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

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 which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(v) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

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

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

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance. Costs are estimated on the basis of a closure plan.

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

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

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period. This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

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

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each Statement of Financial Position 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 Statement of Financial Position 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

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

unwind of the discount, which is shown as a borrowing cost.

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

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

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

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

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

(w) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for the reporting period ended 30 June 2017.

Council has not adopted any of these standards early.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

AASB 2015-8 *Amendments to Australian Accounting Standards Effective Date of AASB 15*

AASB 2016-1 *Amendments to Australian Accounting Standards Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*

AASB 2016-2 *Amendments to Australian Accounting Standards Disclosure Initiative: Amendments to AASB 107*

AASB 2016-4 *Amendments to Australian Accounting Standards Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*

AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

Effective for annual reporting periods beginning on or after 1 January 2018

AASB 9 *Financial Instruments (December 2009)*

AASB 15 *Revenue from Contracts with Customers*

AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*

AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
AASB 1057 *Application of Australian Accounting Standards*

AASB 2016-3 *Amendments to Australian Accounting Standards Clarifications to AASB 15*

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

AASB 2016-5 *Amendments to Australian Accounting Standards Classification and Measurement of Share-based Payment Transactions*

AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 *Leases*

AASB 16 *Leases (Appendix D)*

AASB 2016-8 *Amendments to Australian Accounting Standards Australian Implementation Guidance for Not-for-Profit Entities*

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

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(x) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(y) Comparative figures

These financial statements are the first for Central Coast Council and as such there are no comparative figures.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current & non-current)
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Governance	51	3,328	(3,277)	–	–
Administration	38,147	24,376	13,771	20,170	1,465,991
Public order and safety	10,648	21,434	(10,786)	1,993	18,501
Health	1,775	1,956	(181)	–	6,484
Environment	138,097	108,818	29,279	4,472	1,066,608
Community services and education	10,178	16,881	(6,703)	2,402	6,498
Housing and community amenities	16,176	23,836	(7,660)	769	45,498
Water supplies	113,422	93,338	20,084	2,040	1,175,429
Sewerage services	118,329	92,459	25,870	6,147	1,574,735
Recreation and culture	26,071	71,424	(45,353)	7,478	199,817
Construction	5,847	6,146	(299)	–	15
Transport and communication	27,989	87,369	(59,380)	13,052	1,790,438
Economic affairs	14,925	16,631	(1,706)	15	37,792
Total functions and activities	521,655	567,996	(46,341)	58,538	7,387,806
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–
General purpose income ¹	202,044	–	202,044	39,018	–
Operating result from continuing operations	723,699	567,996	155,703	97,556	7,387,806

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's' services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

WATER SUPPLIES

Water supply provides safe and reliable water services including the collection, storage, transportation, treatment and distribution of water to standards appropriate to its use in a cost-effective and sustainable

SEWERAGE SERVICES

Sewerage services provides safe and reliable storage collection, treatment and disposal facilities for sewerage in a cost-effective and sustainable manner. Water supply provides safe and reliable water services including the collection, storage, transportation, treatment and distribution of water to standards appropriate to its use in a cost-effective and sustainable manner.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 2(b). Council functions/activities – component descriptions (continued)

CONSTRUCTION

Includes building control.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development and other business undertakings.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential		132,139
Farmland		803
Mining		894
Business		18,572
Total ordinary rates		152,408
Special rates		
Town improvement		1,252
Parking		179
Tourism / business development		1,417
Emergency / beach services		2,577
Stormwater		1,748
Total special rates		7,173
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		70,902
Water supply services		26,770
Sewerage services		89,684
Drainage		19,583
Waste management services (non-domestic)		4,375
Section 611 charges		125
Liquid trade waste		205
Total annual charges		211,644
TOTAL RATES AND ANNUAL CHARGES		371,225

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates for the former Gosford City Council and 2014 valuations for the former Wyong Shire Council.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services		70,978
Sewerage services		3,149
Waste management services (non-domestic)		6,934
Liquid trade waste		2,312
Total user charges		83,373
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building certification		621
Building inspection		619
Building regulation		3,865
Building services – other		462
Development applications		3,334
Inspection services		1,859
Private works – section 67		561
Regulatory/statutory certificates		287
Regulatory/ statutory fees		318
Rezoning fees		85
Section 149 certificates (EPA Act)		501
Section 603 certificates		976
Town planning		568
Section 355 committees		319
Shop inspection fees		393
Other		136
Total fees and charges – statutory/regulatory		14,904
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Camping ground		605
Child care		7,322
Community centres		1,048
Companion animals		188
Engineering design fees		534
Gosford swimming pool		1,412
Health		1,116
Holiday parks		10,705
On site sewer management (OSSM)		162
Parking fees		691
Parks and recreation		503
Peninsula leisure centre		3,343
RMS (formerly RTA) charges (state roads not controlled by Council)		857
Sewer		80
Theatres		1,652
Tipping fees		19,234
Water connection fees		595
Other		1,529
Total fees and charges – other		51,576
TOTAL USER CHARGES AND FEES		149,853

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		1,951
– Interest earned on investments (interest and coupon payment income)		12,183
– Interest (other)		17
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)		(187)
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided		2
Other		130
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>14,096</u>
(d) Other revenues		
Fines		2,892
Legal fees recovery – other		194
Diesel rebate		80
Insurance claim recoveries		237
Sales – general		1,317
Kiosk sales		539
Rental income		2,622
Miscellaneous charges for overdue rates and charges		416
Arts centre		289
Sewerage service		101
Libraries		55
Landfill		245
Recreation		448
Youth and senior services		821
Cemetery income		279
Landfill gas royalty payment		412
Property rents		3,545
Sewerage connections		217
Water connections		486
Other		2,825
<u>TOTAL OTHER REVENUE</u>		<u>18,020</u>

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(e) Grants		
General purpose (untied)		
Financial assistance	36,636	–
Pensioners' rates subsidies – general component	2,382	–
Total general purpose	39,018	–
Specific purpose (tied)		
Pensioners' rates subsidies:		
– Water	1,484	–
– Sewerage	1,441	–
– Domestic waste management	1,408	–
Sewerage services	–	3,864
Aged care	345	–
Bushfire and emergency services	1,137	1,330
Child care	758	15
Community care	38	–
Employment and training programs	15	–
Environmental protection	1,286	1,172
Heritage and cultural	198	–
Library	485	–
Library – per capita	405	–
Library – special projects	–	188
LIRS subsidy	1,557	–
Recreation and culture	22	28
Street lighting	929	–
Transport (roads to recovery)	–	4,932
Transport (other roads and bridges funding)	–	533
Transport (3x3, floodworks, roads to recovery)	–	967
Trainee / apprenticeships	127	–
Open space / recreation	10	1,706
Drainage / environment	61	–
Aged and disabled	38	–
Health services	28	–
Recreational facilities	–	1,845
Roads and bridges	57	657
Storm damage	4,215	718
Transport	13	–
Youth services	6	–
Security equipment (CCTV)	–	760
Somersby Industrial Park	–	3,359
Stronger Communities Fund	1,000	9,000
New Council Implementation Fund	10,000	–
Other	90	311
Total specific purpose	27,153	31,385
Total grants	66,171	31,385

continued on next page...

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(e) Grants (continued)			
Grant revenue is attributable to:			
– Commonwealth funding		2,707	11,737
– State funding		63,239	19,648
– Other funding		225	–
		66,171	31,385
<p>Financial Assistance Grants (FAGs) are recognised as revenue upon receipt or upon earlier notification that the grant has been secured. As such revenue for FAGs include the prepaid 2017/18 amount of \$12.474m received on 8 June 2017.</p>			
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 94A – fixed development consent levies		–	3,925
S 64 – water supply contributions		–	6,661
S 64 – sewerage service contributions		–	6,062
S 94 – roadworks		–	5,518
S 94 – open space		–	8,329
S 94 – community facilities		–	3,888
S 94 – stormwater contributions		–	3,155
Other developer contributions		–	1,859
Total developer contributions	17	–	39,397
Other contributions:			
Bushfire services		536	–
Business development		–	630
Dedications (other than by S94)		–	14,901
Kerb and gutter		–	334
Paving		–	189
RMS contributions (regional roads, block grant)		10,059	–
Sewerage (excl. section 64 contributions) Cockle Bay Connection		–	2,585
Water supplies (excl. section 64 contributions)		–	66
Other councils – long service leave contribution		33	–
Roadworks		311	18
Park improvements		447	319
Vehicle contributions by employees		2,061	–
Other		617	446
Total other contributions		14,064	19,488
Total contributions		14,064	58,885
TOTAL GRANTS AND CONTRIBUTIONS		80,235	90,270

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 13/5/16 to 30/6/17
(g) Unspent grants and contributions	
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:	
Unexpended at the close of the previous reporting period (former Councils)	106,202
Add: grants and contributions recognised in the current period but not yet spent:	63,918
Add: grants and contributions received for the provision of goods and services in a future period	–
Less: grants and contributions recognised in a previous reporting period now spent:	(25,580)
Net increase (decrease) in restricted assets during the period	38,338
Unexpended and held as restricted assets	144,540
Comprising:	
– Specific purpose unexpended grants	6,881
– Developer contributions	120,219
– Other contributions	17,440
	144,540

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		151,248
Employee termination costs		2,044
Travel expenses		1,924
Employee leave entitlements (ELE)		21,920
Superannuation		18,722
Workers' compensation insurance		4,505
Fringe benefit tax (FBT)		366
Payroll tax		2,028
Training costs (other than salaries and wages)		1,295
Other		1,747
Total employee costs		205,799
Less: capitalised costs		(18,725)
TOTAL EMPLOYEE COSTS EXPENSED		187,074
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on overdraft		9
Interest on loans		22,974
Other debts		548
Total interest bearing liability costs expensed		23,531
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	26	1,604
Total other borrowing costs		1,604
TOTAL BORROWING COSTS EXPENSED		25,135

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		22,263
Contractor and consultancy costs		42,972
– Garbage collection		36,412
– Corporate systems		3,376
– Green waste processing		1,203
– Agency hire		8,139
– Roads		7,303
Auditor's remuneration and other professional services ⁽¹⁾		547
Legal expenses:		
– Legal expenses: planning and development		158
– Legal expenses: debt recovery		168
– Legal expenses: other		324
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾		1,600
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>124,465</u>
1. Auditor's remuneration and other professional services		
a. During the period, the following fees were incurred for services provided by the Auditor General (and the Auditors of other consolidated entities):		
(i) Audit and other assurance services		
– Audit and review of financial statements: Council's Auditor		290
– Audit of regulatory returns		5
Remuneration for audit and other assurance services		<u>295</u>
b. During the period, the following fees were incurred:		
(i) Taxation services		
– Other tax services		5
Remuneration for taxation services		<u>5</u>
(ii) Other non-assurance services		
– Other services		247
Remuneration for other services		<u>247</u>
Total Auditor's remuneration and other professional services		<u>547</u>
2. Operating lease payments are attributable to:		
Office Equipment		349
Computers		778
Motor vehicles		473
		<u>1,600</u>

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		7,817
Office equipment		2,105
Furniture and fittings		826
Land improvements (depreciable)		1,401
Infrastructure:		
– Buildings – non-specialised		53
– Buildings – specialised		8,028
– Other structures		1,252
– Roads		35,079
– Bridges		695
– Footpaths		2,361
– Stormwater drainage		17,531
– Water supply network		28,466
– Sewerage network		37,159
– Swimming pools		54
– Other open space/recreational assets		3,396
– Other infrastructure		1,296
Other assets		
– Heritage collections		128
– Library books		912
– Other		1,501
Intangible assets	25	155
Total depreciation and amortisation costs		<u>150,215</u>
Impairment		
Nil		
<u>TOTAL DEPRECIATION AND IMPAIRMENT</u>		<u>150,215</u>

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		1,609
Bad and doubtful debts		731
Bank charges		1,220
Computer software charges		2,513
Contributions/levies to other levels of government		
– Department of planning levy		231
– Emergency services levy		2,093
– NSW fire brigade levy		1,286
– NSW rural fire service levy		607
– Waste levy		30,766
– Caravan park levy		440
– State emergency services		282
– Other contributions/levies		44
Donations, contributions and assistance to other organisations (Section 356)		
– The Art House		1,013
– Toukley Town Centre		170
– Central Coast Tourism Inc.		150
– Community groups tipping fees		189
– Central Coast Business Mentors Services Inc.		128
– Stronger communities fund		240
– Community benefit grants		224
– Other contributions and donations		1,501
Electricity and heating		12,541
Insurance		3,277
Postage		641
Printing and stationery		1,515
Street lighting		5,531
Subscriptions and publications		686
Telephone and communications		2,369
Travel and accommodation		105
Purchase of bulk water		345
Property rent		249
Private works		1,082
Registration fees		513
Licences		325
Planning NSW development application fees		402
Tip rehabilitation provision adjustment		(4,957)
Valuer general fees		371
Vehicle registrations		377
Commissions		2,587
Other		5,454
<u>TOTAL OTHER EXPENSES</u>		<u>78,850</u>

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Property (excl. investment property)		
Proceeds from disposal – property		4,438
Less: carrying amount of property assets sold/written off		(2,087)
Net gain/(loss) on disposal		2,351
Plant and equipment		
Proceeds from disposal – plant and equipment		3,131
Less: carrying amount of plant and equipment assets sold/written off		(2,902)
Net gain/(loss) on disposal		229
Infrastructure		
Proceeds from disposal – infrastructure		–
Less: carrying amount of infrastructure assets sold/written off		(4,837)
Net gain/(loss) on disposal		(4,837)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,257)

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		2,222	–
Cash-equivalent assets ¹			
– Deposits at call		375	–
Total cash and cash equivalents		2,597	–
Investments (Note 6b)			
– Long term deposits		317,765	38,000
– NCD's, FRN's (with maturities > 3 months)		9,000	44,750
Total investments		326,765	82,750
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		329,362	82,750

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'

2,597	–
--------------	----------

Investments

a. 'Held to maturity'

Investments

326,765	82,750
326,765	82,750

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	13/5/16 to 30/6/17	13/5/16 to 30/6/17
	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	329,362	82,750
attributable to:		
External restrictions (refer below)	124,902	82,750
Internal restrictions (refer below)	111,179	–
Unrestricted	93,281	–
	329,362	82,750

13/5/16 to 30/6/17	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
\$ '000				

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	1,407	3,722	(703)	4,426
Specific purpose unexpended loans – sewer (A)	3,012	–	(2,306)	706
RMS (formerly RTA) advances (B)	249	–	(164)	85
External restrictions – included in liabilities	4,668	3,722	(3,173)	5,217

