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ITEM 1 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

PRESENTER: Audit Office of NSW – Financial Statements

Council officers have prepared the 2017-2018 Annual Financial Statements in accordance with the Local Government Act 1993 (as amended) and the Regulations, the Australian Accounting Standards and the Local Government Code of Accounting Practice and Financial Reporting.

The draft Financial Statements were presented to the Audit Committee on 4 September 2018. At that meeting, the Audit Committee resolved that the General Purpose Financial Statements and the Special Purpose Financial Statements be recommended to Council for endorsement and the signing of the Statements by the Lord Mayor, Deputy Lord Mayor and Management.

The Statements have been reviewed by Council's Auditors, Audit Office of NSW, and are presented to Council for an opinion to be formed in the prescribed format (as attached). The Audit Office of NSW will address the meeting to provide an overview of their Audit Report for the year ended 30 June 2018.

RECOMMENDATIONS

1 The Annual Financial Statements be endorsed and an opinion be formed in the prescribed format (as per Attachments 2 and 3) on the General Purpose Financial Statement and the Special Purpose Financial Statement.

2 The audited Financial Statements, together with the Auditor's report, Executive Summary (Attachment 4) and Financial Commentary (Attachment 5) be presented to the public at the next Council meeting.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer
Authorised by: Renee Campbell, Director Corporate Services - Connected and Engaged City

ATTACHMENTS

1 Annual Financial Statements 2017-2018
2 Statement by the Lord Mayor, Deputy Lord Mayor and Management on the General Purpose Financial Statements
3 Statement by the Lord Mayor, Deputy Lord Mayor and Management on the Special Purpose Financial Statements
4 Executive Summary
5 Financial Commentary 2017-2018
6 Flowchart of the Annual Financial Statements Approval Process 2017-2018

BACKGROUND

The Local Government Act 1993 (as amended) requires Council to prepare financial statements for each year and refer them for audit as soon as practicable after the end of that year.

A council's financial statements must include:

1 A General Purpose Financial Statement;

2 Any other matter prescribed by the regulations, and

3 A statement in the approved form by the Council as to its opinion on the General Purpose Financial Statement.

The Annual Financial Statement Approval and Audit Process is outlined in Attachment 6 of this report. This process is largely governed by the requirements of the Local Government Act 1993 (as amended) having regard to the timing of Council meetings. In accordance with this process, the Audit Committee

recommends to the Council whether the Financial Statements should be signed based on the Committee's assessment of them.

An Executive Summary (Attachment 4) and Financial Commentary (Attachment 5) to the Statements are also prepared to provide an introduction/summary of the Financial Statements. The Executive Summary and Financial Commentary are not audited.

PROPOSAL

Section 413 of the Local Government Act 1993 (as amended) requires the Council to form an opinion as to whether Council's Annual Financial Statements have been drawn up in accordance with the Local Government Act and associated Codes and Australian Accounting Standards as prescribed by the Regulations. The Statements have been reviewed by Council's Auditors, Audit Office of NSW, and are presented to Council for an opinion to be formed in the prescribed format (see Attachments 2 and 3). Subsequent to these Statements being signed, Council's Auditor will present its Audit Report to Council.

Following the signing of the opinions and receiving the Auditor's Report, a copy of the Audited Financial Statements will be submitted to the Office of Local Government in accordance with Section 417(5) of the Local Government Act 1993 (as amended).

Section 418 of the Local Government Act 1993 (as amended) requires that Council, as soon as practical after receiving a copy of the Auditor's Reports, fix a date for a meeting at which it proposes to present its Audited Financial Statements, together with the Auditor's Reports, to the public. The Council must give public notice of the date of the meeting. Consequently, an advertisement is scheduled to appear in The Advertiser on Wednesday, 10 October 2018.

Section 420 of the Local Government Act 1993 provides that any person may make submissions to the Council with respect to the Financial Statements and/or the Auditor's Reports and those submissions must be made in writing and lodged with the Council within seven days of the public meeting. The date of the Council meeting (public meeting) is the next Council meeting as resolved by Council.

CONSULTATION AND COMMUNICATION

The Audit Committee and staff of the Audit Office of NSW have been consulted throughout the preparation of the Annual Financial Statements. The audit staff have been helpful in ensuring compliance with all accounting requirements.

Executive, senior managers and significant senior officers were requested to ensure that all relevant information with regards to the 2017-2018 transactions relating to their area/s of responsibility had either been entered into the financial records or disclosed to the Chief Financial Officer.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Wollongong 2022 goal '*We are a connected and engaged community*'. It specifically delivers on the following:

Community Strategic Plan	Delivery Program 2018-2021	Operational Plan 2018-19
Strategy	3 Year Action	Operational Plan Actions
4.3.2 Resources (finance, technology, assets and people) are effectively managed to ensure long term financial sustainability	4.3.2.1 Effective and transparent financial management systems are in place	Monitor and review achievement of Financial Strategy
		Continuous budget management is in place, controlled and reported
		Provide accurate and timely financial reports monthly, quarterly and via the annual statement
		Manage and further develop a compliance program to promote awareness and compliance with Council's procurement policies and procedures and other related policies

RISK ASSESSMENT

The Annual Financial Statements are required to be prepared in accordance with the Local Government Act 1993 (as amended), the Local Government Code of Accounting Practice and Financial Reporting and the Australian Accounting Standards. Council has professionally qualified staff to ensure compliance with the reporting requirements.

Council staff have also undertaken additional training in specialised areas. A higher level of assurance is attained from the Audit Office of NSW review.

Further to this, Council's Executive, senior management and relevant senior officers each signed a document giving the necessary assurances that:

1 No matters or occurrences have come to their attention in respect to their areas of responsibility that would materially affect the Financial Statements or disclosures therein, or which are likely to materially affect the future results or operations of the Council.

2 Should any such matters or occurrences come to their attention after the date of signing the document, the Chief Financial Officer be immediately advised.

Consequently, there is considered to be a low risk of any material errors or omissions in reporting.

FINANCIAL IMPLICATIONS

Council is now presented with a set of draft Financial Statements that have been prepared in accordance with the Australian Accounting Standards and other professional pronouncements and the Local Government Code of Accounting Practice and Financial Reporting.

A preliminary pre audit result was presented to Council on 3 September 2018 as part of the Draft Quarterly Review Statement June 2018. The revised result presented in the Annual Financial Statements 2017-2018 in this report show an improvement in the Operating Result of $44 thousand that reflects the revision of an expenditure accrual. This improvement also flows on to the Available Funds Result that was presented previously.

In addition to this item, there has been an adjustment from Profit /Loss on Disposal of Assets to Other Expenses in the Income Statement that does not impact on the result. The adjustment was made during the audit to better reflect the expensing of prior year works that had previously been held as an asset in Works in Progress.

CONCLUSION

The Financial Statements will be presented to the public at the next Council meeting pending Council forming an opinion that they have been drawn up in accordance with the Local Government Act and associated Codes and Australian Accounting Standards as prescribed by the Regulations

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Wollongong City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

wollongong
city of innovation

Wollongong City Council

General Purpose Financial Statements
for the year ended 30 June 2018

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Overview

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

41 Burelli Street
Wollongong NSW 2500

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

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

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

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

Wollongong City Council

General Purpose Financial Statements
for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 September 2018.

Gordon Bradbery
Lord Mayor
24 September 2018

David Brown
Deputy Lord Mayor
24 September 2018

David Farmer
General Manager
24 September 2018

Brian Jenkins
Responsible Accounting Officer
24 September 2018

Wollongong City Council

Income Statement
for the year ended 30 June 2018

Original unaudited budget 2018	$ '000	Notes	Actual 2018	Actual 2017
	Income from continuing operations			
	Revenue:			
190,940	Rates and annual charges	3a	191,449	184,530
35,691	User charges and fees	3b	34,805	37,491
4,321	Interest and investment revenue	3c	5,162	5,909
9,705	Other revenues	3d	10,551	14,418
20,838	Grants and contributions provided for operating purposes	3e,f	31,364	39,639
44,858	Grants and contributions provided for capital purposes	3e,f	40,637	42,022
	Other income:			
–	Fair value increment on investment property	11	5	–
–	Net share of interests in joint ventures and associates using the equity method	17	803	525
306,353	Total income from continuing operations		314,776	324,534
	Expenses from continuing operations			
110,205	Employee benefits and on-costs	4a	107,843	103,139
3,849	Borrowing costs	4b	3,819	4,071
52,052	Materials and contracts	4c	53,709	47,032
64,340	Depreciation and amortisation	4d	60,067	61,271
39,480	Other expenses	4e	40,211	35,594
–	Net losses from the disposal of assets	5	361	3,960
269,926	Total expenses from continuing operations		266,010	255,067
36,427	Operating result from continuing operations		**48,766**	**69,467**
36,427	Net operating result for the year		48,766	69,467
36,427	Net operating result attributable to Council		48,766	69,467
(8,431)	Net operating result for the year before grants and contributions provided for capital purposes		8,129	27,445

This statement should be read in conjunction with the accompanying notes.

Wollongong City Council

Statement of Comprehensive Income
for the year ended 30 June 2018

$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		**48,766**	**69,467**
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	5,692	(511)
Impairment (loss) reversal relating to IPP&E	10a	–	(760)
Total items which will not be reclassified subsequently to the operating result		**5,692**	**(1,271)**
Total other comprehensive income for the year		**5,692**	**(1,271)**
Total comprehensive income for the year		54,458	68,196
Total comprehensive income attributable to Council		54,458	68,196

Wollongong City Council

Statement of Financial Position
as at 30 June 2018

$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	26,491	23,534
Investments	6b	109,162	119,458
Receivables	7	27,036	23,531
Inventories	8	306	298
Other	8	10,666	10,680
Non-current assets classified as 'held for sale'	9	–	6,381
Total current assets		**173,661**	**183,882**
Non-current assets			
Investments	6b	22,115	24,585
Inventories	8	5,835	5,791
Infrastructure, property, plant and equipment	10	2,356,306	2,309,628
Investments accounted for using the equity method	17	2,638	1,835
Investment property	11	4,780	4,775
Intangible assets	12	388	653
Total non-current assets		**2,392,062**	**2,347,267**
TOTAL ASSETS		2,565,723	2,531,149
LIABILITIES			
Current liabilities			
Payables	13	26,754	38,660
Income received in advance	13	3,256	2,957
Borrowings	13	7,716	7,513
Provisions	14	50,377	48,853
Total current liabilities		**88,103**	**97,983**
Non-current liabilities			
Payables	13	700	–
Borrowings	13	25,039	32,188
Provisions	14	44,566	48,121
Total non-current liabilities		**70,305**	**80,309**
TOTAL LIABILITIES		158,408	178,292
Net assets		2,407,315	2,352,857
EQUITY			
Accumulated surplus	15	1,441,990	1,389,905
Revaluation reserves	15	965,325	962,952
Total equity		2,407,315	2,352,857

This statement should be read in conjunction with the accompanying notes.

Wollongong City Council

Statement of Changes in Equity
for the year ended 30 June 2018

$ '000	Notes	2018 Accumulated surplus	IPP&E revaluation reserve	Total equity	2017 Accumulated surplus	IPP&E revaluation reserve	Restated Total equity
Opening balance		1,389,905	962,952	**2,352,857**	1,302,643	986,667	**2,289,310**
Correction of prior period errors	15 (b)	–	–	**–**	7,134	(11,783)	**(4,649)**
Restated opening balance		**1,389,905**	**962,952**	**2,352,857**	**1,309,777**	**974,884**	**2,284,661**
Net operating result for the year		**48,766**	**–**	**48,766**	**69,467**	**–**	**69,467**
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10a	–	5,692	**5,692**	–	(511)	**(511)**
– Impairment (loss) reversal relating to IPP&E	10a	–	–	**–**	–	(760)	**(760)**
Other comprehensive income		**–**	**5,692**	**5,692**	**–**	**(1,271)**	**(1,271)**
Total comprehensive income (c&d)		**48,766**	**5,692**	**54,458**	**69,467**	**(1,271)**	**68,196**
Transfers between equity items		3,319	(3,319)	**–**	10,661	(10,661)	**–**
Equity – balance at end of the reporting period		**1,441,990**	**965,325**	**2,407,315**	**1,389,905**	**962,952**	**2,352,857**

This statement should be read in conjunction with the accompanying notes.

Wollongong City Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	$ '000	Notes	Actual 2018	Actual 2017
	Cash flows from operating activities			
	Receipts:			
189,531	Rates and annual charges		193,451	182,005
35,691	User charges and fees		35,362	39,819
4,321	Investment and interest revenue received		5,426	5,464
62,096	Grants and contributions		50,700	57,871
–	Bonds, deposits and retention amounts received		591	775
9,443	Other		23,198	24,784
	Payments:			
(108,700)	Employee benefits and on-costs		(107,925)	(102,860)
(90,282)	Materials and contracts		(65,774)	(60,479)
(1,293)	Borrowing costs		(1,263)	(1,447)
–	Bonds, deposits and retention amounts refunded		(1,543)	(1,162)
–	Other		(52,022)	(43,138)
100,807	**Net cash provided (or used in) operating activities**	16b	80,201	101,631
	Cash flows from investing activities			
	Receipts:			
(370)	Sale of investment securities		67,557	69,530
1,750	Sale of infrastructure, property, plant and equipment		10,923	3,239
	Payments:			
–	Purchase of investment securities		(54,661)	(76,641)
(91,373)	Purchase of infrastructure, property, plant and equipment		(93,506)	(90,256)
–	Purchase of real estate assets		(44)	(57)
(89,993)	**Net cash provided (or used in) investing activities**		(69,731)	(94,185)
	Cash flows from financing activities			
	Receipts:			
–	Proceeds from borrowings and advances		–	5,500
	Payments:			
(7,486)	Repayment of borrowings and advances		(7,513)	(7,159)
(7,486)	**Net cash flow provided (used in) financing activities**		(7,513)	(1,659)
3,328	**Net increase/(decrease) in cash and cash equivalents**		2,957	5,787
136,065	Plus: **cash and cash equivalents – beginning of year**	16a	23,534	17,747
139,393	**Cash and cash equivalents – end of the year**	16a	26,491	23,534
	Additional Information:			
	plus: **Investments on hand – end of year**	6b	131,277	144,043
	Total cash, cash equivalents and investments		157,768	167,577

This statement should be read in conjunction with the accompanying notes.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24/09/2018. Council has the power to amend and reissue these financial statements.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 23 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

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

  This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

  Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 13 (c).

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

  This Standard means that Not-for-profit entities (and therefore Council) no longer need to consider AASB 136 *Impairment of Assets* for non-cash-generating specialised assets at fair value.

  Instead it is expected that for Not-for-profit entities holding non-cash-generating assets the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 *Fair Value Measurement*.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

(i) estimated fair values of investment properties –refer Note 11,

(ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,

(iii) estimated tip remediation provisions – refer Note 14,

(iv) employee benefit provisions – refer Note 14.

Significant judgements in applying the Council's accounting policies

(v) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

(b) The Trust Fund

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements:

- WCC Trust Account (deposits from sale of land/properties due to unpaid rates)
- Lord Mayor's Relief Fund
- Art Gallery (bequeaths/donations)
- Environment Foundation Gift Trust

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

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

- AASB 9 *Financial Instruments*

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

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

- AASB 15 *Revenue from Contracts with Customers,* AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- AASB 16 *Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

$ '000	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
Functions/activities	**Income from continuing operations**		**Expenses from continuing operations**		**Operating result from continuing operations**		**Grants included in income from continuing operations**		**Total assets held (current and non-current)**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Planning and engagement	13,355	9,189	26,099	20,498	(12,744)	(11,309)	1,369	434	269,637	277,231
Environment	48,375	46,793	62,198	60,968	(13,823)	(14,175)	1,899	1,800	354,637	354,226
Transport services/infrastructure	17,113	12,795	48,466	46,384	(31,353)	(33,589)	14,130	9,868	457,146	398,448
Community services/facilities	9,033	9,461	32,730	31,679	(23,697)	(22,218)	4,758	4,736	31,089	30,897
Recreation and open space	12,274	11,939	45,762	45,547	(33,488)	(33,608)	209	35	93,734	92,541
Regulatory services and safety	8,417	8,656	18,574	18,238	(10,157)	(9,582)	521	666	1,641	1,675
Governance and internal services	188,042	196,235	32,181	31,753	155,861	164,482	18,832	25,828	1,357,839	1,376,131
Contributed Assets	18,167	29,466	–	–	18,167	29,466	–	–	–	–
Total functions and activities	**314,776**	**324,534**	**266,010**	**255,067**	**48,766**	**69,467**	**41,718**	**43,367**	**2,565,723**	**2,531,149**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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:

Planning and engagement
Infrastructure Planning and Support, City Centre Management, Land Use Planning, Public Relations, Economic Development, Strategy and Planning

Environment
Waste Management, Stormwater Services, Natural Area Management, Environmental Planning and Programs

Transport services/infrastructure
Transport Services and Infrastructure works

Community services/facilities
Libraries, Cultural Services, Community Facilities, Age and Disability Services, Crematorium and Cemeteries, Community Programs, Youth Services

Recreation and open space
Parks and Sports fields, Aquatic Services, Tourist Parks, Leisure Centres, Botanic Gardens

Regulatory services and safety
Emergency Management, Development Assessment, Regulatory Control, Public Health

Governance and internal services
Governance and Administration, Human Resources, Financial Services, Customer Service, Property Services, Information Technology, Internal Services

Contributed Assets
Contributed assets relate mainly to the handover of transport and stormwater assets from various subdivisions in the West Dapto area.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations

$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Business	45,436	45,788
Farmland	302	316
Mining	897	1,072
Residential	108,969	105,081
Abandonments (1)	(94)	(140)
Total ordinary rates	**155,510**	**152,117**
Special rates		
City centre	395	418
Mall	1,044	1,031
Total special rates	**1,439**	**1,449**
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	32,696	29,183
Stormwater management services	1,817	1,787
Abandonments – annual charges (1)	(13)	(6)
Total annual charges	**34,500**	**30,964**
TOTAL RATES AND ANNUAL CHARGES	191,449	184,530

(1) Abandonments refer to amounts owed to Council that have been written off due to the property being exempted of rates, pensioner interest being waived, voluntary Council rebates, postponed rates and voluntary conservation agreements as per the OLG Rating and Revenue Raising Manual 2007.

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the 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 the 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.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	11,062	13,282
Total specific user charges	**11,062**	**13,282**
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Contestable building services	334	294
Inspection services	507	530
Planning and building regulation	2,874	3,003
Registration fees	252	204
Section 149 certificates (EPA Act)	587	587
Section 603 certificates (rating certificate)	316	305
Section 611 charges (occupation of land)	187	188
Other	45	38
Total fees and charges – statutory/regulatory	**5,102**	**5,149**
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Additional waste services	117	108
Art gallery	9	12
Car parking	823	815
Credit card payment processing fee	124	150
Crematorium and cemeteries	2,219	2,623
Golf course	549	519
Health inspections	290	287
Hire charges	589	580
Leaseback fees – Council vehicles	710	714
Library	44	60
Marketing	39	33
Outdoor dining	91	131
Parking meters	1,262	1,271
Pre-lodgement meeting fees	127	98
Recreation	3,984	3,985
Road opening permits	271	267
Stallholder fees	103	84
Tourist parks	6,961	6,911
Tree management requests	93	95
Design review meeting application fees	150	117
Other	86	200
Total fees and charges – other	**18,641**	**19,060**
TOTAL USER CHARGES AND FEES	34,805	37,491

Accounting policy for user charges and fees
User charges and fees are recognised as revenue when the service has been provided.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	597	597
– Cash and investments	4,435	4,658
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	130	654
TOTAL INTEREST AND INVESTMENT REVENUE	5,162	5,909
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	597	597
General Council cash and investments	2,566	3,406
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	580	510
Unexpended infrastructure loan	226	217
Other externally restricted assets	1,193	1,179
Total interest and investment revenue recognised	**5,162**	**5,909**

Accounting policy for interest and investment revenue
Interest income is recognised using the effective interest rate at the date that interest is earned.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	Notes	2018	2017
(d) Other revenues			
Carbon tax rebate		–	4,174
Diesel rebate		207	209
Energy saving certificates		–	14
Fines		700	749
Fines – parking		2,336	2,500
Insurance claim recoveries		302	415
Legal fees recovery – rates and charges (extra charges)		271	144
Legal settlements		50	34
Outgoings reimbursements		125	136
Reimbursements		486	375
Rental income – investment property	11	347	339
Rental income – other council properties		4,400	4,313
Sales – general		709	547
Sponsorship and promotional income		71	54
Other		547	415
TOTAL OTHER REVENUE		10,551	14,418

Accounting policy for other revenue

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

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

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

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

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	18,655	26,482	–	–
Other				
Pensioners' rates subsidies – general component	1,551	1,677	–	–
Total general purpose	**20,206**	**28,159**	**–**	**–**
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	429	463	–	–
Arts and culture	82	79	–	–
Buildings	–	–	600	7
Community development and support	302	364	–	–
Economic development	289	234	–	–
Emergency services	439	593	–	–
Environmental management and enhancement	74	175	–	–
Environmental protection	82	73	–	–
Floodplain and stormwater management	87	65	620	–
Footpaths and cycleways	–	–	454	761
HACC community transport	2,591	2,518	–	–
Heritage and cultural	254	18	31	18
Library	480	477	–	–
LIRS subsidy	992	1,113	–	–
Local bus route subsidy	56	62	–	–
Natural area management	146	184	–	–
Parks, gardens and sportsfields	60	–	71	–
People and learning	36	43	–	–
Playgrounds	–	–	27	–
Recreation and culture	–	–	41	–
Strategic city planning	59	97	–	–
Street lighting	684	671	–	–
Transport (roads to recovery)	–	–	1,408	2,857
Transport (other roads and bridges funding)	22	–	9,517	2,126
Voluntary purchase scheme	–	–	39	482
Waste performance improvement	236	430	–	–
Wollongong multi service outlet	1,304	1,298	–	–
Total specific purpose	**8,704**	**8,957**	**12,808**	**6,251**
Total grants	**28,910**	**37,116**	**12,808**	**6,251**
Grant revenue is attributable to:				
– Commonwealth funding	22,195	29,773	3,872	3,307
– State funding	6,715	7,343	8,936	2,944
	28,910	**37,116**	**12,808**	**6,251**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	141	–
S 7.11 – contributions towards amenities/services		–	–	3,915	1,427
S 7.12 – fixed development consent levies		–	–	5,066	3,872
Other developer contributions – Calderwood		–	–	9	208
Total developer contributions – cash		**–**	**–**	**9,131**	**5,507**
Non-cash contributions					
S 7.12 – fixed development consent levies		–	–	49	–
Planning agreements		–	–	1,433	4,867
Total developer contributions – non-cash		**–**	**–**	**1,482**	**4,867**
Total developer contributions	25	**–**	**–**	**10,613**	**10,374**
Other contributions:					
Cash contributions					
Buildings		–	–	282	532
Community development and support		171	58	–	–
Community services and facilities		682	829	–	–
Parks, gardens and sportsfields		43	79	109	70
People and learning		18	36	–	–
Pollution minimisation		85	96	–	–
Roads and bridges		52	46	140	167
RMS contributions (regional roads, block grant)		1,403	1,379	–	–
Total other contributions – cash		**2,454**	**2,523**	**531**	**769**
Non-cash contributions					
Bushfire services		–	–	730	28
Dedications – subdivisions (other than by s7.11)		–	–	15,642	24,600
Wollongong City Gallery collection		–	–	313	–
Total other contributions – non-cash		**–**	**–**	**16,685**	**24,628**
Total other contributions		**2,454**	**2,523**	**17,216**	**25,397**
Total contributions		2,454	2,523	27,829	35,771
TOTAL GRANTS AND CONTRIBUTIONS		31,364	39,639	40,637	42,022