External restrictions – other

Developer contributions – general (D)	27,765	25,091	(4,809)	48,047
Developer contributions – water fund (D)	24,662	7,396	(1,438)	30,620
Developer contributions – sewer fund (D)	11,324	6,720	(5,621)	12,423
Developer contributions – drainage (D)	20,838	3,676	(495)	24,019
Developer contributions – VPA - general (D)	2,380	71	–	2,451
Developer contributions – VPA – water (D)	2,241	38	–	2,279
Developer contributions – VPA – sewer (D)	375	5	–	380
Specific purpose unexpended grants (F)	6,119	–	(1,589)	4,530
Specific purpose unexpended grants-water fund (F)	2,408	–	(53)	2,355
Domestic waste management (G)	38,656	4,799	–	43,455
Stormwater management (G)	4,366	–	(730)	3,636
Contributions to works including COSS	7,423	2,675	(5,032)	5,066
Contributions to works – water	100	–	–	100
Contributions to works – general	468	33	–	501
Holiday parks	5,535	1,085	–	6,620
Cemeteries	393	121	–	514
Self insurance claims – general (C)	5,414	2,651	(45)	8,020
Other - Crown Land	–	862	(30)	832
Self insurance claims – water (C)	216	122	–	338
Self insurance claims – sewer (C)	182	103	–	285
Prepaid contributions - sewer (G)	–	1,087	–	1,087
Prepaid contributions - water (G)	1,523	56	(1,523)	56
Developer contributions - bonus provisions (G)	4,606	215	–	4,821
External restrictions – other	166,994	56,806	(21,365)	202,435
Total external restrictions	171,662	60,528	(24,538)	207,652

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Employees leave entitlement	4,672	6,801	(246)	11,227
Waste disposal facility	25,735	9,635	(1,693)	33,677
Property development	17,538	6	(2,293)	15,251
Asset revaluation / replacement	14,897	63,745	(78,642)	–
Council Elections	631	–	(631)	–
Sinking / strategy funds	4,068	–	–	4,068
Capital works	22,871	5,191	(28,062)	–
Expenditure carried forward	142	–	(142)	–
Stronger Communities Fund	–	9,669	–	9,669
Public liability insurance – general	232	29	–	261
Section 355/advances/deposits	688	–	(74)	614
Carbon emission reserve	–	1,066	–	1,066
Special rates	–	11,331	–	11,331
Revolving energy	–	253	–	253
Drainage licence fee	–	267	–	267
Lifeguard contract savings	1,177	–	(1,177)	–
Tip replacement/rehabilitation	4,778	15,380	–	20,158
Other	–	3,337	–	3,337
Total internal restrictions	97,429	126,710	(112,960)	111,179
TOTAL RESTRICTIONS	269,091	187,238	(137,498)	318,831

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by roads and maritime services for (RMS) works on the State's classified roads.
- C Self insurance liability resulting from reported claims or incurred claims not yet reported.
- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		6,162	–
Interest and extra charges		2,746	–
User charges and fees		24,241	3,354
Contributions to works		142	–
Accrued revenues			
– Interest on investments		5,851	–
– Other income accruals		2,394	–
Government grants and subsidies		13,706	–
Net GST receivable		5,815	–
Australian tax office – GST clearing		389	–
Sporting / community clubs		38	–
Domestic waste management annual charge		3,199	–
Drainage annual charge		1,952	–
Water annual charge		2,616	–
Sewerage annual charge		9,304	–
Central coast stadium		83	–
Liquid trade waste		436	–
Other debtors		6,721	352
Total		85,795	3,706
Less: provision for impairment			
User charges and fees		(735)	–
Other debtors		(148)	–
Total provision for impairment – receivables		(883)	–
<u>TOTAL NET RECEIVABLES</u>		<u>84,912</u>	<u>3,706</u>
Externally restricted receivables			
Domestic waste management		3,199	–
Total external restrictions		3,199	–
Internally restricted receivables		–	–
Unrestricted receivables		81,713	3,706
TOTAL NET RECEIVABLES		84,912	3,706

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Central Coast Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
(a) Inventories			
(i) Inventories at cost			
Stores and materials		1,417	–
Total inventories at cost		1,417	–
(ii) Inventories at net realisable value (NRV)			
Nil			
<u>TOTAL INVENTORIES</u>		<u>1,417</u>	<u>–</u>
(b) Other assets			
Prepayments		2,147	–
Investment in The Art House		–	300
<u>TOTAL OTHER ASSETS</u>		<u>2,147</u>	<u>300</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Central Coast Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 13/5/2016					Asset movements during the reporting period							as at 30/6/2017		
	At cost	Gross carrying amount	Accumulated depreciation and impairment	IPP&E transferred on amalgamation (refer subnote 1)	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	94,892	–	–	–	94,892	192,480	–	–	–	(95,970)	–	–	191,402	–	191,402
Plant and equipment	–	79,667	39,870	1,157	40,954	–	–	(2,902)	(7,817)	13,278	–	–	86,829	43,316	43,513
Office equipment	–	14,193	11,697	134	2,630	–	–	–	(2,105)	5,714	–	–	20,432	14,193	6,239
Furniture and fittings	–	12,967	8,907	439	4,499	–	–	–	(826)	653	–	–	14,874	10,548	4,326
Land:															
– Operational land	–	431,696	–	4,814	436,510	–	118	(1,262)	–	3,483	–	–	438,849	–	438,849
– Community land	–	410,916	–	–	410,916	–	64	(470)	–	–	–	–	410,510	–	410,510
– Land under roads (post 30/6/08)	–	1,004	–	–	1,004	–	–	–	–	–	–	–	1,004	–	1,004
– Tip assets	–	3,250	–	(3,250)	–	–	–	–	–	–	–	–	–	–	–
– Quarry assets	–	1,564	–	(1,564)	–	–	–	–	–	–	–	–	–	–	–
Land improvements – non-depreciable	–	5,647	–	(5,647)	–	–	–	–	–	–	–	–	–	–	–
Land improvements – depreciable	–	60,449	22,462	(19,327)	18,660	–	–	–	(1,401)	2,899	–	–	33,554	13,396	20,158
Infrastructure:															
– Buildings	–	328,409	68,794	(259,615)	–	–	–	–	–	–	–	–	–	–	–
– Buildings – non-specialised	–	4,132	3,765	(314)	53	–	–	–	(53)	–	–	–	–	–	–
– Buildings – specialised	–	189,878	29,315	259,681	420,244	–	–	(355)	(8,028)	3,758	–	–	522,921	107,302	415,619
– Other structures	–	32,261	10,766	(3,131)	18,364	–	–	–	(1,252)	5,903	3	–	32,670	9,652	23,018
– Roads	–	1,839,178	516,767	(3,107)	1,319,304	–	131	(199)	(35,079)	23,454	(135)	–	1,861,852	554,376	1,307,476
– Bridges	–	53,549	15,596	(1,869)	36,084	–	–	–	(695)	744	–	–	54,294	18,161	36,133
– Footpaths	–	106,194	20,765	88	85,517	–	29	–	(2,361)	821	20	–	107,058	23,032	84,026
– Bulk earthworks (non-depreciable)	–	363,923	–	–	363,923	–	–	–	–	2,303	112	–	366,338	–	366,338
– Stormwater drainage	–	1,431,409	418,850	(2,300)	1,010,259	–	9,187	(844)	(17,531)	7,710	–	–	1,447,079	438,298	1,008,781
– Water supply network	–	1,720,996	675,161	(256)	1,045,579	–	2,273	–	(28,466)	428	–	14,276	1,747,559	713,469	1,034,090
– Sewerage network	–	2,158,702	771,459	(526)	1,386,717	–	3,181	(3,794)	(37,159)	21,789	–	19,185	2,193,649	803,730	1,389,919
– Swimming pools	–	6,704	4,077	267	2,894	–	–	–	(54)	53	–	–	7,654	4,761	2,893
– Other open space/recreational assets	–	82,932	27,527	5,947	61,352	–	–	–	(3,396)	1,031	–	–	92,721	33,734	58,987
– Other infrastructure	–	4,554	987	20,320	23,887	–	–	–	(1,296)	1,616	–	–	40,187	15,980	24,207
Other assets:															
– Heritage collections	–	1,342	680	314	976	–	–	–	(128)	83	–	–	1,765	834	931
– Library books	–	16,261	14,070	(66)	2,125	–	–	–	(912)	250	–	–	15,848	14,385	1,463
– Other	–	11,695	5,719	(4,440)	1,536	–	–	–	(1,501)	–	–	–	38	3	35
Reinstatement, rehabilitation and restoration assets (refer Note 26):															
– Tip assets	–	19,687	10,134	2,039	11,592	–	–	–	–	–	–	–	24,177	12,585	11,592
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	94,892	9,393,159	2,677,368	(10,212)	6,800,471	192,480	14,983	(9,826)	(150,060)	–	–	33,461	9,713,264	2,831,755	6,881,509

1) Refer Note 29 'Local Government amalgamation' for further information regarding amalgamation transfers

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

Council has no externally restricted infrastructure, property, plant and equipment.

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		11,238	–
Accrued expenses:			
– Borrowings		1,666	–
– Salaries and wages		3,478	–
– Other expenditure accruals		25,602	–
Security bonds, deposits and retentions		8,616	–
Overpayments		5,714	–
Developer bonds		1,838	–
Other		1,289	–
Total payables		59,441	–
Income received in advance			
Payments received in advance		7,050	9,421
Total income received in advance		7,050	9,421
Borrowings			
Loans – secured ¹		23,976	264,861
Total borrowings		23,976	264,861
Provisions			
Employee benefits:			
Annual leave		13,419	–
Sick leave		11,664	–
Long service leave		28,880	550
Other leave		314	–
Sub-total – aggregate employee benefits		54,277	550
Self insurance – workers compensation		1,904	6,549
Self insurance – public liability		483	–
Self insurance – other		166	–
Asset remediation/restoration (future works)	26	4,279	58,963
Payroll tax		480	2
Other		1,413	–
Total provisions		63,002	66,064
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		153,469	340,346

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	2017	
	Current	Non-current
(i) Liabilities relating to restricted assets		
Externally restricted assets		
Domestic waste management	2,079	–
Self insurance	3,628	5,015
Developer contributions in advance General	–	6,680
Developer contributions in advance Water	56	1,668
Developer contributions in advance Sewer	1,087	–
Liabilities relating to externally restricted assets	6,850	13,363
Internally restricted assets		
Insurance General Fund	248	–
Liabilities relating to internally restricted assets	248	–
Total liabilities relating to restricted assets	7,098	13,363
Total liabilities relating to unrestricted assets	146,371	326,983
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	153,469	340,346

¹: 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 15.

(ii) Current liabilities 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.

	Actual 2017
Provisions – employees benefits	34,305
Payables – security bonds, deposits and retentions	5,503
	39,808

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10b. Description of and movements in provisions

\$ '000

Class of provision	2016	13/5/16 to 30/6/17				
	Opening balance (former Councils)	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	12,925	9,245	(8,751)	–	–	13,419
Sick leave	12,053	4,579	(4,968)	–	–	11,664
Long service leave	29,571	4,332	(4,473)	–	–	29,430
Other leave	245	2,041	(1,972)	–	–	314
Self insurance	7,977	5,858	(4,733)	–	–	9,102
Asset remediation	56,584	10,535	(524)	(113)	(3,240)	63,242
Other	4,267	(1,213)	(1,159)	–	–	1,895
TOTAL	123,622	35,377	(26,580)	(113)	(3,240)	129,066

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	2,597
Balance as per the Statement of Cash Flows		2,597
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		155,703
Adjust for non-cash items:		
Depreciation and amortisation		150,215
Net losses/(gains) on disposal of assets		2,257
Non-cash capital grants and contributions		(19,108)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'		187
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council		(2)
Unwinding of discount rates on reinstatement provisions		(113)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		44,004
Increase/(decrease) in provision for doubtful debts		(530)
Decrease/(increase) in inventories		150
Decrease/(increase) in other assets		(1,754)
Increase/(decrease) in payables		(2,625)
Increase/(decrease) in accrued interest payable		(2,750)
Increase/(decrease) in other accrued expenses payable		2,129
Increase/(decrease) in other liabilities		(12,674)
Increase/(decrease) in employee leave entitlements		33
Increase/(decrease) in other provisions		5,524
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		320,646

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017
(c) Non-cash investing and financing activities		
S94 contributions 'in kind'		4,207
Other dedications		14,901
Total non-cash investing and financing activities		19,108
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ⁽¹⁾		1,800
Credit cards/purchase cards		1,250
Master lease facilities		2,000
Standby credit facilities		5,000
Total financing arrangements		10,050
Amounts utilised as at balance date:		
– Credit cards/purchase cards		88
– Lease facilities		854
Total financing arrangements utilised		942

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

(e) Bank guarantees

The Council does not have any current bank guarantees provided to third parties.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017
(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		
Buildings		488
Plant and equipment		2,987
Land and buildings		224
Infrastructure - including roads, water and sewerage network, open space		22,092
Technology		4,640
Tip assets		573
Stormwater Management		654
Other		1,176
Total commitments		32,834
These expenditures are payable as follows:		
Within the next year		32,834
Total payable		32,834
Sources for funding of capital commitments:		
Unrestricted general funds		31,857
Future grants and contributions		57
Sect 64 and 94 funds/reserves		280
Externally restricted reserves		521
Internally restricted reserves		119
Total sources of funding		32,834

Details of capital commitments

Major projects include the construction of Stage 1 of the Tuggerah Regional Sports and Recreation Complex off Lake Road at Tuggerah \$16.187m, assets generated through Information Management and Technology workstreams as part of the merger activities \$4.639m, construction of the trailer, boat parking and fencing at Summerland Point \$1.003m, replacement and construction of vacuum stations WS29 and WS30 at Tacoma \$0.7m and Oracle Fusion-Middleware \$0.6m. The remaining commitments are for various capital works across Council.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017
(b) Finance lease commitments		
Nil		
(c) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year		751
Later than one year and not later than 5 years		1,261
Later than 5 years		1,451
Total non-cancellable operating lease commitments		3,463

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

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

Printers - Council maintains operating leases for multifunction devices with Viatek.

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.

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

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

Nil

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 13a. Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>67,865</u>	10.71%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>633,616</u>		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>553,381</u>	76.45%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>723,886</u>		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	<u>289,737</u>	2.71x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>106,811</u>		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>243,227</u>	4.55x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>53,502</u>		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	<u>25,979</u>	5.93%	< 5% Metro
Rates, annual and extra charges collectible	<u>437,865</u>		
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	<u>358,362</u>	8.99 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>39,856</u>		

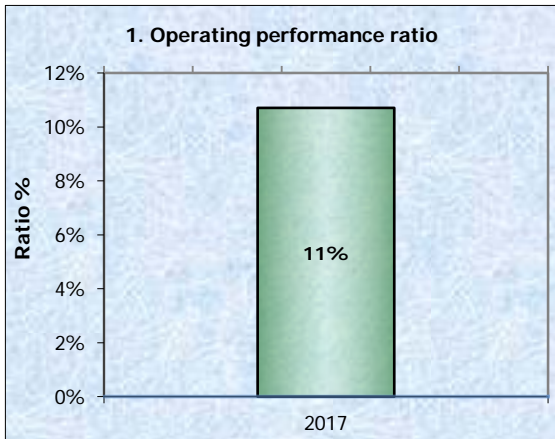
Notes

- (1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.
- (2) Refer Notes 6-8 inclusive.
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.
- (3) Refer to Note 10(a).
- (4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Central Coast Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

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

Commentary on 16/17 result

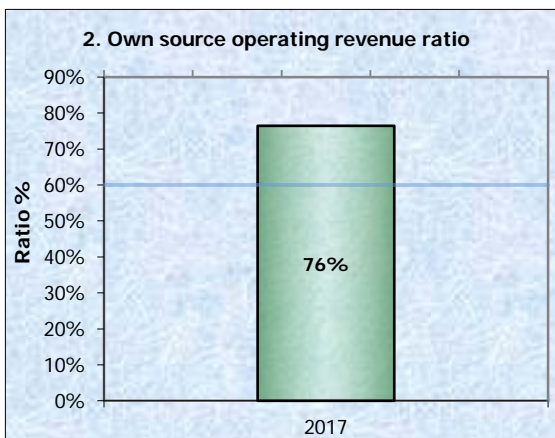
2016/17 ratio 10.71%

The positive ratio demonstrates Council's sound fiscal management and commitment to achieving financial sustainability. Whilst the ratio reflects the early receipt of the 2017/18 Financial Assistance Grant, it is offset through increased expenditure associated with the 13.5 month reporting period.