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

(f) Contributions (continued)

Accounting policy for contributions

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

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

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

$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	2,688	2,916
Add: operating grants recognised in the current period but not yet spent	1,237	1,181
Less: operating grants recognised in a previous reporting period now spent	(1,288)	(1,409)
Unexpended and held as restricted assets (operating grants)	2,637	2,688
Capital grants		
Unexpended at the close of the previous reporting period	361	1,739
Add: capital grants recognised in the current period but not yet spent	59	102
Less: capital grants recognised in a previous reporting period now spent	(342)	(1,480)
Unexpended and held as restricted assets (capital grants)	78	361
Contributions		
Unexpended at the close of the previous reporting period	16,583	15,590
Add: contributions recognised in the current period but not yet spent	3,799	2,382
Less: contributions recognised in a previous reporting period now spent	(1,392)	(1,389)
Unexpended and held as restricted assets (contributions)	18,990	16,583

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations

$ '000	Notes	2018	2017
(a) Employee benefits and on-costs			
Employee leave entitlements (ELE)		12,815	12,508
Salaries and wages		93,529	89,742
Superannuation		11,617	10,985
Change in workers compensation provision		723	155
Workers compensation – self insurance		1,425	2,098
Fringe benefit tax (FBT)		114	163
Payroll tax		47	44
Training costs (other than salaries and wages)		766	582
Protective clothing		298	290
Labour hire		486	706
Other		285	193
Total employee costs		**122,105**	**117,466**
Less: capitalised costs		(14,262)	(14,327)
TOTAL EMPLOYEE COSTS EXPENSED		107,843	103,139

Accounting policy for employee benefits and on-costs
Employee benefit expenses are recorded when the service has been provided by the employee.

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

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, presently sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,263	1,447
Total interest bearing liability costs expensed		**1,263**	**1,447**
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	14	1,989	1,894
Amortisation of discount on interest free (& favourable) loans to council		567	730
Total other borrowing costs		**2,556**	**2,624**
TOTAL BORROWING COSTS EXPENSED		3,819	4,071

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	16,100	15,838
Contractor and consultancy costs	78,793	70,024
– Waste Contractor	16,618	16,276
– Road Works Contractor	5,789	2,187
– Building Contractor	1,906	2,654
– Parks Contractor	1,817	1,745
– Cleaning Contractor	957	1,082
– Security Contractor	1,145	981
– Software Maintenance and Support Contractor	1,825	1,802
– Internal audit	149	155
Auditors remuneration (1)	141	139
Legal expenses:		
– Planning and development	6	–
– Other	959	512
Operating leases:		
– Minimum lease payments	335	100
Total materials and contracts	**126,540**	**113,495**
Less: capitalised costs	(72,831)	(66,463)
TOTAL MATERIALS AND CONTRACTS	53,709	47,032

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

1. Auditor remuneration

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

Auditors of the Council – NSW Auditor-General:

(i) Audit and other assurance services		
Audit and review of financial statements	133	79
Remuneration for audit and other assurance services	**133**	**79**
Total Auditor-General remuneration	**133**	**79**

Non NSW Auditor-General audit firms:

(i) Audit and other assurance services		
Audit and review of financial statements	–	57
Other audit and assurance services	8	3
Remuneration for audit and other assurance services	**8**	**60**
Total remuneration of non NSW Auditor-General audit firms	**8**	**60**
Total Auditor remuneration	**141**	**139**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		4,301	4,424
Office equipment		695	750
Furniture and fittings		172	116
Infrastructure:			
– Bridges		1,918	1,939
– Buildings – non-specialised		5,377	5,173
– Buildings – specialised		5,681	5,558
– Footpaths		3,818	3,881
– Other open space/recreational assets		3,448	3,401
– Other structures		597	603
– Roads		20,224	21,780
– Stormwater drainage		10,165	9,879
– Swimming pools		475	463
Other assets:			
– Library books		1,073	1,063
– Other		1,509	1,421
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10 & 14	220	220
Intangible assets	12	394	600
Total depreciation and amortisation costs		60,067	61,271
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT COSTS EXPENSED		60,067	61,271

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation
Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for intangible assets.

Impairment of non-financial 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 that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

$ '000	2018	2017
(e) Other expenses		
Advertising	309	284
Bad and doubtful debts	(74)	65
Bank charges	497	455
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	336	377
– NSW fire brigade levy	2,806	2,701
– NSW rural fire service levy	494	481
– Waste and environment levy	15,297	15,453
Councillor expenses – mayoral fee	95	82
Councillor expenses – councillors' fees	387	367
Councillors' expenses (incl. mayor) – other (excluding fees above)	106	59
Donations, contributions and assistance to other organisations (Section 356)		
– City Centre management	5	361
– Illawarra Institute of Sport	35	35
– Illawarra Joint Project Organisation	53	51
– Illawarra Performing Arts Centre	690	673
– Illawarra Regional Information Service	88	91
– Illawarra Surf Life Saving	53	52
– Neighbourhood youth program	129	152
– Sponsorship fund	53	51
– Tourism	1,396	1,010
– Other	420	649
Elections	966	–
Insurance	2,659	2,747
Light, electricity and heating	1,937	2,004
Membership fees	191	205
Postage	466	435
Provision for self insurance claims	140	150
Rental agreements	37	268
Royalty payments	336	334
Sewerage charges	225	290
Street lighting	3,116	3,023
Telephone and communications	754	547
Valuation fees	437	409
Volunteer reimbursements	280	299
Water rates	975	807
Other	4,539	930
Total other expenses	**40,233**	**35,897**
Less: capitalised costs	(22)	(303)
TOTAL OTHER EXPENSES	40,211	35,594

Accounting policy for other expenses

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Proceeds from disposal – property		52	1,861
Less: carrying amount of property assets sold/written off		(27)	(1,005)
Net gain/(loss) on disposal		**25**	**856**
Plant and equipment	10		
Proceeds from disposal – plant and equipment		1,621	1,378
Less: carrying amount of plant and equipment assets sold/written off		(1,243)	(1,583)
Net gain/(loss) on disposal		**378**	**(205)**
Infrastructure	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(3,633)	(4,611)
Net gain/(loss) on disposal		**(3,633)**	**(4,611)**
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		67,557	69,530
Less: carrying amount of financial assets sold/redeemed/matured		(67,557)	(69,530)
Net gain/(loss) on disposal		**–**	**–**
Non-current assets classified as 'held for sale'	9		
Proceeds from disposal – non-current assets 'held for sale'		9,250	–
Less: carrying amount of 'held for sale' assets sold/written off		(6,381)	–
Net gain/(loss) on disposal		**2,869**	**–**
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(361)	(3,960)

Accounting policy for disposal of assets

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	1,390	887
Cash-equivalent assets		
– Deposits at call	4,796	7,626
– Managed funds	20,305	15,021
Total cash and cash equivalents	**26,491**	**23,534**

Accounting policy for 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; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Note 6(b). Investments

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	43,162	–	43,428	–
b. 'Held-to-maturity'	66,000	22,115	76,030	24,585
Total investments	**109,162**	**22,115**	**119,458**	**24,585**
Financial assets at fair value through the profit and loss				
Managed funds	2,115	–	1,928	–
NCD's, FRN's (with maturities > 3 months)	39,374	–	35,868	–
Mortgage backed securities	1,673	–	1,714	–
Other long term financial assets	–	–	3,918	–
Total	**43,162**	**–**	**43,428**	**–**
Held to maturity investments				
Long term deposits	66,000	22,115	76,030	24,585
Total	**66,000**	**22,115**	**76,030**	**24,585**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 6(b). Investments (continued)

Accounting policy for investments

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

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

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

(c) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables and 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. 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.

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

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

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

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	135,653	22,115	142,992	24,585
attributable to:				
External restrictions (refer below)	52,077	22,115	51,203	24,585
Internal restrictions (refer below)	68,129	–	57,379	–
Unrestricted	15,447	–	34,410	–
	135,653	**22,115**	**142,992**	**24,585**

$ '000		2018	2017
Details of restrictions			
External restrictions – other			
Developer contributions – general	(A)	18,961	16,367
RMS contributions	(B)	29	216
Specific purpose unexpended grants	(C)	2,715	3,049
Domestic waste management	(D)	12,813	11,114
Stormwater management	(D)	1,265	1,423
Unexpended loan	(E)	7,019	7,424
Private contributions		6,064	4,905
Carbon price		–	891
Special rates levy – Wollongong mall		164	228
Special rates levy – city centre		(42)	28
Local infrastructure renewal scheme round 3	(F)	14,721	19,973
West Dapto home deposits issued		85	85
West Dapto home deposit assistance program		10,398	10,085
External restrictions – other		74,192	75,788
Total external restrictions		74,192	75,788

A Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans.

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

C Grants which are not yet expended for the purposes for which the grants were obtained.

D Domestic Waste Management and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

E State Government interest free loan to be administered on infrastructure as part of the West Dapto development.

F State Government subsidised loans to be administered on infrastructure projects over the Local Government area.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

$ '000	2018	2017
Internal restrictions		
Car parking strategy	1,061	1,124
Property	–	3,912
Darcy Wentworth Park	171	170
Maccabe Park development	1,140	991
Sports Priority Program	642	362
Telecommunications Reserve	–	193
Waste Disposal Facility	2,165	5,915
West Dapto Development	4,759	501
Strategic Projects	49,404	30,175
Property Investment Fund	8,276	8,266
Southern Phone natural areas	266	366
Future Programs	–	5,239
Lake Illawarra Estuary Management Fund	245	165
Total internal restrictions	**68,129**	**57,379**
TOTAL RESTRICTIONS	142,321	133,167

A On 3rd April 2018 Council resolved to consolidate the following internal restrictions:
- The Future programs restriction be absorbed into the Strategic Projects restriction.
- The Telecommunications Revenue restriction be absorbed into the Sports Priority Program restriction.
- The Property restrictions be absorbed into the West Dapto Development restriction.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7. Receivables

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Purpose				
Rates and annual charges	8,035	–	10,037	–
Interest and extra charges	1,459	–	1,374	–
User charges and fees	4,688	–	3,552	–
Accrued revenues				
– Interest on investments	886	–	1,365	–
– Other income accruals	2,004	–	2,370	–
Government grants and subsidies	8,492	–	3,094	–
Net GST receivable	1,701	–	2,090	–
Total	**27,265**	**–**	**23,882**	**–**
Less: provision for impairment				
User charges and fees	(229)	–	(351)	–
Total provision for impairment – receivables	**(229)**	**–**	**(351)**	**–**
TOTAL NET RECEIVABLES	27,036	–	23,531	–

There are no restrictions applicable to the above assets.

Movement in provision for impairment of receivables	2018	2017
Balance at the beginning of the year	351	602
– amounts already provided for and written off this year	(33)	(202)
– previous impairment losses reversed	(89)	(49)
Balance at the end of the year	**229**	**351**

Accounting policy for receivables

Recognition and measurement
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 as other receivables and receivables (Note 7) in the Statement of Financial Position.
Receivables are recognised initially at fair value and subsequently assessed for impairment.
Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted due to the short settlement period.

Impairment
Where impairment of receivables occurs the carrying amount of the asset is reduced and the amount is recognised in the profit or loss.

Collectability of receivables is reviewed on an on-going basis. A provision for impairment of receivables account is used to recognise debtors balances that are unlikely to be collected under Council's Debt Recovery and Hardship Assistance Policy. When a receivable for which an impairment allowance has been recognised becomes uncollectable, in a subsequent period it is written off against the impairment provision account. Subsequent recoveries of amounts previously written off result in the reversal of write-off transactions.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 8. Inventories and other assets

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	–	5,835	–	5,791
Stores and materials	306	–	298	–
Total inventories at cost	**306**	**5,835**	**298**	**5,791**
TOTAL INVENTORIES	306	5,835	298	5,791
(ii) Other disclosures				
(a) Details for real estate development				
Residential	–	5,835	–	5,791
Total real estate for resale	**–**	**5,835**	**–**	**5,791**
Represented by:				
Acquisition costs	–	5,791	–	5,734
Development costs	–	44	–	57
Total real estate for resale	**–**	**5,835**	**–**	**5,791**
Movements:				
Real estate assets at beginning of the year	–	5,791	–	5,734
– Purchases and other costs	–	44	–	57
Total real estate for resale	**–**	**5,835**	**–**	**5,791**
(b) Other assets				
Prepayments	10,666	–	10,680	–
TOTAL OTHER ASSETS	10,666	–	10,680	–

Externally restricted assets
There are no restrictions applicable to the above assets.

Accounting policy

Raw materials and stores, work in progress and finished goods
Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on 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.

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

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

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9. Non-current assets classified as held for sale (and disposal groups)

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	–	–	6,381	–
Total non-current assets 'held for sale'	**–**	**–**	**6,381**	**–**
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	–	–	6,381	–

$ '000	2018	2017
(ii) Reconciliation of non-current assets 'held for sale'		
Opening balance	6,381	–
Balance still unsold after 12 months:	6,381	–
Plus new transfers in:		
– Assets 'held for sale'	–	6,381
Less: carrying value of assets/operations sold that were re-classified this reporting period	(6,381)	–
Closing balance of 'held for sale' non-current assets and operations	–	6,381

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Waste Remediation reassessment	Transfer to expense	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	89,997	–	89,997	36,005	22,601	–	–	(45,912)	–	(3,617)	–	–	99,074	–	99,074
Plant and equipment	41,808	20,284	21,524	6,370	–	(1,243)	(4,301)	–	–	–	–	–	43,048	20,698	22,350
Office equipment	6,120	3,060	3,060	1,380	–	–	(695)	–	–	–	–	–	7,500	3,755	3,745
Furniture and fittings	2,405	927	1,478	561	–	–	(172)	–	–	–	–	–	2,404	537	1,867
Land:															
– Operational land	169,578	–	169,578	–	555	(27)	–	–	–	–	–	–	170,106	–	170,106
– Community land	338,804	760	338,044	–	907	–	–	–	–	–	–	–	339,711	760	338,951
– Land under roads (post 30/6/08)	30,127	–	30,127	–	38	–	–	–	–	–	–	–	30,165	–	30,165
Infrastructure:															
– Buildings – non-specialised	200,387	119,223	81,164	1,931	384	(316)	(5,377)	1,990	–	–	–	–	203,416	123,640	79,776
– Buildings – specialised	307,488	198,043	109,445	2,820	555	(194)	(5,681)	10,195	–	–	–	–	319,580	202,440	117,140
– Other structures	14,855	8,437	6,418	247	333	(23)	(597)	231	–	–	–	–	15,544	8,935	6,609
– Roads	1,384,622	841,525	543,097	11,301	5,923	(1,733)	(20,224)	13,978	–	–	–	–	1,401,805	849,463	552,342
– Bridges	143,643	49,733	93,910	377	236	(206)	(1,918)	424	–	–	–	5,703	150,163	51,637	98,526
– Footpaths	267,224	143,073	124,151	4,336	1,999	(409)	(3,818)	9,593	–	–	(11)	–	279,783	143,942	135,841
– Stormwater drainage	921,851	399,687	522,164	6,604	3,958	(677)	(10,165)	1,972	–	–	–	–	931,671	407,815	523,856
– Swimming pools	29,738	22,458	7,280	36	–	–	(475)	444	–	–	–	–	30,218	22,933	7,285
– Other open space/recreational assets	151,801	43,151	108,650	1,301	723	(75)	(3,448)	4,304	–	–	–	–	157,008	45,553	111,455
Other assets:															
– Heritage collections	12,369	–	12,369	–	473	–	–	–	–	–	–	–	12,842	–	12,842
– Library books	7,997	3,639	4,358	1,166	–	–	(1,073)	–	–	–	–	–	8,158	3,707	4,451
– Other	43,796	11,789	32,007	178	744	–	(1,509)	2,781	–	–	–	–	47,249	13,048	34,201
Reinstatement, rehabilitation and restoration assets (refer Note 14):															
– Tip assets	19,738	8,931	10,807	–		–	(220)	–	(4,863)	–	–	–	14,875	9,151	5,724
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	4,184,348	1,874,720	2,309,628	74,613	39,429	(4,903)	(59,673)	–	(4,863)	(3,617)	(11)	5,703	4,264,320	1,908,014	2,356,306

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

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 as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Land is 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	**Years**	**Other equipment**	**Years**
Office equipment	6 to 10	Playground equipment	10 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	6		
Vehicles	3 to 5	**Buildings**	
Heavy plant/road making equipment	8 to 10	Buildings: masonry	50 to 100
Other plant and equipment	2 to 15	Buildings: other	15 to 40
Stormwater assets			
Drains	80 to 100		
Culverts	80 to 100		
Flood control structures	75		
Transportation assets		**Other infrastructure assets**	
Sealed roads: surface	20 to 40	Bulk earthworks	Infinite
Sealed roads: structure	80	Swimming pools	50
Unsealed roads	25	Other open space/recreational assets	10 to 30
Bridge: concrete	80	Other infrastructure	20 to 80
Bridge: other	30 to 40		
Road pavements	80		
Kerb, gutter and footpaths	80		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment (continued)

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

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

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

Crown reserves
Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

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

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.

Note 10(b). Infrastructure, property, plant and equipment – current year impairments

$ '000	2018	2017
Impairment losses recognised direct to equity (ARR):		
Hector Harvey Park	–	(760)
Total impairment losses	**–**	**(760)**
IMPAIRMENT OF ASSETS – DIRECT TO EQUITY (ARR)	–	(760)

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Investment property

$ '000	2018	2017
(a) Investment property at fair value		
Investment property on hand	4,780	4,775
Reconciliation of annual movement:		
Opening balance	4,775	4,775
– Net gain/(loss) from fair value adjustments	5	–
CLOSING BALANCE – INVESTMENT PROPERTY	**4,780**	**4,775**

(b) Contractual obligations at reporting date

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

(c) Leasing arrangements – Council as lessor

The investment property are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	283	243
Later than 1 year but less than 5 years	300	363
Total minimum lease payments receivable	**583**	**606**

Leases for Council's investment property are generally of a 5 year term with an option for a further 5 years. Rent is paid monthly in advance with tenants paying 100% of outgoings. Rent reviews are a mix of C.P.I. and market reviews. There is a requirement on tenants to hold $20m public liability insurance.

(d) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	347	339
Direct operating expenses on investment property:		
– that generated rental income	(149)	(112)
Net revenue contribution from investment property	**198**	**227**
plus:		
Fair value movement for year	5	–
Total income attributable to investment property	**203**	**227**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Investment property (continued)

Accounting policy for investment property
Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment property are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2018 revaluations were based on independent assessments made by: R F Rubin Certified Practising Valuer.

Note 12. Intangible assets

$ '000	2018	2017
Intangible assets are as follows:		
Opening values:		
Gross book value	2,204	1,993
Accumulated amortisation	(1,551)	(950)
Net book value – opening balance	**653**	**1,043**
Movements for the year		
– Purchases	129	211
– Amortisation charges	(394)	(600)
Closing values:		
Gross book value	2,333	2,204
Accumulated amortisation	(1,945)	(1,551)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE [1]	388	653

[1.] **The net book value of intangible assets represent:**

Software	388	653
	388	**653**

Accounting policy for intangible assets

IT development and software
Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Payables and borrowings

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Payables				
Goods and services – operating expenditure	7,668	–	7,071	–
Goods and services – capital expenditure	9,758	–	15,740	–
Accrued expenses:				
– Other expenditure accruals	6,762	–	12,709	–
Security bonds, deposits and retentions	1,605	–	2,557	–
Agency Funds	350	700	–	–
Other	611	–	583	–
Total payables	**26,754**	**700**	**38,660**	**–**
Income received in advance				
Payments received in advance	3,256	–	2,957	–
Total income received in advance	**3,256**	**–**	**2,957**	**–**
Borrowings				
Loans – secured [1]	7,716	25,039	7,513	32,188
Total borrowings	**7,716**	**25,039**	**7,513**	**32,188**
TOTAL PAYABLES AND BORROWINGS	37,726	25,739	49,130	32,188

(a) Payables and borrowings relating to restricted assets

	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Externally restricted assets				
Loans	7,716	25,039	7,513	32,188
Total payables and borrowings relating to restricted assets	7,716	25,039	7,513	32,188
Total payables and borrowings relating to unrestricted assets	30,010	700	41,617	–
TOTAL PAYABLES AND BORROWINGS	37,726	25,739	49,130	32,188

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	1,205	2,202
	1,205	**2,202**

[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 20.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

$ '000

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017 Opening balance as at 1/7/17	Cash flows	Non-cash changes: Acquisition	Fair value changes	Other non-cash movements	2018 Closing balance as at 30/6/18
Loans – secured	39,701	(7,513)	–	–	567	**32,755**
TOTAL	**39,701**	**(7,513)**	**–**	**–**	**567**	**32,755**

(d) Financing arrangements

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

Bank overdraft facilities [1]	300	300
Credit cards/purchase cards	835	835
Total financing arrangements	**1,135**	**1,135**
Drawn facilities as at balance date:		
– Credit cards/purchase cards	98	6
Total drawn financing arrangements	**98**	**6**
Undrawn facilities as at balance date:		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	737	829
Total undrawn financing arrangements	**1,037**	**1,129**