Benchmark: Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 16/17 result

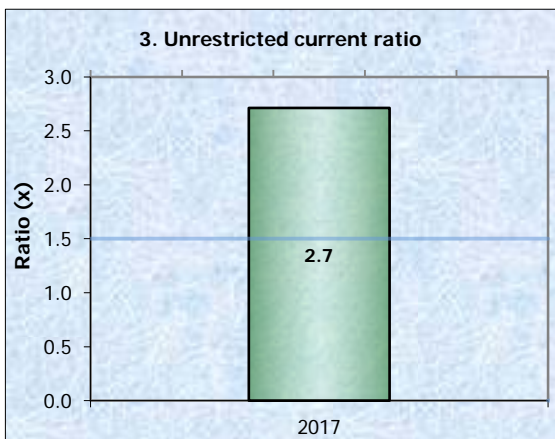
2016/17 ratio 76.45%

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

Benchmark: Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 16/17 result

2016/17 ratio 2.71x

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 exceeds the 1.5 benchmark and demonstrates its sound liquidity position.

Benchmark: Minimum ≥ 1.50

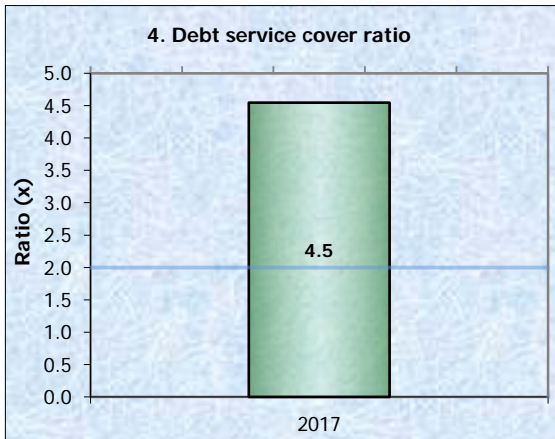
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Central Coast Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of debt service cover ratio

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



Commentary on 16/17 result

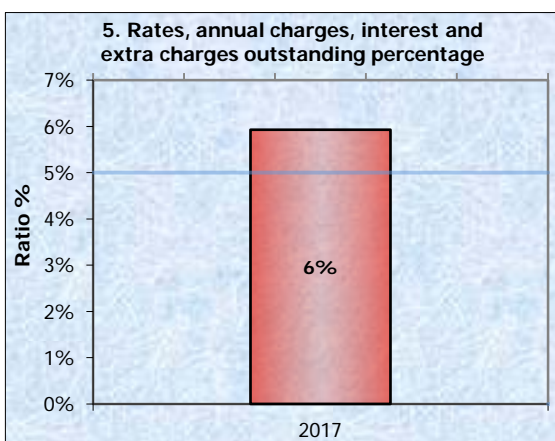
2016/17 ratio 4.55x

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

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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



Commentary on 16/17 result

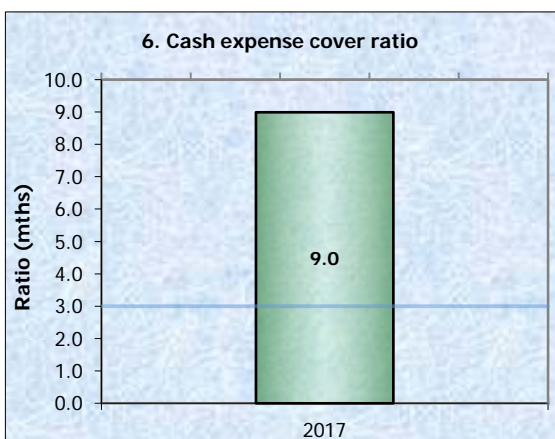
2016/17 ratio 5.93%

Council will continue to implement socially responsible debt management strategies to reduce long term outstanding debts to bring this ratio below the 5% benchmark.

Benchmark: ——— Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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



Commentary on 16/17 result

2016/17 ratio 8.99 mths

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

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General ⁵ 2017	Water 2017	Sewer 2017	Benchmark
Local government industry indicators – by fund				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	10.59%	10.10%	11.82%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions				
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	71.25%	90.55%	84.52%	>60.00%
Total continuing operating revenue ⁽¹⁾				
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	2.71x	1.04x	4.53x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)				
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	4.24x	3.28x	10.49x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)				
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	-0.66%	22.88%	5.21%	< 5% Metro
Rates, annual and extra charges collectible				
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	7.11	11.99	18.65	> 3 mths
Payments from cash flow of operating and financing activities	mths	mths	mths	
	x12			

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

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

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying Amount 2017	Fair Value 2017
Financial assets		
Cash and cash equivalents	2,597	2,597
Investments		
– 'Held to maturity'	409,515	409,515
Receivables	88,618	88,618
Total financial assets	500,730	500,730
Financial liabilities		
Payables	59,441	59,441
Loans/advances	288,837	366,991
Total financial liabilities	348,278	426,432

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.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and investments 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. 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.

The risks associated with the investments held are:

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

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

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

13/5/16 to 30/6/17	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	41,211	41,211	(41,211)	(41,211)
Possible impact of a 1% movement in interest rates	4,121	4,121	(4,121)	(4,121)

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2017	2017
	Rates and	Other
	annual	receivables
	charges	
(i) Ageing of receivables – %		
Current (not yet overdue)	0%	85%
Overdue	100%	15%
	100%	100%

		2017	2017
		Rates and	Other
		annual	receivables
		charges	
(ii) Ageing of receivables – value			
Rates and annual charges	Other receivables		
Current	Current	–	54,290
< 1 year overdue	0 – 30 days overdue	20,467	1,201
1 – 2 years overdue	31 – 60 days overdue	2,037	2,779
2 – 5 years overdue	61 – 90 days overdue	2,037	1,142
> 5 years overdue	> 91 days overdue	1,438	4,110
		25,979	63,522

(iii) Movement in provision for impairment of receivables

Balance at the beginning of the year (former Councils)	1,413
+ new provisions recognised during the year	590
– amounts already provided for and written off this year	(1,120)
Balance at the end of the year	883

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(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.

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Trade/other payables	8,616	50,825						59,441	59,441
Loans and advances		43,084	50,471	61,699	53,869	37,674	171,345	418,142	288,837
Total financial liabilities	8,616	93,909	50,471	61,699	53,869	37,674	171,345	477,583	348,278

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2017	
	Carrying value	Average interest rate
Trade/other payables	59,441	0.00%
Loans and advances – fixed interest rate	262,947	6.69%
Loans and advances – variable interest rate	25,890	4.42%
	<u>348,278</u>	

Loan agreement breaches

There were no loan agreement breaches during the year.

Note 16. Material budget variations

In accordance with the Code of Accounting Practice and Financial Reporting (supplementary update 25), this note is not applicable for new Councils proclaimed on 12 May 2016.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	2,416	596	–	86	(36)	7	3,069	350
Drainage	20,278	2,280	417	503	(485)	–	22,993	(1)
Storm Water/flood Mitigation	560	458	–	19	(9)	–	1,028	–
Roads	4,068	4,752	766	316	(805)	896	9,993	(2,119)
Open Space	5,915	6,032	2,298	381	(2,592)	(2,013)	10,021	(7,138)
Community Facilities	9,233	3,190	699	521	(878)	1,090	13,855	7,147
Recreation	524	94	–	18	(8)	(5)	623	12
Footpaths	191	68	–	7	(2)	–	264	–
Environment Protection	552	29	–	19	(8)	–	592	–
Towncentre Improvements	406	681	–	17	(8)	20	1,116	(51)
Car Parking Administration	55	–	–	2	(1)	–	56	–
Other	73	390	2	1	(336)	5	135	29
S94 contributions – under a plan	44,271	18,570	4,182	1,890	(5,168)	–	63,745	(1,771)
S94A levies – under a plan	410	3,925	–	53	(136)	–	4,252	–
Total S94 revenue under plans	44,681	22,495	4,182	1,943	(5,304)	–	67,997	(1,771)
S94 not under plans	3,922	–	–	148	–	–	4,070	–
S93F planning agreements	4,996	–	–	114	–	–	5,110	1,771
S64 contributions	35,986	12,698	25	1,393	(7,059)	–	43,043	–
Total contributions	89,585	35,193	4,207	3,597	(12,363)	–	120,219	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN (former Gosford)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	2,409	596	–	80	(36)	–	3,049	–
Drainage Capital	2,677	316	–	93	(41)	–	3,045	(1)
Drainage Land	1,800	143	–	61	(27)	–	1,977	–
Storm Water/Flood Mitigation	560	458	–	19	(9)	–	1,028	–
Roads Capital	2,470	424	–	84	(39)	–	2,939	1
Roads Land	2	–	–	–	–	–	2	–
Open Space Land	2,626	516	–	110	(49)	662	3,865	379
Open Space Embellishment	407	687	–	21	(9)	(677)	429	(340)
Community Capital	3,680	328	–	125	(174)	–	3,959	(296)
Community Land	339	14	–	11	(5)	–	359	296
Recreation	524	94	–	18	(8)	(5)	623	12
Footpaths	191	68	–	7	(2)	–	264	–
Environment Protection	552	29	–	19	(8)	–	592	–
Towncentre Improvements	406	681	–	17	(8)	20	1,116	(51)
Car Parking Administration	55	–	–	2	(1)	–	56	–
Total	18,698	4,354	–	667	(416)	–	23,303	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN (former Wyong)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	15,801	1,821	417	349	(417)	–	17,971	–
Roads	1,596	4,328	766	232	(766)	896	7,052	(2,120)
Parking	7	–	–	6	–	7	20	350
Open space	2,882	4,829	2,298	250	(2,534)	(1,998)	5,727	(7,177)
Community facilities	5,214	2,848	699	385	(699)	1,090	9,537	7,147
Other	73	390	2	1	(336)	5	135	29
Total	25,573	14,216	4,182	1,223	(4,752)	–	40,442	(1,771)

CONTRIBUTION PLAN NUMBER 5 - WEST NARARA

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	452	27	–	15	(7)	–	487	–
Drainage Land	49	3	–	2	(1)	–	53	–
Roads Capital	113	7	–	4	(2)	–	122	–
Open Space Land	203	15	–	7	(3)	5	227	(12)
Community Capital	211	9	–	7	–	–	227	–
Recreation	–	5	–	–	–	(5)	–	12
Total	1,028	66	–	35	(13)	–	1,116	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 7 - NIAGARA PARK

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	144	–	–	5	(2)	–	147	(1)
Open Space Land	12	–	–	–	–	–	12	–
Community Capital	17	–	–	–	–	–	17	–
Recreation	5	–	–	–	–	–	5	–
Total	178	–	–	5	(2)	–	181	–

CONTRIBUTION PLAN NUMBER 8 - LISAROW

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	259	31	–	9	(4)	–	295	–
Drainage Land	406	70	–	14	(6)	–	484	–
Roads Capital	264	114	–	9	(4)	–	383	–
Open Space Land	10	44	–	–	–	–	54	–
Community Capital	1,706	54	–	57	–	–	1,817	–
Recreation	2	11	–	–	–	–	13	–
Total	2,647	324	–	89	(14)	–	3,046	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 16 - KINCUMBER

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	287	5	–	10	(4)	–	298	–
Drainage Land	2	–	–	–	–	–	2	–
Roads Capital	250	2	–	8	(4)	–	256	–
Open Space Land	200	2	–	7	(3)	–	206	–
Total	739	9	–	25	(11)	–	762	–

CONTRIBUTION PLAN NUMBER 21 - KARIONG

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open Space Land	857	–	–	28	(13)	–	872	–
Total	857	–	–	28	(13)	–	872	–

CONTRIBUTION PLAN NUMBER 23 - SPRINGFIELD

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	11	11	–	–	–	–	22	–
Drainage Land	12	5	–	–	–	–	17	–
Roads Capital	123	100	–	4	(2)	–	225	–
Open Space Land	101	197	–	3	(1)	–	300	–
Total	247	313	–	7	(3)	–	564	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 31 - PENINSULA

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	1,294	241	–	46	(21)	–	1,560	–
Drainage Land	1,149	65	–	39	(17)	–	1,236	–
Roads Capital	355	81	–	13	(6)	–	443	–
Open Space Land	577	251	–	50	(22)	655	1,511	393
Open Space Embellishment	–	655	–	–	–	(655)	–	(393)
Community Land	339	14	–	11	(5)	–	359	296
Community Capital	744	206	–	27	(12)	–	965	(296)
Total	4,458	1,513	–	186	(83)	–	6,074	–

CONTRIBUTION PLAN NUMBER 42 - ERINA

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage Capital	230	1	–	8	(3)	–	236	–
Drainage Land	182	–	–	6	(3)	–	185	–
Roads Capital	104	16	–	3	(2)	–	121	–
Roads Land	2	–	–	–	–	–	2	–
Open Space Land	469	5	–	15	(7)	–	482	–
Community Capital	497	–	–	16	(154)	–	359	–
Recreation	218	9	–	7	(3)	–	231	–
Total	1,702	31	–	55	(172)	–	1,616	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 43 - EAST GOSFORD (PARTIALLY REPEALED)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads Capital	227	7	–	8	(3)	–	239	–
Open Space Embellishment	351	7	–	12	(5)	–	365	–
Footpaths	71	11	–	3	(1)	–	84	–
Total	649	25	–	23	(9)	–	688	–

CONTRIBUTION PLAN NUMBER 47A - TERRIGAL

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Storm Water/Flood Mitigation	560	458	–	19	(9)	–	1,028	–
Open Space Embellishment	–	20	–	–	–	(20)	–	51
Footpaths	95	52	–	3	(1)	–	149	–
Towncentre Improvements	406	681	–	17	(8)	20	1,116	(51)
Total	1,061	1,211	–	39	(18)	–	2,293	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 48 - AVOCA

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open Space Embellishment	56	–	–	2	(1)	–	57	–
Footpaths	6	–	–	–	–	–	6	–
Total	62	–	–	2	(1)	–	63	–

CONTRIBUTION PLAN NUMBER 49 - NORTH GOSFORD

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open Space Land	197	2	–	–	–	2	201	(2)
Open Space Embellishment	–	5	–	7	(3)	(2)	7	2
Footpaths	19	5	–	1	–	–	25	–
Total	216	12	–	8	(3)	–	233	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 57 - JOHN WHITEWAY DRIVE (REPEALED)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads Capital	44	–	–	–	–	–	44	–
Total	44	–	–	–	–	–	44	–

CONTRIBUTION PLAN NUMBER 58 - ERINA FAIR

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	459	–	–	15	(7)	–	467	–
Total	459	–	–	15	(7)	–	467	–