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

Accounting policy for payables and borrowings

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

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the 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.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions

$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Provisions				
Employee benefits:				
Annual leave	9,367	–	8,998	–
Sick leave	144	–	133	–
Long service leave	36,872	517	37,410	447
Other leave	1,037	–	940	–
Sub-total – aggregate employee benefits	**47,420**	**517**	**47,481**	**447**
Asset remediation/restoration:				
Asset remediation/restoration (future works)	1,200	40,134	100	44,137
Sub-total – asset remediation/restoration	**1,200**	**40,134**	**100**	**44,137**
Other provisions:				
Self insurance – workers compensation	1,327	3,585	942	3,247
Self insurance – claims incurred	430	330	330	290
Sub-total – other provisions	**1,757**	**3,915**	**1,272**	**3,537**
TOTAL PROVISIONS	**50,377**	**44,566**	**48,853**	**48,121**

(a) Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.	2018	2017
Provisions – employees benefits	37,710	38,146
	37,710	**38,146**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions (continued)

$ '000

(b) Description of and movements in provisions

The movement in each class of provision (excluding those relating to employee benefits) is presented in the table below:

2018	Self insurance – claims incurred	Self insurance – workers compensation	Asset remediation	Total
At beginning of year	620	4,189	**44,237**	**49,046**
Changes to provision:				
Additional provisions	140	1,676	–	**1,816**
Amounts used (payments)	–	(1,970)	–	**(1,970)**
Remeasurement effects	–	1,017	(4,863)	**(3,846)**
Unwinding of discount	–	–	1,989	**1,989**
Expenditure incurred attributable to provisions	–	–	(29)	**(29)**
Total other provisions at end of year	**760**	**4,912**	**41,334**	**47,006**

2017	Self insurance – claims incurred	Self insurance – workers compensation	Asset remediation	Total
At beginning of year	470	4,034	**42,683**	**47,187**
Changes to provision:				
Additional provisions	150	1,255	–	**1,405**
Amounts used (payments)	–	(2,329)	–	**(2,329)**
Remeasurement effects	–	1,229	(291)	**938**
Unwinding of discount	–	–	1,894	**1,894**
Expenditure incurred attributable to provisions	–	–	(49)	**(49)**
Total other provisions at end of year	**620**	**4,189**	**44,237**	**49,046**

Nature and purpose of non-employee benefit provisions

Asset remediation
Council has a legal/public obligation to make, restore, rehabilitate and reinstate the open Whytes Gully Waste Disposal Depot and closed Helensburgh Waste Depot Rehabilitation.

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

Self insurance – claims incurred
To recognise liabilities for both (i) claims expected to be incurred but not reported and (ii) claims reported and estimated as a result of Council being a self insurer up to certain levels of excess.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions (continued)

Asset Remediation/Restoration

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

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

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

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

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

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

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

Close down and restoration costs are a normal consequence of tip 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.

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

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

Available for sale financial investments revaluation reserve
The available for sale financial investments revaluation reserve is used to account for the fair value movements in all financial assets so classified that remain on hand at year end.

Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve.

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

As part of an on-going inspection program and data cleansing process it was found that IPPE that Council owned had not been recognised ($13.062M) and IPPE that had been recognised was disposed of in previous years ($17.711M). A similar exercise recognised a parcel of community land was no longer controlled by Council and this was also disposed.

In addition Real Estate for resale shown in Note 8a has been reclassified as non current asset, from current asset. The amount for 30 June 2017 is $5,791.

These errors relate to an undetermined period making it impractical to restate prior period comparatives. Accordingly, Council has restated the opening balances of the earliest period presented being the 30 June 2017.

Adjustments to the comparative figures for the year ended 30 June 2017

Statement of Financial Position	Original Balance 30 June 2017 $'000s	Impact Increase/ (decrease) $'000s	Restated Balance 30 June 2017 $'000s
Plant and Equipment	21,589	(65)	21,524
Community Land	348,428	(10,384)	338,044
Buildings -non-specialised	81,314	(150)	81,164
Buildings - specialised	109,545	(100)	109,445
Other structures	6,435	(17)	6,418
Roads	535,554	7,543	543,097
Bridges	94,098	(188)	93,910
Footpaths	124,723	(572)	124,151
Stormwater	522,839	(675)	522,164
Open Space / recreational assets	108,691	(41)	108,650
Total assets	**2,535,798**	**(4,649)**	**2,531,149**
Total liabilities	**178,292**	**–**	**178,292**
Reserves	974,735	(11,783)	962,952
Retained Earnings	1,382,771	7,134	1,389,905
Total equity	**2,357,506**	**(4,649)**	**2,352,857**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 16. Statement of cash flows – additional information

$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	26,491	23,534
Balance as per the Statement of Cash Flows		**26,491**	**23,534**
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		**48,766**	**69,467**
Adjust for non-cash items:			
Depreciation and amortisation		60,067	61,271
Net losses/(gains) on disposal of assets		361	3,960
Non-cash capital grants and contributions		(18,167)	(24,795)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(130)	(654)
– investment property		(5)	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		567	730
Unwinding of discount rates on reinstatement provisions		1,989	1,894
Share of net (profits) or losses of associates/joint ventures		(803)	(525)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(3,383)	(2,000)
Increase/(decrease) in provision for doubtful debts		(122)	(251)
Decrease/(increase) in inventories		(8)	(5)
Decrease/(increase) in other assets		14	(7,473)
Increase/(decrease) in payables		597	(2,093)
Increase/(decrease) in other accrued expenses payable		(5,947)	6,460
Increase/(decrease) in other liabilities		425	(4,721)
Increase/(decrease) in employee leave entitlements		9	401
Increase/(decrease) in other provisions		(4,029)	(35)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		**80,201**	**101,631**
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		1,482	–
Other dedications		15,642	24,600
Contributed Art Works		313	–
Contributed Bush Fire Assets		730	28
Contributed Transport Assets (RMS)		–	167
Total non-cash investing and financing activities		**18,167**	**24,795**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Interests in other entities

$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	803	525	2,638	1,835
Total	**803**	**525**	**2,638**	**1,835**

(a) Joint arrangements

Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Civic West	Joint venture	Equity	1,584	988
Civic Risk	Joint venture	Equity	1,054	847
Total carrying amounts – material joint ventures			**2,638**	**1,835**

(b) Details

Name of entity	Principal activity
Civic West	Insurance
Civic Risk	Insurance

(c) Relevant interests and fair values

	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
Name of entity	2018	2017	2018	2017	2018	2017	2018	2017
Civic West	1,584	988	4%	3%	4%	3%	10%	10%
Civic Risk	1,054	847	12%	13%	12%	13%	6%	6%

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Interests in other entities (continued)

$ '000

(a) Joint arrangements (continued)

(d) Summarised financial information for joint ventures

	Civic West		Civic Risk	
Statement of financial position	**2018**	**2017**	**2018**	**2017**
Current assets				
Cash and cash equivalents	3,022	2,935	1,158	506
Other current assets	19,442	13,732	5,759	6,239
Non-current assets	**41,740**	**47,434**	**5,989**	**5,889**
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	6,111	5,008	2,690	2,890
Other current liabilities	720	688	299	423
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	**15,612**	**20,429**	**1,448**	**2,830**
Net assets	**41,761**	**37,976**	**8,469**	**6,490**
Reconciliation of the carrying amount				
Opening net assets (1 July)	37,976	32,195	6,490	7,287
Profit/(loss) for the period	5,913	7,465	1,978	(796)
Other adjustments to equity	(2,128)	(1,684)	–	–
Closing net assets	**41,761**	**37,976**	**8,469**	**6,490**
Council's share of net assets (%)	**3.8%**	**2.6%**	**12.4%**	**13.1%**
Council's share of net assets ($)	**1,584**	**988**	**1,054**	**847**
Statement of comprehensive income				
Income	6,076	7,066	9,425	8,302
Interest income	3,261	3,757	439	584
Interest expense	(17)	(17)	–	–
Other expenses	(3,408)	(3,341)	(7,886)	(9,682)
Profit/(loss) from continuing operations	**5,912**	**7,465**	**1,978**	**(796)**
Rounding Adjustment	(2)	–	–	–
Total comprehensive income	**5,913**	**7,465**	**1,978**	**(796)**
Share of income – Council (%)	**10.1%**	**8.2%**	**10.5%**	**10.9%**
Profit/(loss) – Council ($)	**596**	**612**	**207**	**(87)**
Total comprehensive income – Council ($)	**596**	**612**	**207**	**(87)**
Summarised Statement of cash flows				
Cash flows from operating activities	113	3,219	903	(1,115)
Cash flows from investing activities	1,510	(2,396)	(250)	(1)
Cash flows from financing activities	(1,537)	(847)	–	–
Net increase (decrease) in cash and cash equivalents	**86**	**(24)**	**653**	**(1,116)**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Interests in other entities (continued)

$ '000

(a) Joint arrangements (continued)

Accounting policy for joint arrangements
The Council has determined that it has only joint ventures.

Joint ventures
Interests in joint ventures are accounted for using the equity method in accordance with AASB128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(b) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2018 Net profit	2018 Net assets
1. Illawarra Shoalhaven Joint Organisation	Inter-Governmental Collaboration Joint Venture	(242)	774
Reasons for non-recognition			
Council has assessed this operation as not material for recognition in these statements.			
2. Illawarra District Noxious Weed Authority	Administer Noxious Weeds Act Joint Venture	(19)	793
Reasons for non-recognition			
Council has assessed this operation as not material for recognition in these statements.			
3. Destination Wollongong	Tourism Development & Promotion Associate	8	57
Reasons for non-recognition			
Council has assessed this operation as not material for recognition in these statements.			
4. Illawarra Performing Arts Centre	Theatre & Town Hall Management Associate	5	309
Reasons for non-recognition			
Council has assessed this operation as not material for recognition in these statements.			

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 18. Commitments for expenditure

$ '000	2018	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	2,957	112
Infrastructure	3,399	21,228
Total commitments	**6,356**	**21,340**
These expenditures are payable as follows:		
Within the next year	6,356	21,340
Total payable	**6,356**	**21,340**
Sources for funding of capital commitments:		
Unrestricted general funds	4,881	8,874
Future grants and contributions	1,415	165
Sect 64 and 94 funds/reserves	–	100
Unexpended grants	60	2,389
Externally restricted reserves	–	6,312
Unexpended loans	–	3,500
Total sources of funding	**6,356**	**21,340**

Details of capital commitments
Buildings include Stanwell Park Café, Austinmer Boatshed, Wombarra Pre School, Western Suburbs Pool Office & Amenities, Helensburgh RLFC.
Infrastructure includes Fowlers Road to Fairwater Drive, Coalcliff Beach Works, Yallah Bay Road Bridge, O'Brien's Road Pedestrian Bridge, Harry Graham Drive stabilise, King George V Oval lighting, The Parkway Balgownie Retaining Wall, Belmore Basin Embankment, Wombarra Rock Pool Retaining wall.

(b) Operating lease commitments (non-cancellable)

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

Within the next year	335	100
Later than one year and not later than 5 years	661	400
Later than 5 years	612	699
Total non-cancellable operating lease commitments	**1,608**	**1,199**

b. Non-cancellable operating leases include the following assets:
Lease of Land for Dapto Ribbonwood Centre and lease of Warrawong Library.

Conditions relating to operating leases:
– All operating lease agreements are secured only against the leased asset.
– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Bank Guarantees

Council has provided Bank Guarantees totalling $414,123 as security over damages for work that may impact a third party.

Council is also Guarantor on a mortgage for a third party of $180,000.

2. Third Party Claims

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

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

3. Development Contributions

Council levies Development Contributions upon various development across the Council area through the required Contributions Plans. As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

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

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

4. Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make a higher contribution during the reporting period. This amounted to $1.868M for Council in 2017/18. Council's LTFM includes forecast payments of $1.778M in 2018/19 and $1.868M annually up to and including 2020/21.

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

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

5. Greenhouse Park

Council owns and manages a former landfill site at Greenhouse Park. The landfill was constructed prior to contemporary environmental regulations and used as both a putrescible and builders waste landfill. Following the closure of the site as a landfill, remediation of the site has been progressively occurring to transform the site into a natural area.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED:

5. Greenhouse Park (continued)

Council is also working with the EPA and specialised consultants to manage the landfill waste which was placed on the site. Total remediation costs at this stage are unknown and will be dependent on the remediation strategies implemented.

6. Helensburgh Landfill Site
Council manages a former landfill site at Helensburgh located off Halls Road/Nixon Place. The landfill was commenced prior to contemporary environmental regulations and was used at various times for both putrescible and builders construction waste. Following the closure of the site as a landfill, Council is required to remediate the site in accordance with EPA requirements and licence conditions. Council is currently working with EPA and specialised consultants to prepare the final design documentation for this project. Final remediation costs at this stage are in the order of $8.7M to $11.8M depending on the source of capping materials and the final design solution adopted. Council's current provision is approximately $4.3M. If a shortfall eventuates this will impact the income statement.

7. Cleveland Road Stockpile

Council operated a stockpile adjacent to Cleveland Road to stockpile material for the road projects specified within the West Dapto Access Strategy. Recently a large amount of this stockpile has been incorporated within the Fowlers to Fairwater Stage 1 works. One of the stockpiles during testing was found to contain small amounts of Asbestos Containing Material and the known material has been subsequently removed from site to a licenced facility. The remainder of the stockpile is currently being tested to determine it's classification for reuse or disposal. If the remaining material is found to be contaminated, the cost to dispose is in

7. Cleveland Road Stockpile (continued)

the order of $1.3M, while reuse costs if the material is suitable, will be costed to the 'Fowlers to Fairwater' Project.

8. Native Title
In January 2018, the National Native Title Tribunal accepted registration of a native title claim that includes the Wollongong LGA. The claim will take some time to determine. Private freehold land, and certain other land owned by Council is not affected. Council will continue to pursue updates on the progress of the claim.

ASSETS NOT RECOGNISED:

1. Various Insurances - HIH & CIC

Council placed or was a party to various liability, property and workers compensation insurance policies with HIH & CIC. During 2000/2001 HIH & CIC went into liquidation. Both HIH & CIC remain responsible for payment of their portion of each Council claim incurred which exceeded Council's insurance excess. Council has recovered $1,123,732 to date. The total of Council's unrecovered claims is currently $1,173,770. At this time, based on the liquidator's estimated final dividend rates, Council expects to recover a further $75,000 from the remaining assets of HIH & CIC.

2. Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Financial risk management

$ '000

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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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 these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

– **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

– **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.

	Increase of values/rates		Decrease of values/rates	
2018	**Profit**	**Equity**	**Profit**	**Equity**
Possible impact of a 10% movement in market values	4,316	4,316	(4,316)	(4,316)
Possible impact of a 1% movement in interest rates	1,146	1,146	(1,146)	(1,146)
2017				
Possible impact of a 10% movement in market values	4,343	4,343	(4,343)	(4,343)
Possible impact of a 1% movement in interest rates	1,241	1,241	(1,241)	(1,241)

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. 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.

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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	87%	0%	83%
Overdue	100%	13%	100%	17%
	100%	**100%**	**100%**	**100%**

(ii) Ageing of receivables – value	2018	2017
Rates and annual charges		
< 1 year overdue	5,331	7,410
1 – 2 years overdue	1,367	1,381
2 – 5 years overdue	851	803
> 5 years overdue	1,945	1,817
	9,494	**11,411**
Other receivables		
Current	14,052	10,403
0 – 30 days overdue	652	589
31 – 60 days overdue	328	61
61 – 90 days overdue	82	112
> 91 days overdue	956	1,306
	16,070	**12,471**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. 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.

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

$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 – 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2018							
Trade/other payables	0.00%	1,605	25,194	700	–	27,499	**27,454**
Loans and advances	1.50%	–	8,814	27,448	3,313	39,575	**32,755**
Total financial liabilities		**1,605**	**34,008**	**28,148**	**3,313**	**67,074**	**60,209**
2017							
Trade/other payables	0.00%	2,557	36,103	–	–	38,660	**38,660**
Loans and advances	1.50%	–	8,814	26,556	7,220	42,590	**39,701**
Total financial liabilities		**2,557**	**44,917**	**26,556**	**7,220**	**81,250**	**78,361**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Material budget variations

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :
Material variations represent those variances that amount to **10%** or more of the original budgeted figure.
F = Favourable budget variation, **U** = Unfavourable budget variation

$ '000	2018 Budget	2018 Actual	2018 ---------- Variance* ----------		
REVENUES					
Rates and annual charges	190,940	191,449	509	0%	F
User charges and fees	35,691	34,805	(886)	(2%)	U
Interest and investment revenue	4,321	5,162	841	19%	F
Interest & investment income is greater due to increased cash holdings for a significant part of the year due to timing of delivery of projects, favourable operating performance and positive fair valuation of a number of investment assets.					
Other revenues	9,705	10,551	846	9%	F
Operating grants and contributions	20,838	31,364	10,526	51%	F
Operating grants are affected by the early receipt of two instalments of the Financial Assistance Grant ($9.5M) and additional grants received during the year.					
Capital grants and contributions	44,858	40,637	(4,221)	(9%)	U
Fair value increment on investment property	–	5	5	0%	F
No movement was anticipated on investment property valuation for 2017/18 budget purposes.					
Joint ventures and associates - net profits	–	803	803	0%	F
Council's budget does not currently provide for potential movements in joint ventures as these valuations are impacted by a range of external variables that cannot be easily determined.					

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Material budget variations (continued)

$ '000	2018 Budget	2018 Actual	2018 Variance*		
EXPENSES					
Employee benefits and on-costs	110,205	107,843	2,362	2%	F
Borrowing costs	3,849	3,819	30	1%	F
Materials and contracts	52,052	53,709	(1,657)	(3%)	U
Depreciation and amortisation	64,340	60,067	4,273	7%	F
Other expenses	39,480	40,211	(731)	(2%)	U
Net losses from disposal of assets	–	361	(361)	0%	U

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

Cash flows from operating activities	100,807	80,201	(20,606)	(20.4%)	U

The lower level of cash flow compared to original budget is largely attributed to a change in timing of land release in the West Dapto subdivision area which has resulted in a lower level of developer contributions ($25.7M) that has been partially offset by the early payment of the first two quarter of the 2018-19 Financial Assistance Grant ($9.5M) in June 2018.

Cash flows from investing activities	(89,993)	(69,731)	20,262	(22.5%)	F

This is primarily due to a net sale (decrease) of investment securities necessitated by lower than anticipated cash from operating activities.

Cash flows from financing activities	(7,486)	(7,513)	(27)	0.4%	U

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. 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
– Investment property
– Financial assets and 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:

2018		Fair value measurement hierarchy			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/18	–	–	43,162	43,162
Total financial assets		**–**	**–**	**43,162**	**43,162**
Investment property					
Commercial building	30/06/18	–	–	4,780	4,780
Total investment property		**–**	**–**	**4,780**	**4,780**
Infrastructure, property, plant and equipment					
Roads	30/06/17	–	–	548,394	548,394
Bridges	30/06/17	–	–	98,172	98,172
Footpaths	30/06/17	–	–	130,662	130,662
Stormwater	30/06/17	–	–	523,775	523,775
Plant and equipment	30/06/18	–	–	22,350	22,350
Office equipment	30/06/18	–	–	3,745	3,745
Furniture and fittings	30/06/18	–	–	1,867	1,867
Operational land	30/06/14	–	–	170,106	170,106
Community land	30/06/16	–	–	338,951	338,951
Land under roads	30/06/14	–	–	30,165	30,165
Buildings	30/06/14	–	–	188,583	188,583
Other structures	30/06/16	–	–	5,967	5,967
Swimming pools	30/06/16	–	–	6,805	6,805
Library books	30/06/18	–	–	4,451	4,451
Other open space/recreational assets	30/06/16	–	–	109,986	109,986
Tip asset	30/06/18	–	–	5,724	5,724
Works in progress	30/06/18	–	–	119,560	119,560
Artworks	30/06/17	–	–	12,842	12,842
Other	30/06/16	–	–	34,201	34,201
Total infrastructure, property, plant and equipment		**–**	**–**	**2,356,306**	**2,356,306**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

$ '000

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

2017		Fair value measurement hierarchy			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/17	–	–	43,428	43,428
Total financial assets		**–**	**–**	**43,428**	**43,428**
Investment property					
Commercial building	30/06/17	–	–	4,775	4,775
Total investment property		**–**	**–**	**4,775**	**4,775**
Infrastructure, property, plant and equipment					
Roads	30/06/17	–	–	543,097	543,097
Bridges	30/06/17	–	–	93,910	93,910
Footpaths	30/06/17	–	–	124,151	124,151
Stormwater	30/06/17	–	–	522,164	522,164
Plant and equipment	30/06/17	–	–	21,524	21,524
Office equipment	30/06/17	–	–	3,060	3,060
Furniture and fittings	30/06/17	–	–	1,478	1,478
Operational land	30/06/14	–	–	169,578	169,578
Community land	30/06/16	–	–	338,044	338,044
Land under roads	30/06/14	–	–	30,127	30,127
Buildings	30/06/14	–	–	190,609	190,609
Other structures	30/06/16	–	–	6,418	6,418
Swimming pools	30/06/16	–	–	7,280	7,280
Library books	30/06/16	–	–	4,358	4,358
Other open space/recreational assets	30/06/16	–	–	108,650	108,650
Tip asset	30/06/17	–	–	10,807	10,807
Works in progress	30/06/17	–	–	89,997	89,997
Artworks	30/06/17	–	–	12,369	12,369
Other	30/06/16	–	–	32,007	32,007
Total infrastructure, property, plant and equipment		**–**	**–**	**2,309,628**	**2,309,628**
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Flinders Street North Wollongong	30/06/14	–	–	6,381	6,381
Total NCA's classified as 'held for sale'		**–**	**–**	**6,381**	**6,381**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

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

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

Level 2 inputs include;

- quoted prices for similar assets in active markets,
- quoted prices for identical or similar assets in markets that are not active,
- inputs other than quoted prices that are observable (e.g. interest rates, credit spreads etc.) and
- market corroborated inputs.

Level 3 inputs are unobservable inputs. If an observable input (Level 2) requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement is categorised within Level 3 of the fair value hierarchy. Council uses unobservable inputs to the extent relevant observable inputs are not available. But the objective remains the same; i.e. an exit price from the perspective of market participants. Therefore, unobservable inputs reflect the assumptions market participants would use when pricing, including assumptions about risk. Assumptions about risk include risk inherent in a particular valuation technique and risk inherent in inputs to the technique. Such an adjustment may be necessary if there is a significant measurement uncertainty.