CONTRIBUTION PLAN NUMBER 67 - WOY WOY PARKING

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	774	–	–	25	(11)	–	788	–
Total	774	–	–	25	(11)	–	788	–

CONTRIBUTION PLAN NUMBER 68 - UMINA PARKING

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	345	–	–	11	(5)	–	351	–
Total	345	–	–	11	(5)	–	351	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 69 - TERRIGAL PARKING

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	706	521	–	24	(11)	–	1,240	–
Car Parking Administration	55	–	–	2	(1)	–	56	–
Total	761	521	–	26	(12)	–	1,296	–

CONTRIBUTION PLAN NUMBER 70 - EAST GOSFORD PARKING

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	125	–	–	4	(2)	–	127	–
Total	125	–	–	4	(2)	–	127	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 72 - ETTALONG CAR PARKING

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking		75	–	1	–	–	76	–
Total	–	75	–	1	–	–	76	–

CONTRIBUTION PLAN NUMBER 164 - GOSFORD

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads Capital	990	97	–	35	(16)	–	1,106	–
Community Capital	505	59	–	18	(8)	–	574	–
Recreation	299	69	–	11	(5)	–	374	–
Environment Protection	552	29	–	19	(8)	–	592	–
Total	2,346	254	–	83	(37)	–	2,646	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - WYONG

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,937	–	–	32	–	–	1,969	–
Roads	201	13	–	46	–	–	260	879
Parking	1	–	–	5	–	–	6	273
Open space	472	109	–	42	–	46	669	1,767
Community facilities	246	156	–	41	–	623	1,066	1,436
Other	4	–	–	1	–	–	5	45
Total	2,861	278	–	167	–	669	3,975	4,400

CONTRIBUTION PLAN NUMBER 2 - SOUTHERN LAKES

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,170	29	–	21	–	–	1,220	–
Roads	68	10	–	13	–	789	880	–
Open space	493	192	–	29	–	496	1,210	624
Community facilities	145	160	–	25	–	390	720	749
Other	1	24	–	–	(24)	–	1	–
Total	1,877	415	–	88	(24)	1,675	4,031	1,373

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 3 - THE ENTRANCE

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	4	–	–	–	–	–	4	–
Roads	142	299	–	49	–	2,479	2,969	140
Parking	6	–	–	1	–	–	7	77
Open space	100	138	–	17	–	250	505	602
Community facilities	113	207	–	16	–	(198)	138	(1,581)
Total	365	644	–	83	–	2,531	3,623	(762)

CONTRIBUTION PLAN NUMBER 5 - OURIMBAH

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	17	1	–	4	–	221	243	–
Open space	10	18	–	3	–	(2)	29	105
Community facilities	1,374	16	–	31	–	354	1,775	135
Other	1	2	–	–	(2)	–	1	–
Total	1,402	37	–	38	(2)	573	2,048	240

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 6 - TOUKLEY

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	4	–	–	–	–	–	4	–
Roads	1	–	–	–	–	14	15	–
Parking	–	–	–	–	–	7	7	–
Open space	577	61	–	12	–	–	650	106
Community facilities	879	63	–	24	–	522	1,488	–
Total	1,461	124	–	36	–	543	2,164	106

CONTRIBUTION PLAN NUMBER 7 - GOROKAN

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	49	–	–	12	–	(24)	37	–
Open space	221	85	–	16	–	–	322	682
Community facilities	249	70	–	6	–	14	339	36
Other	1	12	–	–	(12)	–	1	–
Total	520	167	–	34	(12)	(10)	699	718

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 8 - SAN REMO

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	244	90	–	5	–	–	339	–
Roads	206	130	–	15	–	(81)	270	–
Open space	378	249	–	27	–	462	1,116	195
Community facilities	94	207	–	1	–	3	305	(395)
Other	2	15	–	–	(15)	–	2	–
Total	924	691	–	48	(15)	384	2,032	(200)

CONTRIBUTION PLAN NUMBER 9 - BUDGEWOI

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1	–	–	–	–	9	10	(111)
Open space	81	85	–	4	–	116	286	–
Community facilities	66	77	–	30	–	(9)	164	1,711
Other	1	6	–	–	(6)	–	1	–
Total	149	168	–	34	(6)	116	461	1,600

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER - 13 SHIRE WIDE

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	195	360	–	8	–	(484)	79	(195)
Community facilities	5	269	–	1	–	(251)	24	(4,187)
Other	14	54	–	–	(54)	5	19	(16)
Total	214	683	–	9	(54)	(730)	122	(4,398)

CONTRIBUTION PLAN NUMBER 15 - NORTHERN DISTRICTS

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	726	383	–	23	–	210	1,342	293
Open space	242	327	–	11	(236)	22	366	432
Community facilities	464	277	–	34	–	236	1,011	1,189
Other	1	39	–	–	(39)	–	1	–
Total	1,433	1,026	–	68	(275)	468	2,720	1,914

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 17 - WARNERVALE DISTRICT

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	12,443	1,702	417	291	(417)	–	14,436	–
Roads	188	3,492	766	70	(766)	(2,721)	1,029	(3,321)
Open space	112	3,205	2,298	81	(2,298)	(2,904)	494	(11,495)
Community facilities	1,577	1,346	699	176	(699)	(594)	2,505	8,054
Other	52	238	2		(184)	–	108	–
Total	14,372	9,983	4,182	618	(4,364)	(6,219)	18,572	(6,762)

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER GCIP

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Towncentre Improvements	410	2,968	–	48	–	–	3,426	–
Total	410	2,968	–	48	–	–	3,426	–

CONTRIBUTION PLAN NUMBER WYONG

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	–	957	–	5	(136)	–	826	–
Total	–	957	–	5	(136)	–	826	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

GOSFORD CITY IMPROVEMENT & ERINA PARKING

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned in period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	2,490	–	–	82	–	–	2,572	–
Roads Capital	417	–	–	16	–	–	433	(49)
Open Space Land	278	–	–	25	–	–	303	(462)
Open Space Embellishment	197	–	–	7	–	–	204	–
Community Capital	467	–	–	16	–	–	483	–
Recreation	–	–	–	–	–	–	–	462
Footpaths	–	–	–	–	–	–	–	49
Environment Protection	73	–	–	2	–	–	75	–
Total	3,922	–	–	148	–	–	4,070	–

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

Liabilities not recognised

1. Defined benefit superannuation

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a “multi-employer fund” for purposes of *AASB119 Employee Benefits*. 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.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the period ended 30 June 2017 was \$3,891,262. The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA of Mercer Consulting (Australia) on 2 December 2016, relating to the period ended 30 June 2016.

However, the position is monitored annually and the actuary has estimated that, as at 30 June 2017, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$5,046,000. Council's expected contribution to the plan for the next annual reporting period is \$3,744,931.

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

2. Developer contributions

Council has significant obligations to provide section 94 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 17).

3. 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 26 and are based on certain estimates and assumptions.

Prior to remediation works being carried out, monitoring works are required to manage site risks. Post remediation there is a period of validation to ensure that the remediation has been successful. This monitoring and maintenance will vary between each site and cannot be reliably estimated at this time however may approximate to \$672,000 until 2030. This estimate is based on the former landfill budget of \$51,700 as at 30 June 2017 multiplied by the remaining 13 years.

4. Waste Remediation

Council proposes to complete environmental audits of seven retired landfill sites with a preliminary assessment to be completed in 2017/18 to test the adequacy of past remediation of those sites and identify potential liabilities. This audit is being undertaken as a conservative and precautionary step. At this stage there is no reliable way to estimate the cost of the audit or any required remediation activities and liabilities that might be identified by the audit.

Assets not recognised

1. Land under roads

As permitted under AASB 1051 Land Under Roads, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

2. Infringement notices/fines

Fines and penalty income, the result of the Council issuing infringement notices is followed up and collected by the infringement processing bureau.

Council's revenue recognition policy treats revenue on receipt and allows for recognition of a portion of

Central Coast Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

the outstanding notices at year end. This is due to the limited information available to Council on the status and uncertainty of these notices.

Accordingly, at year end, there is a potential asset due to Council representing a portion of the unpaid infringement notices. At 30 June 2017 this value is estimated at \$854,190.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

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

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(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 10 and the accounting policy described in Note 1(c).

Name of operation/entity	Principal activity	Ownership	Voting rights
The Art House Performing Arts and Conference Centre Limited	Operations undertaken - Performing Arts Place of business - 19-21 Margaret St, Wyong	2017	2017
Interests in Subsidiary		2017	2017
Council's interest in Subsidiary		100%	100%

Reporting dates of Subsidiary

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

Summarised financial information for the Subsidiary

Summarised statement of comprehensive income	13/5/16 to 30/6/17
Revenue	1,964
Expenses	(1,664)
Profit for the period	300
Summarised statement of financial position	2017
Current assets	507
Non-current assets	27
Total assets	534
Current liabilities	234
Non-current liabilities	–
Total liabilities	234
Net assets	300

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council did not consolidate the following structured entities:

Greater Toukley Vision Incorporated

Wyong Regional Chamber of Commerce Incorporated

Council raises special rates and provides funding to these entities so that they can market and promote economic development in the specific suburb area where the special rates have been levied. Specific details on each entity and Council's involvement are:

Greater Toukley Vision Incorporated

Greater Toukley Vision (GTV) 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 2018.

Wyong Regional Chamber of Commerce

Wyong Regional Chamber of Commerce (WRCC) 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 WRCC is defined in a funding agreement established in 2013 which has been extended to 30 June 2018.

Nature of risks relating to the Unconsolidated Structured Entity

The carrying amount of assets and liabilities is Nil.

Maximum exposure to loss from Council's interest in the Structured Entity

Council is not exposed to loss as a result of the above arrangements.

Non-contractual financial support provided

Nil

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 the existing funding agreements.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
Balance at beginning of period		–
Net result for the period		6,860,530
Balance at end of the reporting period		6,860,530
(b) Revaluation reserves		
(i) Reserves are represented by:		
Infrastructure, property, plant and equipment revaluation reserve		33,461
Total		33,461
(ii) Reconciliation of movements in reserves:		
Infrastructure, property, plant and equipment revaluation reserve		
Opening balance		–
Revaluations for the period	9(a)	33,461
Balance at end of period		33,461
TOTAL VALUE OF RESERVES		33,461

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the current reporting period.

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the current reporting period.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund				
\$ '000	13/5/16 to 30/6/17	13/5/16 to 30/6/17	13/5/16 to 30/6/17	13/5/16 to 30/6/17
Continuing operations	Drainage	Water	Sewer	General¹
Income from continuing operations				
Rates and annual charges	19,613	26,802	89,882	235,192
User charges and fees	3	72,543	6,484	71,583
Interest and investment revenue	261	2,375	3,129	9,006
Other revenues	–	979	451	30,932
Grants and contributions provided for operating purposes	333	1,699	2,496	75,707
Grants and contributions provided for capital purposes	12,714	9,018	15,816	52,722
Other income				
Net gains from disposal of assets	–	6	71	(77)
Total income from continuing operations	32,924	113,422	118,329	475,065
Expenses from continuing operations				
Employee benefits and on-costs	2,235	16,365	14,699	153,775
Borrowing costs	1,392	17,448	5,289	3,710
Materials and contracts	4,011	11,870	13,379	94,200
Depreciation and amortisation	17,404	29,206	37,773	65,832
Other expenses	2,732	18,307	17,503	54,650
Net losses from the disposal of assets	711	142	3,816	(2,412)
Total expenses from continuing operations	28,485	93,338	92,459	369,755
Operating result from continuing operations	4,439	20,084	25,870	105,310
Net operating result for the period	4,439	20,084	25,870	105,310
Gain on local government amalgamation				
Assets and liabilities transferred from former councils	1,032,908	915,429	1,440,641	3,315,849
Net result for the period	1,037,347	935,513	1,466,511	3,421,159
Net result attributable to each council fund	1,037,347	935,513	1,466,511	3,421,159
Net result attributable to non-controlling interests	–	–	–	–
Net operating result for the period before grants and contributions provided for capital purposes	(8,275)	11,066	10,054	52,588

¹ General fund refers to all Council's activities other than Water, Sewer and Drainage

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

Central Coast Council

Notes to the Financial Statements

as at 30 June 2017

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund				
\$ '000	2017	2017	2017	2017
ASSETS	Drainage	Water	Sewer	General¹
Current assets				
Cash and cash equivalents	–	106	82	2,409
Investments	8,358	20,499	67,934	229,974
Receivables	2,298	25,910	11,895	45,664
Inventories	–	–	–	1,417
Other	–	139	198	1,810
Total current assets	10,656	46,654	80,109	281,274
Non-current assets				
Investments	18,523	–	–	64,227
Receivables	–	338	12,478	19,881
Infrastructure, property, plant and equipment	1,026,784	1,128,437	1,482,148	3,244,140
Intangible assets	1,703	–	–	–
Other	–	–	–	300
Total non-current assets	1,047,010	1,128,775	1,494,626	3,328,548
TOTAL ASSETS	1,057,666	1,175,429	1,574,735	3,609,822
LIABILITIES				
Current liabilities				
Payables	5,196	5,598	3,306	45,341
Income received in advance	–	400	1,137	5,513
Borrowings	486	15,191	5,086	3,213
Provisions	837	5,402	5,160	51,603
Total current liabilities	6,519	26,591	14,689	105,670
Non-current liabilities				
Income received in advance	1,668	–	498	7,255
Borrowings	12,132	198,636	72,659	11,280
Provisions	–	413	1,193	64,458
Total non-current liabilities	13,800	199,049	74,350	82,993
TOTAL LIABILITIES	20,319	225,640	89,039	188,663
Net assets	1,037,347	949,789	1,485,696	3,421,159
EQUITY				
Retained earnings	1,037,347	935,513	1,466,511	3,421,159
Revaluation reserves	–	14,276	19,185	–
Other reserves	–	–	–	–
Council equity interest	1,037,347	949,789	1,485,696	3,421,159
Non-controlling interests	–	–	–	–
Total equity	1,037,347	949,789	1,485,696	3,421,159

¹ General Fund refers to all Council's activities other than Water, Sewer and Drainage

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 9 March 2018.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017
Intangible assets represent identifiable non-monetary assets without physical substance.	
Intangible assets are as follows:	
Opening values (former Councils):	
Gross book value	10,858
Accumulated amortisation	(8,993)
Net book value – opening balance (former Councils)	1,865
Movements for the year	
– Amortisation charges	(155)
– Gross book value written off	(9,155)
– Accumulated amortisation charges written off	9,148
Closing values:	
Gross book value (30/6)	10,851
Accumulated amortisation (30/6)	(9,148)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>1,703</u>

¹ The net book value of intangible assets represent:

– Drainage easements	1,703
	<u>1,703</u>

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision 2017
Woy Woy Tip	2032	3,613
Contaminated lands	Various	52,498
Kincumber		2,893
Green Point		4,238
Balance at end of the reporting period	10(a)	<u>63,242</u>

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for period:

Balance at beginning of year (former Councils)	56,584
Amounts capitalised to new or existing assets:	
Establishment of Kincumber provision (gain on amalgamation)	3,099
Establishment of Green Point provision (gain on amalgamation)	4,539
Correction to Buttonderry provision (gain on amalgamation)	2,897
Effect of a change in discount rates used in PV calculations	(1,717)
Effect of a change in other calculation estimates used	(3,240)
Amortisation of discount (expensed to borrowing costs)	1,604
Expenditure incurred attributable to provisions	(524)
Total – reinstatement, rehabilitation and restoration provision	<u>63,242</u>

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial liabilities

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

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

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

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

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

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

13/5/16 to 30/6/17	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	12/05/16	–	–	43,513	43,513
Office equipment	12/05/16	–	–	6,239	6,239
Furniture and fittings	12/05/16	–	–	4,326	4,326
Operational land	12/05/16	–	438,849	–	438,849
Community land	12/05/16	–	–	410,510	410,510
Land under Roads	12/05/16	–	–	1,004	1,004
Tip assets	12/05/16	–	–	11,592	11,592
Land improvements - depreciable	12/05/16	–	–	20,158	20,158
Buildings - specialised	12/05/16	–	–	415,619	415,619
Other structures	12/05/16	–	–	23,018	23,018
Roads	12/05/16	–	–	1,307,476	1,307,476
Bridges	12/05/16	–	–	36,133	36,133
Footpaths	12/05/16	–	–	84,026	84,026
Bulk earthworks - non depreciable	12/05/16	–	–	366,338	366,338
Stormwater drainage	12/05/16	–	–	1,008,781	1,008,781
Water supply network	12/05/16	–	–	1,034,090	1,034,090
Sewerage network	12/05/16	–	–	1,389,919	1,389,919
Swimming pools	12/05/16	–	–	2,893	2,893
Other open space/recreational assets	12/05/16	–	–	58,987	58,987
Other infrastructure	12/05/16	–	–	24,207	24,207
Heritage collections	12/05/16	–	–	931	931
Library books	12/05/16	–	–	1,463	1,463
Other	12/05/16	–	–	35	35
Total infrastructure, property, plant and equipment		–	438,849	6,251,258	6,690,107

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

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

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

(3) Valuation techniques used to derive Level 3 fair values

Where Central Coast Council 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 Council has employed while utilising Level 3 inputs have been based on the valuation techniques employed by the former Councils.