Unobservable inputs have been developed using the best information available, which includes Council's own data. In some cases, Council adjusts its own data if reasonable available information indicates other market participants would use different data or if there is an entity specific synergy (i.e. not available to other market participants).

Level 3 inputs include;

- Unit Rates,
- Unit Price,
- Asset Condition,
- Remaining Useful Life,
- Future Demands,
- Borrowing Rates

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial Assets

Valuation Technique – A portion of Council's investment portfolio is measured at fair value (i.e. market approach).

Fair Value Hierarchy – the fair value has been derived from the current price in an active market for similar assets. Emerald Reverse Mortgage investment securities form part of this portion of Council's portfolio. The market for Australian mortgage backed securities, regardless of the robustness of the structure, is highly illiquid as a direct consequence of the global financial crisis. This has caused difficulties in valuing the security as there is limited "price discovery" in the market. As such the level of valuation input for Council's fair valued investments was considered a Level 3.

Investment Property

Valuation Technique – Council's Investment Property is measured using sales direct comparison based on a market selling approach (i.e. market approach).

Fair Value Hierarchy - the fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre.

The level of evidence to support the critical assumptions of Council's investment property valuation was considered to be significant due to high levels of variability in the market for rental yields and future demands. As such the level of valuation input for these properties was considered level 3.

Infrastructure, Property, Plant & Equipment

Infrastructure – Council's Infrastructure incorporates;

- Roads - Surface and bases, Car Parks, Kerb and Guttering and Traffic Facilities (speed humps, bollards and signs),
- Bridges – Road, Pedestrian and Jetties,
- Footpaths including shared pathways and
- Stormwater Drainage

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Valuation Technique – Infrastructure assets are recognised using the cost method, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is to equal the amount that a market participant buyer of that asset would pay to acquire it.

Fair Value Hierarchy - the general valuation approach to determine the fair value of Council's infrastructure inventory is to determine a unit rate based on square metres or an appropriate unit corroborated by market evidence (Level 2 input). A process is then undertaken to compare these rates with internal unit rates derived by Council as a result of specific projects that have been undertaken. Further to this other input such as asset condition and useful life require a significant level of professional judgement and can impact significantly on the fair value. As such the level of valuation input for these assets was considered level 3.

Property Plant & Equipment, Office Equipment & Furniture & Fittings incorporate:

- Property, Plant & Equipment – Trucks, Tractors, Graders, Rollers, Buses, Vans, Passenger Vehicles, Mobile Equipment (i.e. generators, hand mowers, tools), Fluid storage units (i.e. septic tanks, water tanks),
- Office Equipment – Electronic Whiteboards, Printing Equipment, Safes and I.T. equipment such as computers, printers and scanners,
- Furniture & Fittings – Chairs, Tables, Filing Cabinets, Bookshelves, Compactuses,

Valuation Technique – These assets are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Operational Land

Valuation Technique – Council's Operational Land is measured using a comparative market selling approach (i.e. market approach).

Fair Value Hierarchy – the fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach is price per square metre. The level of evidence to support the critical assumptions of Council's operational land valuation was considered to be significant due to high levels of variability in the market for similar properties and future demands. As such the level of valuation input for these properties was considered level 3.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Community Land

Valuation Technique – Council's Community Land is measured using comparative Land Values (LV) provided by the Valuer General (VG) or an average unit rate based on a comparable LV for similar properties (i.e. market approach).
Fair Value Hierarchy – the fair value has been derived from the LV's provided by the Valuer General or an average unit rate based on the LV for similar properties where the Valuer General did not provide a LV. The most significant input into this valuation approach is price per square metre. Valuations provided by the Valuer General are not in the public domain and the application of an average rate requires a level of professional judgement. As such the level of valuation input for these properties was considered level 3.

Land Under Roads

Valuation Technique – Land is generally valued using comparative Land Values (LV) provided by the Valuer General (VG) or an average unit rate based on a comparable LV for similar properties (i.e. market approach).

Fair Value Hierarchy – The existing use fair value of land under roads is best expressed as undeveloped or en globo land (pre-subdivision). However, as sufficient sales evidence of en globo land with similar features to the land being valued is generally not available, it is appropriate to use a proxy to estimate the en globo value. Community land value is used as a reasonable proxy to value land under roads, as such land generally has no feasible alternative use, and it is undeveloped and is publicly accessible. As such the level of valuation input for these properties was considered level 3.

Buildings – Non-Specialised and Specialised

Valuation Technique – Buildings are recognised using the cost method, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is equal to the amount that a market participant buyer of that asset would pay to acquire it.

Fair Value Hierarchy – Specialised and Non-Specialised buildings are generally assessed at level 3 of the fair value hierarchy due to lack of market evidence. Key inputs are unit rates and remaining useful life. The exception is non-specialised residential properties which have been valued using sale prices of comparable properties (level 2). The most significant input into this valuation approach is price per square metre. The level of evidence to support the critical assumptions of Council's residential property valuation was considered to be significant due to high levels of variability in the market for rental yields and future demands. As such the level of valuation input for all buildings was considered level 3.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Intangible Assets

Valuation Technique – These assets are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Other Structures

Other Structures incorporates Bus Shelters, Shade Structures, Picnic Shelters and BBQ Shelters.

Valuation Technique – Other Structures are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Other Open Space / Recreational Assets

Other Open Space/Recreational Assets incorporate Off-road Footpaths, Park Assets including Playgrounds, Skateboard Facilities, Tennis Courts, Furniture and Landscaping and Power Poles.

Valuation Technique – Other Open Space/Recreational Assets are recognised using the cost method (e.g. Off-Road Footpaths).

Fair Value Hierarchy – while some elements of the cost method can be supported by market evidence (Level 2) other factors require professional judgement such as asset condition and useful life. As these inputs can have a significant impact on the fair value the valuation input all Other Open Space / Recreational Assets were considered level 3.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Swimming Pools – Structures

Valuation Technique – Swimming Pools and Rock Pools are valued using the cost approach, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is to equal the amount that a market participant buyer of that asset would pay to acquire it. External Valuer Ninnes Fong undertook the original valuation in 2009. An internal valuation was undertaken during the 2016 financial year.

Fair Value Hierarchy - the general valuation approach to determine the fair value of Council's swimming pool inventory is to determine a unit rate based on square metres corroborated by market evidence (Level 2 input). A process is then undertaken to compare these rates with internal unit rates derived by Council as a result of specific work that has been undertaken. Further to this other input such as asset condition and useful life require a significant level of professional judgement and can impact significantly on the fair value. As such the level of valuation input for these properties was considered level 3.

Artworks

Valuation Technique – Art Works are valued using the cost approach, which equates to the current replacement cost of a modern equivalent asset. The cost to replace the asset is to equal the amount that a market participant buyer of that asset would pay to acquire it.

Fair Value Hierarchy - the general valuation approach to determine the fair value of Council's Artworks is to use the market price or purchase price of the original transaction or if the work is in the form of a donation an external valuation is undertaken corroborated by market evidence (Level 2 input). It is noted that the valuation process requires a significant level of professional judgement and this can impact significantly on the fair value. As such the level of valuation input for artworks was considered level 3.

Library Books

Valuation Technique – These assets are recognised at depreciated historical cost as an acceptable substitute for fair value because any difference between fair value and depreciated historical cost is unlikely to be material.

Fair Value Hierarchy – The key unobservable unit to the valuation of this category is asset condition and useful life. The condition of assets is reviewed on an annual basis and an assessment of remaining life undertaken based on these results.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Other Assets

Other Assets is a catch all for the remaining assets held by Council and includes Waste Assets such as Cell Development and Liners, Public Art, Power Poles and Crematorium and Cemetery Beams and Walls.

Valuation Technique - Other Assets are recognised using the cost method.

Fair Value Hierarchy – While some elements of the cost method can be supported by market evidence (Level 2) others factors require professional judgement such as asset condition and useful life. As these inputs can have a significant impact on the fair value the valuation input all Other Assets were considered level 3.

Tip Remediation Asset

Valuation Technique – Council's Tip Remediation Asset is measured using the cost method.

Fair Value Hierarchy – Whytes Gully Waste Disposal Depot will require remediation and restoration works to be carried out during and at the end of its useful life. The cash outflows relating to these remediation and restoration works have been modelled and recognised as an asset in Note 9 of Council's statements. Key unobservable inputs are the discount rate, cost escalation rate, timing of costs and future environmental management requirements. As such the level of valuation input for Council's fair valued tip asset was considered a Level 3.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

A summary of the Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Asset Category	Valuation Frequency	Description of Process	Valuer*	Responsibility
Financial Assets	Monthly	Monthly valuation using the current price in an active market for similar assets	External	Finance Division
Investment Properties	Annually	Assessed each year for material change and adjusted accordingly	External	Property Division
Infrastructure	5 years	Full valuation using current unit rates and comparable work. Assessed each year for material change and adjusted accordingly	Internal	Infrastructure & Strategic Planning Division
Property Plant & Equipment	Annually	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Office Equipment & Furniture & Fittings	Annually	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Operational Land	5 Years	Full valuation every 5 years or index applied annually if material	External	Property Division
Community Land	5 Years	Valuer General Land Values or Average Unit Rate for similar properties if not available	Valuer General / Internal	Property / Finance Division
Land Under Roads	5 Years	Valuer General Land Values or Average Unit Rate used as proxy to derive en globo rate	Valuer General / Internal	Finance Division
Buildings – Non Specialised & Specialised	5 Years	Full valuation every 5 years or index applied annually if material	External / Internal	Infrastructure & Strategic Planning Division / Property Division

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Asset Category	Valuation Frequency	Description of Process	Valuer	Responsibility
Intangibles	5 years	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Other Structures	5 years	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Infrastructure & Strategic Planning Division
Other Open Space / Recreational Assets	5 years	Full valuation every 5 years or index applied annually if material	Internal	Infrastructure & Strategic Planning Division
Swimming Pools - Structures	5 years	Full valuation every 5 years or index applied annually if material	External / Internal	Infrastructure & Strategic Planning Division
Library Books	Annually	Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value	Internal	Finance Division
Other Assets	5 years	Full valuation every 5 years or index applied annually if material	Internal	Various
Tip Remediation Asset	Annually	Reassessment of discount rate and application to discounted cash flows if material	Internal	Finance Division

* Internal Valuation refers to the utilisation of in-house expertise to value Council's assets.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

$ '000

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

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

	Financial assets	Investment property	IPP&E	Total
Opening balance – 1/7/16	31,663	4,775	2,270,419	2,306,857
Transfers from/(to) another asset class	–	–	(6,380)	(6,380)
Purchases (GBV)	11,125	–	119,994	131,119
Disposals (WDV)	(30)	–	(7,199)	(7,229)
Depreciation and impairment	–	–	(60,671)	(60,671)
FV gains – other comprehensive income	–	–	(511)	(511)
FV gains – Income Statement	670	–	–	670
Prior period errors	–	–	(4,649)	(4,649)
Impairment (refer Note 4d)	–	–	(760)	(760)
Land remediation reversal	–	–	(315)	(315)
Transfer to expense	–	–	(300)	(300)
Closing balance – 30/6/17	**43,428**	**4,775**	**2,309,628**	**2,357,831**
Purchases (GBV)	3,348	–	114,042	117,390
Disposals (WDV)	(4,057)	–	(8,447)	(12,504)
Depreciation and impairment	–	–	(59,673)	(59,673)
FV gains – other comprehensive income	–	–	5,692	5,692
FV gains – Income Statement	443	5	–	448
Waste remediation reassessment	–	–	(4,863)	(4,863)
Transfer to expense	–	–	(73)	(73)
Closing balance – 30/6/18	**43,162**	**4,780**	**2,356,306**	**2,404,248**