Infrastructure, property, plant and equipment

Plant and equipment, office equipment, furniture and fittings

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

These asset categories include:

- plant and equipment
 - Major plant items – tractors, excavators, street sweepers, tippers, rollers, forklifts, backhoes, beach cleaners
 - Minor plant items – generators, mowers, weed harvester, trailers, chainsaws, wood chippers, power hand tools
 - 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.

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 and land under the care and management of Council on behalf of the Crown.

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.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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.

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.

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

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.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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, sub-base, base and associated earthworks. Other road related assets include bus shelters, footpaths, guard rails, speed humps, kerb and gutter, medians, pedestrian refuges and roundabouts.

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

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

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

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.

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 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.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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.

Stormwater drainage

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

The valuation of this asset class uses the cost assets approach. Replacement cost is assessed using the MEERA approach.

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

This asset class is categorised 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.

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.

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.

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

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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 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.

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 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.

Heritage collections

This asset class is comprised of artwork and sculptures which are recognised and valued at cost.

Significant unobservable inputs considered in the valuation of these assets are useful life and pattern of consumption. This asset class is categorised a Level 3 as the inputs used in the valuation of these assets require significant professional judgement. There has been no change in 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.

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.

Central Coast Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

Tip asset

This asset class includes the tip cells at Council's Waste Facilities which is recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the item. Significant unobservable inputs considered in the valuation of these assets are useful life and pattern of consumption and therefore categorised as Level 3. There has been no change to the valuation process during the reporting period.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and Equipment	Office Equipment	Furniture and Fittings	Operational Land	Total
Balance on transfer from former Councils	39,797	2,496	4,060	431,696	478,049
Transfers from/(to) another asset class	13,278	5,714	653	3,483	23,128
Purchases (GBV)	–	–	–	118	118
Disposals (WDV)	(2,902)	–	–	(1,262)	(4,164)
Depreciation and impairment	(7,817)	(2,105)	(826)	–	(10,748)
Amalgamation Transfers	1,157	134	439	4,814	6,544
Closing balance – 30/6/17	43,513	6,239	4,326	438,849	492,927

	Community Land	Land under Roads	Tip Assets	Quarry Assets	Total
Balance on transfer from former Councils	410,916	1,004	12,803	1,564	426,287
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	64	–	–	–	64
Disposals (WDV)	(470)	–	–	–	(470)
Depreciation and impairment	–	–	–	–	–
Amalgamation Transfers	–	–	(1,211)	(1,564)	(2,775)
Closing balance – 30/6/17	410,510	1,004	11,592	–	423,106

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Land Improvements	Buildings	Other Structures	Roads	Total
Balance on transfer from former Councils	43,634	420,545	21,495	1,322,411	1,808,085
Transfers from/(to) another asset class	2,899	3,758	5,906	23,319	35,882
Purchases (GBV)	–	–	–	131	131
Disposals (WDV)	–	(355)	–	(199)	(554)
Depreciation and impairment	(1,401)	(8,081)	(1,252)	(35,079)	(45,813)
Amalgamation Transfers	(24,974)	(248)	(3,131)	(3,107)	(31,460)
Closing balance – 30/6/17	20,158	415,619	23,018	1,307,476	1,766,271

	Bridges	Footpaths	Bulk Earthworks	Stormwater Drainage	Total
Balance on transfer from former Councils	37,953	85,429	363,923	1,012,559	1,499,864
Transfers from/(to) another asset class	744	841	2,415	7,710	11,710
Purchases (GBV)	–	29	–	9,187	9,216
Disposals (WDV)	–	–	–	(844)	(844)
Depreciation and impairment	(695)	(2,361)	–	(17,531)	(20,587)
Amalgamation Transfers	(1,869)	88	–	(2,300)	(4,081)
Closing balance – 30/6/17	36,133	84,026	366,338	1,008,781	1,495,278

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Water Supply Network	Sewerage Network	Swimming Pools	Open Space/ Recreational	Total
Balance on transfer from former Councils	1,045,835	1,387,243	2,627	55,405	2,491,110
Transfers from/(to) another asset class	428	21,789	53	1,031	23,301
Purchases (GBV)	2,273	3,181	–	–	5,454
Disposals (WDV)	–	(3,794)	–	–	(3,794)
Depreciation and impairment	(28,466)	(37,159)	(54)	(3,396)	(69,075)
Amalgamation Transfers	(256)	(526)	267	5,947	5,432
Revaluation increments to Equity (ARR)	14,276	19,185	–	–	33,461
Closing balance – 30/6/17	1,034,090	1,389,919	2,893	58,987	2,485,889

	Other Infrastructure	Heritage Collections	Library Books	Other	Total
Balance on transfer from former Councils	3,567	662	2,191	5,976	12,396
Transfers from/(to) another asset class	–	83	250	–	333
Purchases (GBV)	–	–	–	–	–
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	–	(128)	(912)	(1)	(1,041)
Amalgamation Transfers	–	314	(66)	(5,940)	(5,692)
Closing balance – 30/6/17	3,567	931	1,463	35	5,996

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

(5) 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 meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Land under the asset class Community Land comprises 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 Councils.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 28. Related party disclosures

\$ '000

In accordance with the Code of Accounting Practice and Financial Reporting (supplementary update 25), this note is not applicable for new Councils proclaimed on 12 May 2016.

Note 29. Local Government amalgamation

The local government (Council Amalgamations) Proclamation 2016, ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils Wyong Shire Council and Gosford City Council to Central Coast Council as at 13 May 2016.

	Notes	Actual 13/5/16 to 30/6/17
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	a	6,717,290
Accounting policy adjustments	b	(12,463)
		<u>6,704,827</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Wyong Shire Council acquired as a result of amalgamation.
- Gosford City Council acquired as a result of amalgamation.

have been recognised by the Council at the carrying amount recorded by the former council.

Council has, as a result of an internal valuation assessment, recognised former councils' assets at their fair value as at the date of transfer 13 May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Wyong Shire Council	Gosford City Council	Gain on local government amalgamation
ASSETS			
Current assets			
Cash and cash equivalents	14,223	13,427	27,650
Investments	124,961	131,437	256,398
Receivables	55,466	75,156	130,622
Inventories	667	900	1,567
Other	682	11	693
Total current assets	195,999	220,931	416,930
Non-current assets			
Investments	19,000	–	19,000
Receivables	399	1,071	1,470
Infrastructure, property, plant and equipment	3,053,191	3,757,492	6,810,683
Intangible assets	162	1,703	1,865
Total non-current assets	3,072,752	3,760,266	6,833,018
TOTAL ASSETS	3,268,751	3,981,197	7,249,948
LIABILITIES			
Current liabilities			
Payables (excluding bank overdraft)	43,673	37,396	81,069
Borrowings	12,502	9,968	22,470
Provisions	25,110	38,255	63,365
Total current liabilities	81,285	85,619	166,904
Non-current liabilities			
Payables	10,763	–	10,763
Borrowings	156,452	138,282	294,734
Provisions	52,885	7,372	60,257
Total non-current liabilities	220,100	145,654	365,754
TOTAL LIABILITIES	301,385	231,273	532,658
Net assets transferred	2,967,366	3,749,924	6,717,290

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

(ii) Adjustments between former councils' carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

	Actual 2017
a. Adjustments made to recognise net assets at fair value	
Correction of receivable	8,430
Recognition of assets not recorded by former council	676
Changes in asset values due to internal valuation assessment	(10,888)
Recognition of tip remediation provisions not recorded by former councils	(10,535)
Other minor adjustments	(146)
Total adjustments	(12,463)

(iii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 13 May 2016 to 30 June 2016 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.

Central Coast Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 30. 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: 02 4350 5555 (Wyong Office)

Telephone: 02 4325 8222 (Gosford Office)

Internet: www.centralcoast.nsw.gov.au

Email: ask@centralcoast.nsw.gov.au

Officers

GENERAL MANAGER

Brian Bell (resigned 26 January 2018)

ACTING CHIEF EXECUTIVE OFFICER

Brain Glendenning (appointed 26 January 2018)

RESPONSIBLE ACCOUNTING OFFICER

Vivienne Louie

PUBLIC OFFICER

Shane Sullivan

AUDITORS

Audit Office of NSW
Level 15
1 Margaret Street
Sydney NSW 2000

Elected members

MAYOR

Jane Smith (Gosford East Ward)

COUNCILLORS

Chris Holstein - Deputy Mayor (Gosford West Ward)
Greg Best (Budgewoi Ward)
Jillian Hogan (Budgewoi Ward)
Doug Vincent (Budgewoi Ward)
Rebecca Gale Collins (Gosford East Ward)
Jeff Sundstrom (Gosford East Ward)
Troy Marquart (Gosford West Ward)
Richard Mehrtens (Gosford West Ward)
Lisa Matthews (The Entrance 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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Central Coast Council

To the Councillors of the Central Coast Council

Opinion

I have audited the accompanying financial statements of Central Coast Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the period 13 May 2017 to 30 June 2017 in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive, flowing style.

James Sugumar
Director, Financial Audit Services

9 March 2018
SYDNEY

Mayor Jane Smith
Central Coast Council
2 Hely Street
WYONG NSW 2259

9 March 2018

Dear Mayor Smith

Report on the Conduct of the Audit
Audit for the period 13 May 2016 to 30 June 2017
Central Coast Council

I have audited the general purpose financial statements of the Central Coast Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the period 13 May 2016 to 30 June 2017 is issued in accordance with section 417 of the Act. Section 417(3) requires me to consider and report on matters pertinent to the Council's financial statements and audit. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under s417(2) of the Act.

Formation of Central Coast Council

The Local Government (Council Amalgamations) Proclamation 2016 dated 12 May 2016 established Central Coast Council on 13 May 2016 following a merger of the former Gosford City Council and Wyong Shire Council.

On merger, the staff, assets, rights and liabilities of the former councils were transferred to the Central Coast Council. The gain on amalgamation to Central Coast Council amounted to \$6.7 billion at 13 May 2016.

This is first set of financial statements for the Council. As such there are no comparative balances available to present in the 30 June 2017 financial statements.

SIGNIFICANT AUDIT ISSUES

I identified and addressed the following significant audit issues during my audit of the Council's financial statements.

Finance System Information Technology Control Deficiencies – Former Gosford City Council

The auditor of the former Gosford City Council issued a disclaimer of opinion in the Independent Auditor’s Report on the council’s financial statements for the period 1 July 2015 to 12 May 2016. This was because Management was not able to provide appropriate representation on the former Gosford City Council’s financial statements as a result of serious access control deficiencies it identified on the Council’s finance system database.

For the same reason, the Auditor-General issued a disclaimer of opinion on the financial statements of the former Gosford Water Supply Authority, a business activity of the former Gosford City Council.

Management identified several users with privileged access rights to edit the finance system database. No automated audit trail for access or recording of actions by privileged users was maintained and therefore no monitoring of activity was possible.

To address the risk of inappropriate activity in the database, Management conducted a comprehensive review of all transactions for the period 13 May 2016 to 30 June 2017. In addition, we were required to perform a suite of additional audit procedures and validated financial statements line items.

The additional work by Management and the audit team enabled me to issue unmodified opinions in the Independent Auditor’s Reports on the financial statements of Central Coast Council and its Water Supply Authority for the period 13 May 2016 to 30 June 2017.

INCOME STATEMENT

Operating result

	For the period 13 May 2016 to 30 June 2017 \$million
Total revenue	723.7
Total expenses	568.0
Net operating result for the period	155.7
Gain on assets and liabilities transferred from former councils	6,704.8

Net operating result

Council’s net operating result of \$155.7 million for the period was largely attributable to:

Revenue items of:

- rates and annual charges revenue of \$371.2 million
- grants and contributions revenue of \$170.5 million.

Expense items of:

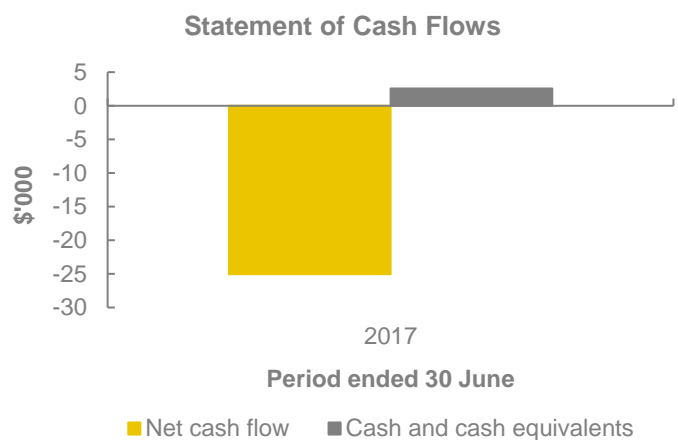
- employee related expenses of \$187.1 million
- depreciation expenses of \$150.2 million
- materials and contracts expense of \$124.5 million.

Grants and contributions for the period included:

- New Council Implementation Fund of \$10.0 million
- Stronger Communities Fund of \$10.0 million
- Commonwealth Financial Assistance Grants of \$36.6 million.

STATEMENT OF CASH FLOWS

- Net cash outflow for the period was \$25 million, as \$321 million from operating activities was offset by \$346 million in payments for investing and financing activities.
- Total cash and cash equivalents were \$2.6 million at 30 June 2017.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	Commentary
	\$m	
External restrictions	208	○ Externally restricted funds include developer contributions of \$125 million and unspent domestic waste management fund of \$43 million.
Internal restrictions	111	
Unrestricted	93	○ Internally restricted funds include \$34 million for waste disposal facility, \$20 million for tip rehabilitation, and \$15 million on property development.
Total Cash and Investments	412	

Debt

Council had overdraft and credit facilities of \$10.1 million, of which \$9.1 million remained undrawn at 30 June 2017.

PERFORMANCE RATIOS

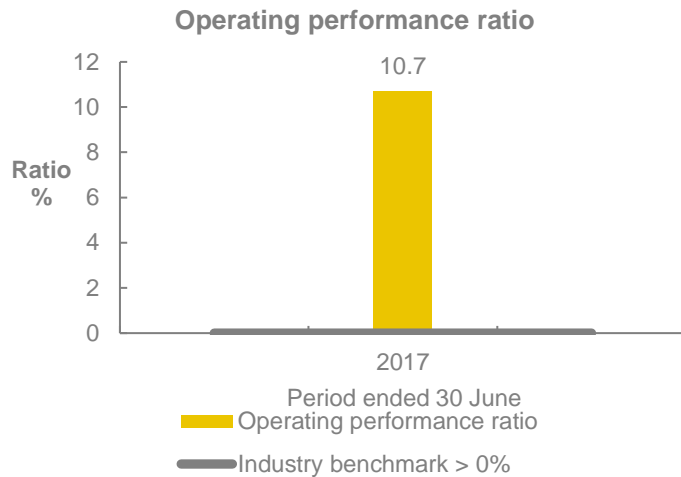
The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

- Council exceeded the benchmark of zero per cent.
- Operating revenue exceeded operating expenditure due to \$20 million of one-off grants (New Council Implementation and Stronger Communities Funds) and early receipt of the 2018 Financial Assistance Grant of \$12.5 million.

The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements).

The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

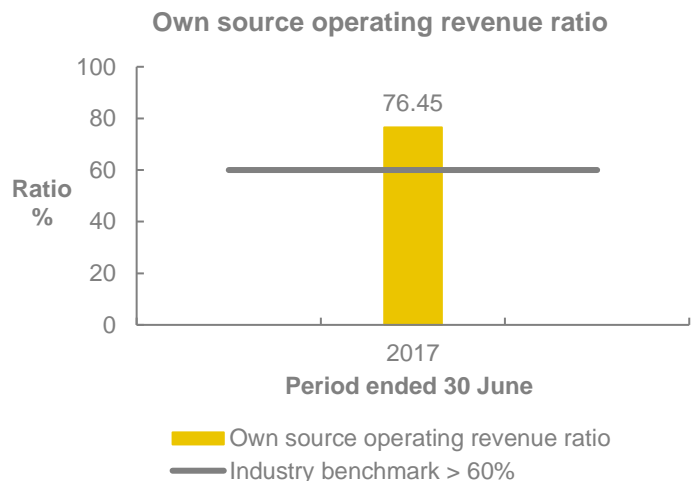


Own source operating revenue ratio

- Council exceeded the benchmark of sixty percent.
- Council generated over 76 per cent of its revenue from sources other than grants and contributions.

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions.

The benchmark set by OLG is greater than 60 per cent.

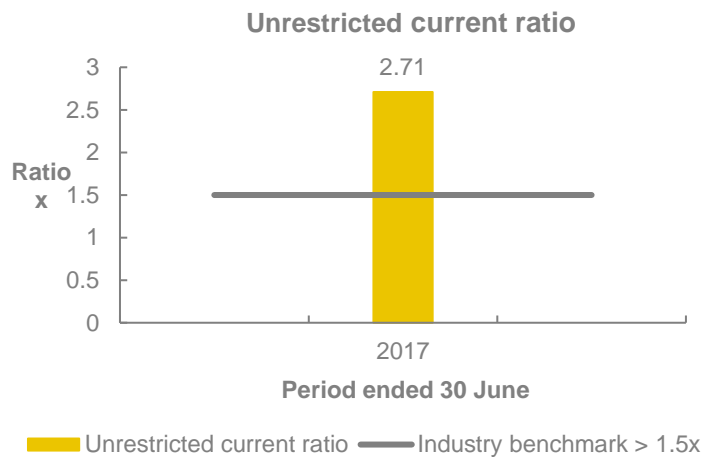


Unrestricted current ratio

- Council exceeded the benchmark of 1.5 times.
- Council has sufficient liquid assets to meet its creditor payments as and when they fall due.

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due.

The benchmark set by OLG is greater than 1.5 times.

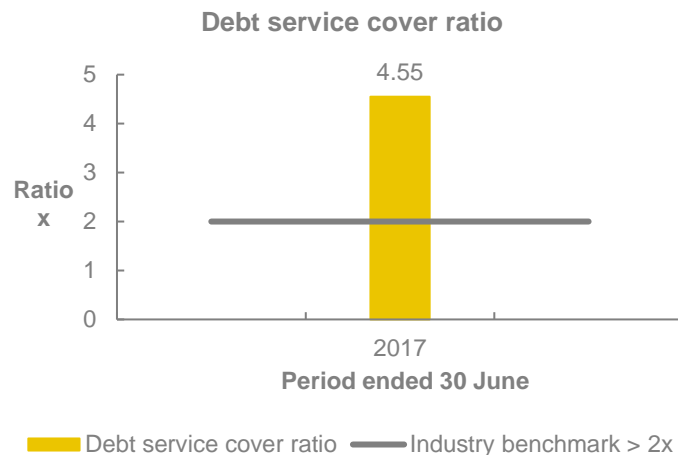


Debt service cover ratio

Council achieved a ratio of 4.55 exceeding the benchmark of greater than two times.

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments.

The benchmark set by OLG is greater than two times.

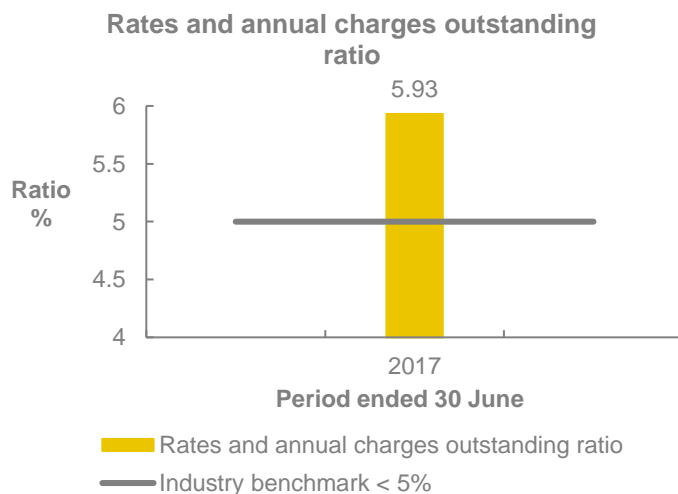


Rates and annual charges outstanding ratio

- Council did not meet the benchmark of less than 5 per cent for metropolitan councils.
- Council advised it plans to continue implementing socially responsible debt management strategies to reduce long-term outstanding debts.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

The benchmark set by OLG is less than 5 per cent for metro councils.

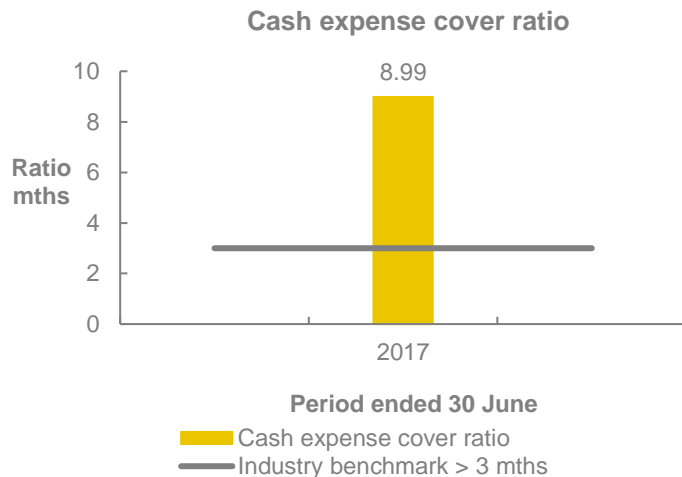


Cash expense cover ratio

Council exceeded the benchmark of greater than three months.

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

The benchmark set by OLG is greater than three months.



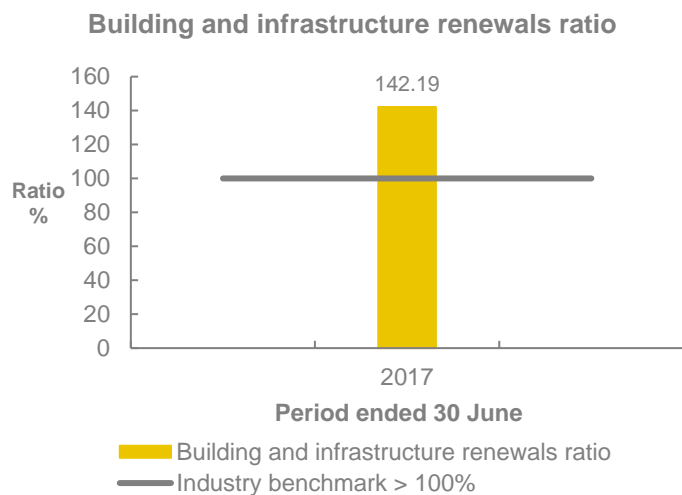
Building and infrastructure renewals ratio

Council exceeded the benchmark of greater than 100 per cent.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating.

The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

Council Entities

I issued an unmodified independent auditor's report on the audit of financial statements of Central Coast Council Water Supply Authority for the period 13 May 2016 to 30 June 2017.

New accounting standards

Council is required to implement the Australian Accounting Standards 'Related Party Disclosures' (AASB 124) from 1 July 2017.

This will require Council to identify relevant related parties including key management personnel and include disclosures of remuneration, transactions and outstanding balances in the financial statements for the year ending 30 June 2018.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



James Sugumar
Director, Financial Audit Services

cc: Mayor Jane Smith
Mr Brian Glendenning, Chief Executive Officer
Mr Col Gellatly, Chair of the Audit, Risk and Improvement Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government



Special Purpose Statements Central Coast Council

13 May 2016 to 30 June 2017

Central Coast Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	8
Statement of Financial Position – Sewerage Business Activity	9
Statement of Financial Position – Other Business Activities	10
3. Notes to the Special Purpose Financial Statements	13
4. Auditor’s Report	22

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, and **(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).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Central Coast Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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 financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 7 December 2017.



Jane Smith
Mayor



Chris Holstein
Deputy Mayor



Brian Bell
General Manager



Vivienne Louie
Responsible accounting officer

Central Coast Council

Income Statement of Council's Water Supply Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	26,802
User charges	71,632
Fees	911
Interest	2,375
Grants and contributions provided for non-capital purposes	1,699
Profit from the sale of assets	6
Other income	979
Total income from continuing operations	104,404
Expenses from continuing operations	
Employee benefits and on-costs	16,365
Borrowing costs	17,448
Materials and contracts	11,870
Depreciation, amortisation and impairment	29,206
Water purchase charges	323
Loss on sale of assets	142
Calculated taxation equivalents	518
Other expenses	17,984
Total expenses from continuing operations	93,856
Surplus (deficit) from continuing operations before capital amounts	10,548
Grants and contributions provided for capital purposes	9,018
Surplus (deficit) from all operations before tax	19,566
Less: corporate taxation equivalent (30%) [based on result before capital]	(3,164)
SURPLUS (DEFICIT) AFTER TAX	16,402
Plus Assets and liabilities transferred from former councils	915,429
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	518
– Corporate taxation equivalent	3,164
Less:	
– Tax equivalent dividend paid	–
– Surplus dividend paid	–
Closing retained profits	935,513
Return on capital %	2.5%
Subsidy from Council	–
Calculation of dividend payable:	
Surplus (deficit) after tax	16,402
Less: capital grants and contributions (excluding developer contributions)	(9,018)
Surplus for dividend calculation purposes	7,384
Potential dividend calculated from surplus	3,692

Central Coast Council

Income Statement of Council's Sewerage Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	89,882
User charges	3,149
Liquid trade waste charges	2,521
Fees	814
Interest	3,129
Grants and contributions provided for non-capital purposes	2,496
Profit from the sale of assets	71
Other income	451
Total income from continuing operations	102,513
Expenses from continuing operations	
Employee benefits and on-costs	14,699
Borrowing costs	5,289
Materials and contracts	13,379
Depreciation, amortisation and impairment	37,773
Loss on sale of assets	3,816
Calculated taxation equivalents	218
Other expenses	17,503
Total expenses from continuing operations	92,677
Surplus (deficit) from continuing operations before capital amounts	9,836
Grants and contributions provided for capital purposes	15,816
Surplus (deficit) from all operations before tax	25,652
Less: corporate taxation equivalent (30%) [based on result before capital]	(2,951)
SURPLUS (DEFICIT) AFTER TAX	22,701
Plus Assets and liabilities transferred from former councils	1,440,641
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	218
– Corporate taxation equivalent	2,951
Less:	
– Tax equivalent dividend paid	–
– Surplus dividend paid	–
Closing retained profits	1,466,511
Return on capital %	1.0%
Subsidy from Council	20,150
Calculation of dividend payable:	
Surplus (deficit) after tax	22,701
Less: capital grants and contributions (excluding developer contributions)	(15,816)
Surplus for dividend calculation purposes	6,885
Potential dividend calculated from surplus	3,443

Central Coast Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

	Drainage Category 1	Holiday Parks Category 1
\$ '000	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Income from continuing operations		
Access charges	19,613	–
User charges	–	10,705
Fees	3	–
Interest	261	–
Grants and contributions provided for non-capital purposes	333	–
Total income from continuing operations	20,210	10,705
Expenses from continuing operations		
Employee benefits and on-costs	2,235	230
Borrowing costs	1,392	–
Materials and contracts	4,011	3,772
Depreciation, amortisation and impairment	17,404	753
Loss on sale of assets	711	–
Calculated taxation equivalents	146	292
Other expenses	2,732	3,792
Total expenses from continuing operations	28,631	8,839
Surplus (deficit) from continuing operations before capital amounts	(8,421)	1,866
Grants and contributions provided for capital purposes	12,714	–
Surplus (deficit) from all operations before tax	4,293	1,866
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(560)
SURPLUS (DEFICIT) AFTER TAX	4,293	1,306
Plus Assets and liabilities transferred from former councils	1,032,908	34,572
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	146	292
– Corporate taxation equivalent	–	560
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	1,037,347	36,730
Return on capital %	-0.7%	7.4%
Subsidy from Council	31,466	–

Central Coast Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

	Leisure Centres	Child Care
	Category 1	Category 1
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000		
Income from continuing operations		
User charges	4,788	7,326
Grants and contributions provided for non-capital purposes	3	774
Other income	580	2
Total income from continuing operations	5,371	8,102
Expenses from continuing operations		
Employee benefits and on-costs	5,432	7,370
Materials and contracts	1,722	1,232
Depreciation, amortisation and impairment	743	173
Calculated taxation equivalents	357	329
Other expenses	2,759	1,416
Total expenses from continuing operations	11,013	10,520
Surplus (deficit) from continuing operations before capital amounts	(5,642)	(2,418)
Grants and contributions provided for capital purposes	–	15
Surplus (deficit) from continuing operations after capital amounts	(5,642)	(2,403)
Surplus (deficit) from all operations before tax	(5,642)	(2,403)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(5,642)	(2,403)
Plus Assets and liabilities transferred from former councils	–	(576)
Plus/less: prior period adjustments		
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	357	329
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	(5,285)	(2,650)
Return on capital %	-16.1%	-28.3%
Subsidy from Council	6,475	2,621

Central Coast Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

	Commercial Waste Category 1	Building Certification Category 1
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000		
Income from continuing operations		
Access charges	2,611	–
User charges	13	2,402
Interest	5	–
Total income from continuing operations	2,629	2,402
Expenses from continuing operations		
Employee benefits and on-costs	–	1,068
Materials and contracts	825	238
Calculated taxation equivalents	–	1
Other expenses	371	141
Total expenses from continuing operations	1,196	1,448
Surplus (deficit) from continuing operations before capital amounts	1,433	954
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	1,433	954
Surplus (deficit) from all operations before tax	1,433	954
Less: corporate taxation equivalent (30%) [based on result before capital]	(430)	(286)
SURPLUS (DEFICIT) AFTER TAX	1,003	668
Plus Assets and liabilities transferred from former councils	–	–
Plus/less: prior period adjustments		
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	1
– Debt guarantee fees	–	–
– Corporate taxation equivalent	430	286
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	1,433	955
Return on capital %	n/a	n/a
Subsidy from Council	–	–

Central Coast Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	106
Investments	20,499
Receivables	25,910
Other	139
Total current assets	46,654
Non-current assets	
Receivables	338
Infrastructure, property, plant and equipment	1,128,437
Total non-current assets	1,128,775
TOTAL ASSETS	1,175,429
LIABILITIES	
Current liabilities	
Payables	5,598
Income received in advance	400
Borrowings	15,191
Provisions	5,402
Total current liabilities	26,591
Non-current liabilities	
Borrowings	198,636
Provisions	413
Total non-current liabilities	199,049
TOTAL LIABILITIES	225,640
NET ASSETS	949,789
EQUITY	
Retained earnings	935,513
Revaluation reserves	14,276
Other reserves	–
Council equity interest	949,789
TOTAL EQUITY	949,789

Central Coast Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2017

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	82
Investments	67,934
Receivables	11,895
Other	198
Total current Assets	80,109
Non-current assets	
Receivables	12,478
Infrastructure, property, plant and equipment	1,482,148
Total non-current assets	1,494,626
TOTAL ASSETS	1,574,735
LIABILITIES	
Current liabilities	
Payables	3,306
Income received in advance	1,137
Borrowings	5,086
Provisions	5,160
Total current liabilities	14,689
Non-current liabilities	
Income received in advance	498
Borrowings	72,659
Provisions	1,193
Total non-current liabilities	74,350
TOTAL LIABILITIES	89,039
NET ASSETS	1,485,696
EQUITY	
Retained earnings	1,466,511
Revaluation reserves	19,185
Other reserves	–
Council equity interest	1,485,696
TOTAL EQUITY	1,485,696

Central Coast Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

	Drainage Category 1	Holiday Parks Category 1
\$ '000	Actual 2017	Actual 2017
ASSETS		
Current assets		
Investments	8,358	11,618
Receivables	2,298	253
Total Current Assets	10,656	11,871
Non-current assets		
Investments	18,523	–
Infrastructure, property, plant and equipment	1,026,784	25,135
Intangible assets	1,703	–
Total non-current assets	1,047,010	25,135
TOTAL ASSETS	1,057,666	37,006
LIABILITIES		
Current liabilities		
Payables	5,196	210
Borrowings	486	–
Provisions	837	51
Total current liabilities	6,519	261
Non-current liabilities		
Income received in advance	1,668	–
Borrowings	12,132	–
Provisions	–	15
Total non-current liabilities	13,800	15
TOTAL LIABILITIES	20,319	276
NET ASSETS	1,037,347	36,730
EQUITY		
Retained earnings	1,037,347	36,730
Revaluation reserves	–	–
Other reserves	–	–
Council equity interest	1,037,347	36,730
TOTAL EQUITY	1,037,347	36,730

Central Coast Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Leisure Centres	Child Care
	Category 1	Category 1
	Actual 2017	Actual 2017
ASSETS		
Current assets		
Receivables	56	23
Total Current Assets	56	23
Non-current assets		
Infrastructure, property, plant and equipment	35,000	8,535
Total non-current assets	35,000	8,535
TOTAL ASSETS	35,056	8,558
LIABILITIES		
Current liabilities		
Payables	105	1,608
Borrowings	39,630	7,693
Provisions	590	1,662
Total current liabilities	40,325	10,963
Non-current liabilities		
Provisions	16	245
Total non-current liabilities	16	245
TOTAL LIABILITIES	40,341	11,208
NET ASSETS	(5,285)	(2,650)
EQUITY		
Retained earnings	(5,285)	(2,650)
Revaluation reserves	–	–
Other reserves	–	–
Council equity interest	(5,285)	(2,650)
TOTAL EQUITY	(5,285)	(2,650)

Central Coast Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

	Commercial Waste Category 1	Building Certification Category 1
\$ '000	Actual 2017	Actual 2017
ASSETS		
Current assets		
Receivables	–	955
Total Current Assets	–	955
Non-current assets		
Investments	3,567	–
Total non-current assets	3,567	–
TOTAL ASSETS	3,567	955
LIABILITIES		
Current liabilities		
Payables	127	–
Provisions	370	–
Total current liabilities	497	–
Non-current liabilities		
Provisions	107	–
Total non-current liabilities	107	–
TOTAL LIABILITIES	604	–
NET ASSETS	2,963	955
EQUITY		
Retained earnings	2,963	955
Revaluation reserves	–	–
Other reserves	–	–
Council equity interest	2,963	955
TOTAL EQUITY	2,963	955

Central Coast Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	14
2	Water Supply Business Best-Practice Management disclosure requirements	17
3	Sewerage Business Best-Practice Management disclosure requirements	19

Central Coast Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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 Central Coast Council and the Office of Local Government. For the purposes of these statements, Council is a non-reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Certain taxes and other costs appropriately described have been imputed for the purposes of the NCP.

National Competition Policy

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

The framework for its application is set out in the June 1996 government policy statement, *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 standards for disclosure. These disclosures are reflected in the 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 centres

f. Holiday parks

Provision of holiday parks

g. Leisure centres

Provision of leisure centres

h. Building Certification

Provision of building certification services

Category 2

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

Nil

Central Coast Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

Monetary amounts

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

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first **\$549,000** of combined land values attracts **0%**. For that valued from \$549,001 to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the Department of Primary Industries Water (DPIW), 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 NSW Office of 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 the NSW Office of 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 each reported business activity. While 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 30%.

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since this taxation equivalent is notional – that is, it is payable to the Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the Council's Special Purpose Financial Statements.

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

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 the Council business activities face 'true' commercial borrowing costs in line with private sector competitors.

Central Coast Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

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 statement requires that Councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'. Such funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return on capital is disclosed for each of the Council's business activities on the Income Statement and is calculated as follows:

Operating result before capital income + interest expense

Written down value of IPPE as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.60% at 30 June 2017.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with DPIW guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW prior to making the dividend and only after it has approved the payment.

Central Coast Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	518,062
(ii)	Number of assessments multiplied by \$3/assessment	399,141
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	399,141
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	3,691,778
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	3,592,269
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	7,383,557

2017 Surplus 7,383,557

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	3,592,269
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	NO
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Central Coast Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	110,560
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	73.42%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	2,128,601
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	42,866
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	33,297
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.81%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	480

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Central Coast Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	218,000
(ii)	Number of assessments multiplied by \$3/assessment	393,183
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	218,000
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	3,442,600
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	3,713,830
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	6,885,200

2017 Surplus

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	3,442,600
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	NO
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Central Coast Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	111,265
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	1,475,117
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	45,581
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	26,591
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.89%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	3,864

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	217,944
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.34%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	59,888
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.84%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Central Coast Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	8.33%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		4
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	41,610
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	2,925

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Central Coast Council

To the Councillors of the Central Coast Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Central Coast Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of the Declared Business Activity for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Other Business Activities (Drainage, Holiday Parks, Leisure Centres, Child Care, Commercial Waste, Building Certification).

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the period 13 May 2016 to 30 June 2017, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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


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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large initial 'J' and a long, sweeping underline.

James Sugumar
Director, Financial Audit Services

9 March 2018
SYDNEY



Special Schedules

Central Coast Council

13 May 2016 to 30 June 2017

Central
Coast
Council

Central Coast Council

Special Schedules

for the period 13 May 2016 to 30 June 2017

Contents

Page

Special Schedules¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	5
Special Schedule 3	Water Supply Operations – incl. Income Statement	6
Special Schedule 4	Water Supply – Statement of Financial Position	9
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	10
Special Schedule 6	Sewerage Service – Statement of Financial Position	13
Notes to Special Schedules 3 and 5		14
Special Schedule 7	Report on Infrastructure Assets	15
Special Schedule 8	Permissible Income Calculation	20

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Central Coast Council

Special Schedule 1 – Net Cost of Services

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,328	51	–	(3,277)
Administration	24,376	11,011	27,136	13,771
Public order and safety				
Fire service levy, fire protection, emergency services	8,379	1,372	1,179	(5,828)
Beach control	3,588	2,744	22	(822)
Enforcement of local government regulations	8,774	5,136	–	(3,638)
Animal control	693	195	–	(498)
Total public order and safety	21,434	9,447	1,201	(10,786)
Health	1,956	1,775	–	(181)
Environment				
Noxious plants and insect/vermin control	360	50	–	(310)
Other environmental protection	4,154	594	75	(3,485)
Solid waste management	75,689	104,500	243	29,054
Street cleaning	1,245	–	–	(1,245)
Drainage	26,606	19,921	12,714	6,029
Stormwater management	764	–	–	(764)
Total environment	108,818	125,065	13,032	29,279
Community services and education				
Administration and education	4,167	1,104	–	(3,063)
Social protection (welfare)	2,519	238	–	(2,281)
Aged persons and disabled	1,089	422	–	(667)
Children's services	9,106	8,399	15	(692)
Total community services and education	16,881	10,163	15	(6,703)
Housing and community amenities				
Public cemeteries	238	322	–	84
Public conveniences	5,328	1,941	–	(3,387)
Street lighting	3,951	420	–	(3,531)
Town planning	14,319	7,124	6,369	(826)
Total housing and community amenities	23,836	9,807	6,369	(7,660)
Water supplies	93,338	104,404	9,018	20,084
Sewerage services	92,459	102,513	15,816	25,870

Central Coast Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	12,355	1,230	–	(11,125)
Art galleries	3,189	2,256	–	(933)
Community centres and halls	4,221	2,961	83	(1,177)
Performing arts venues	4,235	1,964	–	(2,271)
Other cultural services	2,635	69	–	(2,566)
Sporting grounds and venues	10,656	1,480	1,297	(7,879)
Swimming pools	7,857	4,898	–	(2,959)
Parks and gardens (lakes)	19,655	5,364	2,064	(12,227)
Other sport and recreation	6,621	609	1,796	(4,216)
Total recreation and culture	71,424	20,831	5,240	(45,353)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	6,146	5,847	–	(299)
Total mining, manufacturing and const.	6,146	5,847	–	(299)
Transport and communication				
Urban roads (UR) – local	44,372	1,210	1,548	(41,614)
Urban roads – regional	1,183	504	1,052	373
Unsealed rural roads (URR) – local	1,406	–	–	(1,406)
Bridges on SRR – local	338	–	67	(271)
Parking areas	66	–	–	(66)
Footpaths	3,578	–	135	(3,443)
Aerodromes	932	11	–	(921)
Other transport and communication	35,494	13,821	9,641	(12,032)
Total transport and communication	87,369	15,546	12,443	(59,380)
Economic affairs				
Camping areas and caravan parks	9,234	11,277	–	2,043
Other economic affairs	7,397	3,648	–	(3,749)
Total economic affairs	16,631	14,925	–	(1,706)
Totals – functions	567,996	431,385	90,270	(46,341)
General purpose revenues ⁽¹⁾		202,044		202,044
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	567,996	633,429	90,270	155,703

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Central Coast Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
NSW Treasury Corporation	150	450	600	–	150	–	–	–	150	300	450
Financial institutions	20,667	268,350	289,017	–	26,519	–	–	22,814	22,282	240,216	262,498
Total loans	20,817	268,800	289,617	–	26,669	–	–	22,814	22,432	240,516	262,948
Other long term debt											
Bond - Financial Institutions	1,654	25,936	27,590	–	1,699	–	–	2,023	1,544	24,347	25,891
Total long term debt	1,654	25,936	27,590	–	1,699	–	–	2,023	1,544	24,347	25,891
Total debt	22,471	294,736	317,207	–	28,368	–	–	24,837	23,976	264,863	288,839

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Central Coast Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993]
for the period 13 May 2016 to 30 June 2017

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
Water	40,000	4,357	36,461
Drainage	3,000	249	2,774
Totals	43,000	4,606	39,235

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
Drainage (Gosford)	General	Not Required	29/05/15	18	29/08/33	4.20%	3,000	249	2,774
Water (Wyong)	General	Not Required	30/06/13	20	30/06/33	6.15%	20,000	2,175	17,615
Water (Wyong)	Sewer	26/02/15	26/02/15	20	21/02/35	6.15%	10,000	1,091	9,389
Water (Wyong)	General	Not Required	31/05/15	20	26/05/35	6.15%	10,000	1,091	9,457
Totals							43,000	4,606	39,235

Central Coast Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income	
Expenses	
1. Management expenses	
a. Administration	10,380
b. Engineering and supervision	7,658
2. Operation and maintenance expenses	
– Dams and weirs	
a. Operation expenses	1,690
b. Maintenance expenses	652
– Mains	
c. Operation expenses	2,582
d. Maintenance expenses	7,593
– Reservoirs	
e. Operation expenses	935
f. Maintenance expenses	1,386
– Pumping stations	
g. Operation expenses (excluding energy costs)	534
h. Energy costs	1,446
i. Maintenance expenses	1,131
– Treatment	
j. Operation expenses (excluding chemical costs)	2,829
k. Chemical costs	1,935
l. Maintenance expenses	1,314
– Other	
m. Operation expenses	210
n. Maintenance expenses	106
o. Purchase of water	485
3. Depreciation expenses	
a. System assets	28,462
b. Plant and equipment	744
4. Miscellaneous expenses	
a. Interest expenses	17,448
b. Revaluation decrements	–
c. Other expenses	3,675
d. Impairment – system assets	–
e. Impairment – plant and equipment	–
f. Aboriginal Communities Water and Sewerage Program	–
g. Tax equivalents dividends (actually paid)	–
5. Total expenses	93,195

Central Coast Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges	
a. Access (including rates)	24,099
b. Usage charges	66,560
7. Non-residential charges	
a. Access (including rates)	2,703
b. Usage charges	5,983
8. Extra charges	–
9. Interest income	2,375
10. Other income	979
10a. Aboriginal Communities Water and Sewerage Program	–
11. Grants	
a. Grants for acquisition of assets	480
b. Grants for pensioner rebates	1,484
c. Other grants	76
12. Contributions	
a. Developer charges	8,398
b. Developer provided assets	140
c. Other contributions	138
13. Total income	113,415
14. Gain (or loss) on disposal of assets	(136)
15. Operating result	20,084
15a. Operating result (less grants for acquisition of assets)	19,604

Central Coast Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
B Capital transactions	
Non-operating expenditures	
16. Acquisition of fixed assets	
a. New assets for improved standards	–
b. New assets for growth	11,460
c. Renewals	21,837
d. Plant and equipment	–
17. Repayment of debt	–
18. Totals	33,297
Non-operating funds employed	
19. Proceeds from disposal of assets	–
20. Borrowing utilised	–
21. Totals	–
C Rates and charges	
22. Number of assessments	
a. Residential (occupied)	124,720
b. Residential (unoccupied, ie. vacant lot)	1,504
c. Non-residential (occupied)	6,068
d. Non-residential (unoccupied, ie. vacant lot)	755
23. Number of ETs for which developer charges were received	547 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 2,571,906

Central Coast Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	16,770	–	16,770
b. Special purpose grants	2,355	–	2,355
c. Accrued leave	986	–	986
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	494	–	494
26. Receivables			
a. Specific purpose grants	1,163	–	1,163
b. Rates and availability charges	6,132	–	6,132
c. User charges	17,451	–	17,451
d. Other	1,164	338	1,502
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	1,126,893	1,126,893
b. Plant and equipment	–	1,544	1,544
29. Other assets	139	–	139
30. Total assets	46,654	1,128,775	1,175,429
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	5,998	–	5,998
33. Borrowings	15,191	198,636	213,827
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	5,402	413	5,815
35. Total liabilities	26,591	199,049	225,640
36. NET ASSETS COMMITTED	20,063	929,726	949,789
EQUITY			
37. Accumulated surplus			935,513
38. Asset revaluation reserve			14,276
39. Other reserves			–
40. TOTAL EQUITY			949,789
Note to system assets:			
41. Current replacement cost of system assets			3,281,688
42. Accumulated current cost depreciation of system assets			(1,153,087)
43. Written down current cost of system assets			2,128,601

Central Coast Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income	
Expenses	
1. Management expenses	
a. Administration	8,906
b. Engineering and supervision	3,789
2. Operation and maintenance expenses	
– Mains	
a. Operation expenses	1,834
b. Maintenance expenses	4,108
– Pumping stations	
c. Operation expenses (excluding energy costs)	2,130
d. Energy costs	2,455
e. Maintenance expenses	7,079
– Treatment	
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	9,618
g. Chemical costs	224
h. Energy costs	2,186
i. Effluent management	–
j. Biosolids management	–
k. Maintenance expenses	3,080
– Other	
l. Operation expenses	171
m. Maintenance expenses	1
3. Depreciation expenses	
a. System assets	37,160
b. Plant and equipment	613
4. Miscellaneous expenses	
a. Interest expenses	5,289
b. Revaluation decrements	–
c. Other expenses	–
d. Impairment – system assets	–
e. Impairment – plant and equipment	–
f. Aboriginal Communities Water and Sewerage Program	–
g. Tax equivalents dividends (actually paid)	–
5. Total expenses	88,643

Central Coast Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges (including rates)	80,497
7. Non-residential charges	
a. Access (including rates)	9,247
b. Usage charges	3,073
8. Trade waste charges	
a. Annual fees	483
b. Usage charges	2,252
c. Excess mass charges	–
d. Re-inspection fees	–
9. Extra charges	–
10. Interest income	3,129
11. Other income	1,265
11a. Aboriginal Communities Water and Sewerage Program	–
12. Grants	
a. Grants for acquisition of assets	3,864
b. Grants for pensioner rebates	1,441
c. Other grants	842
13. Contributions	
a. Developer charges	6,188
b. Developer provided assets	3,179
c. Other contributions	2,798
14. Total income	118,258
15. Gain (or loss) on disposal of assets	(3,745)
16. Operating result	25,870
16a. Operating result (less grants for acquisition of assets)	22,006

Central Coast Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
B Capital transactions	
Non-operating expenditures	
17. Acquisition of fixed assets	
a. New assets for improved standards	–
b. New assets for growth	3,181
c. Renewals	23,410
d. Plant and equipment	–
18. Repayment of debt	–
19. Totals	<u>26,591</u>
Non-operating funds employed	
20. Proceeds from disposal of assets	–
21. Borrowing utilised	–
22. Totals	<u>–</u>
C Rates and charges	
23. Number of assessments	
a. Residential (occupied)	123,510
b. Residential (unoccupied, ie. vacant lot)	1,461
c. Non-residential (occupied)	5,720
d. Non-residential (unoccupied, ie. vacant lot)	370
24. Number of ETs for which developer charges were received	547 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 2,407,729

Central Coast Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	12,803	–	12,803
b. Special purpose grants	–	–	–
c. Accrued leave	919	–	919
d. Unexpended loans	706	–	706
e. Sinking fund	–	–	–
f. Other	53,588	–	53,588
27. Receivables			
a. Specific purpose grants	592	–	592
b. Rates and availability charges	4,686	–	4,686
c. User charges	4,618	–	4,618
d. Other	1,999	12,478	14,477
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	1,480,114	1,480,114
b. Plant and equipment	–	2,034	2,034
30. Other assets	198	–	198
31. Total assets	80,109	1,494,626	1,574,735
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	4,443	498	4,941
34. Borrowings	5,086	72,659	77,745
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	5,160	1,193	6,353
36. Total liabilities	14,689	74,350	89,039
37. NET ASSETS COMMITTED	65,420	1,420,276	1,485,696
EQUITY			
38. Accumulated surplus			1,466,511
39. Asset revaluation reserve			19,185
40. Other reserves			–
41. TOTAL EQUITY			1,485,696
Note to system assets:			
42. Current replacement cost of system assets			2,282,477
43. Accumulated current cost depreciation of system assets			(807,360)
44. Written down current cost of system assets			1,475,117

Central Coast Council

Notes to Special Schedules 3 and 5 for the period 13 May 2016 to 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 10a of Special Schedule 3 and item 11a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

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

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

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

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

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Central Coast Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard ^a	Estimated cost to bring to the agreed level of service set by Council ^b	2016/17 Required maintenance ^c	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	7,072	7,072	10,981	9,246	415,619	522,921	38%	26%	31%	5%	1%
	Sub-total	7,072	7,072	10,981	9,246	415,619	522,921	37.7%	25.6%	30.8%	5.0%	0.9%
Other structures	Other structures	244	244	490	1,169	23,018	32,670	42%	27%	27%	3%	0%
	Sub-total	244	244	490	1,169	23,018	32,670	42.3%	27.4%	26.9%	3.1%	0.3%
Roads	Roads	83,561	83,561	12,338	20,664	1,307,476	1,861,852	47%	20%	25%	4%	3%
	Bridges	366	366	1,086	666	36,133	54,294	31%	34%	33%	3%	0%
	Footpaths	47	47	2,141	2,011	84,026	107,058	60%	37%	3%	0%	0%
	Sub-total	83,974	83,974	15,565	23,341	1,427,635	2,023,204	47.3%	21.2%	24.1%	3.8%	2.8%
Water supply network	Water supply network	15,286	15,286	14,995	13,557	1,034,090	1,747,566	33%	32%	31%	4%	0%
	Sub-total	15,286	15,286	14,995	13,557	1,034,090	1,747,566	33%	32%	31%	4%	0%
Sewerage network	Sewerage network	21,164	21,164	13,990	14,313	1,389,919	2,193,649	13%	58%	23%	5%	0%
	Sub-total	21,164	21,164	13,990	14,313	1,389,919	2,193,649	13.3%	57.9%	23.4%	5.4%	0.0%

Central Coast Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard ^a	Estimated cost to bring to the agreed level of service set by Council ^b	2016/17 Required maintenance ^c	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	10,564	10,564	8,117	6,403	1,008,781	1,447,079	16%	30%	52%	1%	1%
	Sub-total	10,564	10,564	8,117	6,403	1,008,781	1,447,079	15.5%	30.1%	52.4%	1.4%	0.6%
Open space/recreational assets	Swimming pools	–	–	230	214	2,893	7,654	0%	53%	47%	0%	0%
	Open Space/Recreational Assets	758	758	1,391	4,569	58,987	92,721	41%	41%	14%	4%	0%
	Sub-total	758	758	1,620	4,783	61,880	100,375	37.4%	42.0%	16.6%	3.9%	0.1%
Other assets	Other	1,702	1,702	603	124	24,207	40,187	20%	35%	28%	16%	3%
	Sub-total	1,702	1,702	603	124	24,207	40,187	19.7%	34.6%	27.6%	15.5%	2.6%
	TOTAL – ALL ASSETS	140,764	140,764	66,361	72,936	5,385,149	8,107,651	28.4%	35.6%	30.8%	4.0%	0.9%

Notes:

- a Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, adequate"
- b Council has not yet had the opportunity to undertake consultation with the community to determine an agreed level of service.
- c Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

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

Central Coast Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the period 13 May 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	<u>192,480</u>	142.19%
Depreciation, amortisation and impairment	<u>135,370</u>	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	<u>140,764</u>	2.61%
Net carrying amount of infrastructure assets	<u>5,385,149</u>	
3. Asset maintenance ratio		
Actual asset maintenance	<u>72,936</u>	1.10
Required asset maintenance	<u>66,361</u>	
4. Cost to bring assets to agreed service level		
Estimated cost to bring assets to an agreed service level set by Council	<u>140,764</u>	1.74%
Gross replacement cost	<u>8,107,651</u>	

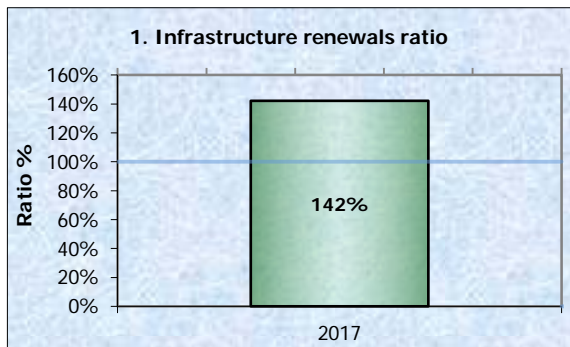
Notes

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

⁽¹⁾ 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

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 13 May 2016 to 30 June 2017



Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of asset renewals ratio

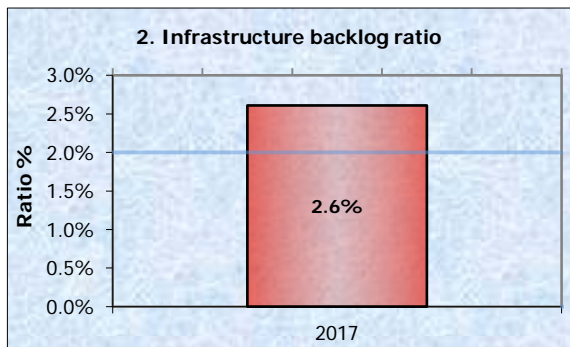
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 16/17 result

16/17 ratio 142.19%

A ratio of 1:1 indicates that the amount spent on asset renewals equals the amount of depreciation. Council's performance is reflective of a focus on infrastructure renewal works and utilising revenue from Council's Special Rate Variation to reduce the infrastructure backlog.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of infrastructure backlog ratio

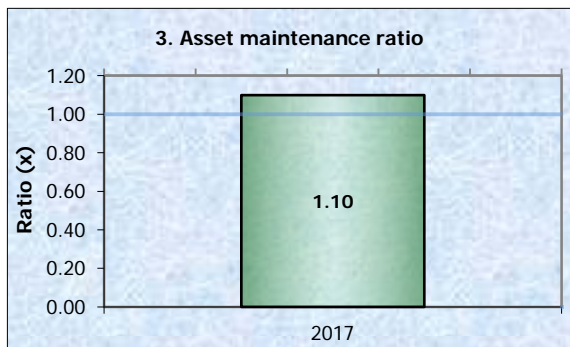
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 16/17 result

16/17 ratio 2.61%

Council is committed to maintaining financial sustainability and decreasing the infrastructure backlog. Council has allocated funding to address the asset backlog for Council's General Fund assets within the former Wyong Local Government Area in accordance with the Special Rate Variation approved by IPART in June 2013 for the former Wyong Shire Council.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of asset maintenance ratio

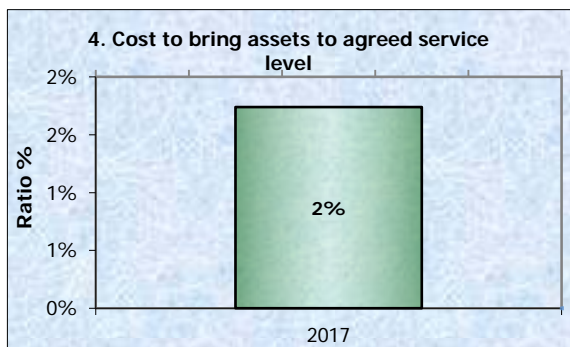
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 16/17 result

16/17 ratio 1.10 x

Council's asset maintenance ratio has exceeded the benchmark of 1. Council will continue to work to maintain and improve this benchmark.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 16/17 result

16/17 ratio 1.74%

This is the estimated cost to return those assets currently rated at less than excellent condition, to an excellent condition.

Central Coast Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 13 May 2016 to 30 June 2017

\$ '000	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	89.01%	80.08%	196.98%
Depreciation, amortisation and impairment			
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	1.48%	1.52%	3.52%
Net carrying amount of infrastructure assets			
3. Asset maintenance ratio			
Actual asset maintenance	0.90	1.02	1.21
Required asset maintenance			
4. Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council	0.87%	0.96%	2.50%
Gross replacement cost			

Notes

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

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2017/18	Calculation 2017/18	Calculation 2017/18
		Wyong Shire Council	Gosford City Council	Total
Notional general income calculation ⁽¹⁾				
Last year notional general income yield	a	84,226	78,899	163,125
Notional general income	c = (a + b)	84,226	78,899	163,125
Permissible income calculation				
Special variation percentage ⁽³⁾	d			
Or rate peg percentage	e	1.50%	1.50%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f			
Less expiring special variation amount	g	–	(2,573)	(2,573)
Plus special variation amount	h = d x (c – g)	–	–	–
Or plus rate peg amount	i = c x e	1,263	1,183	2,446
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–
Sub-total	k = (c + g + h + i + j)	85,489	77,509	162,998
Plus (or minus) last year's carry forward total	l	312	155	467
Less valuation objections claimed in the previous year	m	(12)	–	(12)
Sub-total	n = (l + m)	300	155	455
Total permissible income	o = k + n	85,789	77,664	163,453
Less notional general income yield	p	85,770	77,663	163,433
Catch-up or (excess) result	q = o – p	19	1	20
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	9	–	9
Less unused catch-up ⁽⁵⁾	s	–	–	–
Carry forward to next year	t = q + r – s	28	1	29

Central Coast Council

Special Schedule 8 – Permissible Income Calculation (continued) for the year ended 30 June 2018

\$'000

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) 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.
- (6) 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 Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Central Coast Council

To the Councillors of Central Coast Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Central Coast Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Central Coast Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibility for the Audit of Special Schedule No. 8' section of my report.

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No. 8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No. 8.

A description of my responsibilities for the audit of Special Schedule No. 8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No. 8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No. 8.



James Sugumar
Director, Financial Audit Services

9 March 2018
SYDNEY