	Held for sale assets	IPP&E	Total
Opening balance – 1/7/16	–	6,381	6,381
Transfers from/(to) another asset class	6,381	(6,381)	–
Closing balance – 30/6/17	**6,381**	**–**	**6,381**
Disposals (WDV)	(6,381)	–	(6,381)
Closing balance – 30/6/18	**–**	**–**	**–**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Related party transactions

$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

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

Compensation:	**2018**	**2017**
Short-term benefits	2,176	1,955
Termination benefits	–	2
Total	**2,176**	**1,957**

b. Other transactions with KMP and their related parties

Council has assessed other transactions with KMP and their related parties as not material for recognition in these statements.

c. Other related party transactions

Nature of the transaction	**Value of transactions during year**	**Outstanding balance** (incl. loans and commitments)	**Terms and conditions**
2018	$		
Associate			
Marketing, events, business and investment in LGA	1,375,691	–	Amounts provided under a funding agreement.
LGA Major Events	20,000	–	Amounts provided under a funding agreement.
Subsidised office space	146,000	–	Amounts provided under a funding agreement.
Event sponsorship & support	90,800	–	Based on specific events
Feasibility study	7,500	–	
Visitor guide	3,950	–	
Partner program	3,341	–	
Contribution to Green Bus Service Extension	3,255	–	
Commission on accommodation bookings	665	–	
Associate			
Contribution for management of the Performing Arts Centre	689,829	–	Amounts provided under a funding agreement.
Town Hall management	375,000	–	Amounts provided under a funding agreement.
Community Subsidy	22,727	–	Amounts provided under a funding agreement.
Venue Hire	10,956	–	
Ticket Purchase	9,311	–	
Town Hall - Evacuation Ushers	5,546	–	
Student Transportation	736	–	
Power Supply for event	187	–	

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Related party transactions (continued)

c. Other related party transactions (continued)

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions
2017			
			Amounts provided under a funding agreement
Associate	1,010,188	–	Marketing, events, business and investment in LGA.
	331,950	–	LGA Major events.
	146,000	–	Subsidised office space
Associate			Amounts provided under a funding agreement.
	673,175	–	Contribution for Management of the Performing Arts Centre
	350,000	–	Town Hall management.

Note 24. Events occurring after the reporting date

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. 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	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	3,910	55	–	123	–	–	**4,088**	–
Roads	(3,967)	1,857	–	(144)	(5,497)	–	**(7,751)**	–
Open space	3,568	1,645	–	147	–	–	**5,360**	–
Community facilities	738	348	–	30	–	–	**1,116**	–
Administration	(817)	5	–	(29)	(336)	–	**(1,177)**	–
Public transport	555	5	–	17	–	–	**577**	–
S7.11 contributions – under a plan	**3,987**	**3,915**	**–**	**144**	**(5,833)**	**–**	**2,213**	**–**
S7.12 levies – under a plan	**12,062**	**5,066**	**49**	**422**	**(1,333)**	**–**	**16,266**	**–**
Total S7.11 and S7.12 revenue under plans	**16,049**	**8,981**	**49**	**566**	**(7,166)**	**–**	**18,479**	**–**
S7.11 not under plans	318	9	–	10	–	–	**337**	–
S7.4 planning agreements	–	141	1,433	4	(1,433)	–	**145**	
Total contributions	**16,367**	**9,131**	**1,482**	**580**	**(8,599)**	**–**	**18,961**	**–**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - WEST DAPTO

PURPOSE	Opening balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	3,910	55	–	123	–	–	**4,088**	–
Roads	(3,967)	1,857	–	(144)	(5,497)	–	**(7,751)**	–
Open space	3,568	1,645	–	147	–	–	**5,360**	–
Community facilities	738	348	–	30	–	–	**1,116**	–
Administration	(817)	5	–	(29)	(336)	–	**(1,177)**	–
Public transport	555	5	–	17	–	–	**577**	–
Total	**3,987**	**3,915**	**–**	**144**	**(5,833)**	**–**	**2,213**	**–**

S7.12 LEVIES – UNDER A PLAN

CONTRIBUTION PLAN - WOLLONGONG

PURPOSE	Opening balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
City Wide	13,539	4,020	49	459	(1,249)	–	**16,818**	–
City Centre	(1,477)	1,046	–	(37)	(84)	–	**(552)**	–
Total	**12,062**	**5,066**	**49**	**422**	**(1,333)**	**–**	**16,266**	**–**

A The Wollongong S94A plan is a levy based plan that reflects development activity in the Local Government Area excluding areas covered by the West Dapto Section 94 Plan.

B Figures provided include amounts collected under the Section 94A Plan as well as contributions received from relevant development consents approved prior to 2006 that contained conditions for contributions to be made, under now repealed Section 94 plans. These are transferred and applied towards items within the Section 94A Plan Works schedule as the Section 94A is the replacement for the plans repealed in June 2006.

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

$ '000

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

CONTRIBUTION PLAN - CALDERWOOD

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	318	9	–	10	–	–	**337**	–
Total	**318**	**9**	**–**	**10**	**–**	**–**	**337**	**–**

A The Calderwood Urban Release Area was historically in the Shellharbour City Local Government Area. However, the Urban Release Area was later expanded during the State Government's major project approval process to include land that straddles the local government boundary, which comprises 107 hectares of land in the Wollongong Local Government Area at Marshall Mount.

B In 2013, the Land and Environment Court imposed a development contribution condition on Stage 1 of the Calderwood development within Shellharbour City Council Local Government area, requiring the payment of a contribution of $1,320 per lot to Wollongong City Council to be used towards the upgrades of Marshall Mount Road and Yallah Road. The payments reflected in the above relate to these court proceedings.

C Wollongong City Council and Lendlease Communities (Australia) Limited have entered into a Planning Agreement for the remainder of the contributions relating to the Calderwood development. No contributions have been received as a result of the Planning Agreement.

S7.4 planning agreements

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	–	141	1,433	4	(1,433)	–	**145**	–
Total	**–**	**141**	**1,433**	**4**	**(1,433)**	**–**	**145**	**–**

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 26. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Note 27(a). Statement of performance measures – consolidated results

$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	Prior periods 2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue [1] excluding capital grants and contributions less operating expenses / Total continuing operating revenue [1] excluding capital grants and contributions	7,552 / 273,201	**2.76%**	10.74%	0.87%	> 0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue [1] excluding all grants and contributions / Total continuing operating revenue [1]	241,837 / 313,838	**77.06%**	74.75%	79.55%	> 60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions [2] / Current liabilities less specific purpose liabilities [3, 4]	121,584 / 41,472	**2.93x**	2.65x	2.25x	> 1.5x
4. Debt service cover ratio					
Operating result [1] before capital excluding interest and depreciation/impairment/amortisation / Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	71,438 / 11,332	**6.30x**	8.51x	6.44x	> 2x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding / Rates, annual and extra charges collectible	9,494 / 203,728	**4.66%**	5.88%	4.79%	< 5% metro
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits / Payments from cash flow of operating and financing activities x12	114,606 / 19,670	**5.83 mths**	6.9 mths	7.3 mths	> 3 mths

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.

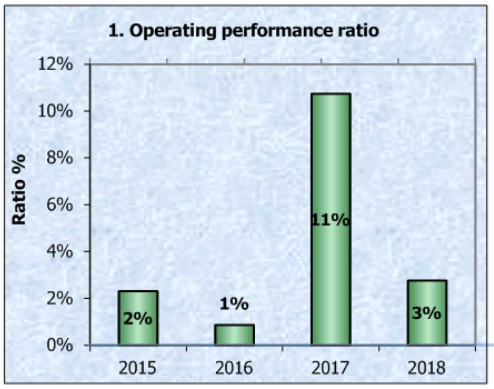
[3] Refer to Notes 13 and 14.

[4] Refer to Note 13(b) and 14(a) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

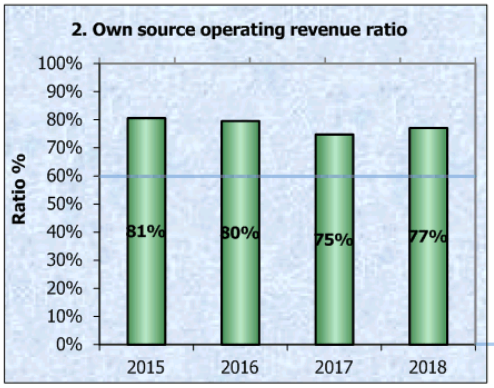
Note 27(b). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio	Commentary on 2017/18 result
	2017/18 ratio 2.76%
This ratio measures Council's achievement of containing operating expenditure within operating revenue.	The 2017 result has been favourably distorted by the early payment of the first two quarters of the 2017/18 Financial Assistance Grant ($9M) and the elimination of carbon tax liability ($4.1M) . The variation has been further impacted by election cost ($1M) and abnormal material disposal costs ($2.8M) in 2017/18. Without these abnormal variations, this indicator would be 5.2% and 5.9% for 2016/17 and 2017/18 respectively.

Benchmark: ——— Minimum >=0.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

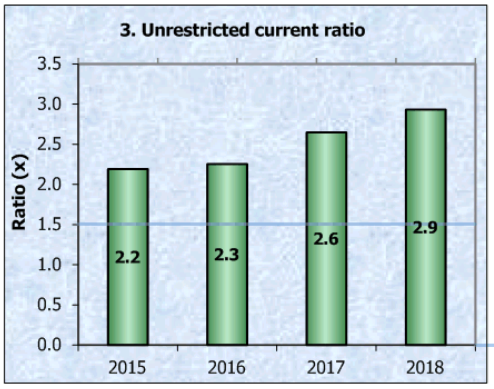
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of own source operating revenue ratio	Commentary on 2017/18 result
	2017/18 ratio 77.06%
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	This result is consistent with previous reporting periods. It is noted that total revenue includes non-cash contributed assets which fluctuate from year to year and impact this result.

Benchmark: ——— Minimum >=60.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of unrestricted current ratio	Commentary on 2017/18 result
	2017/18 ratio 2.93x
To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	1. Council's strategy is to maximise the use of available funds and target a lean unrestricted ratio. 2. Cash assets held for future waste facility requirements are held in the unrestrcited ratio. As the requirements to hold funds for waste facility rehabilitation is significant the measure is expected to increase until payments are required.

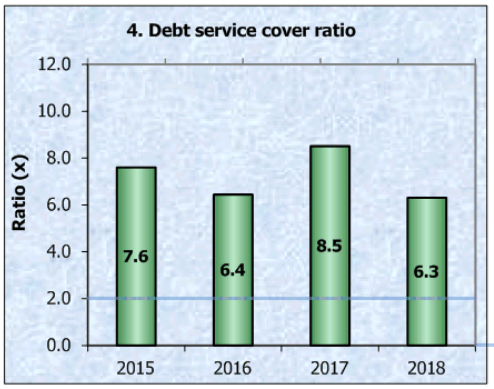
Benchmark: ——— Minimum >=1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

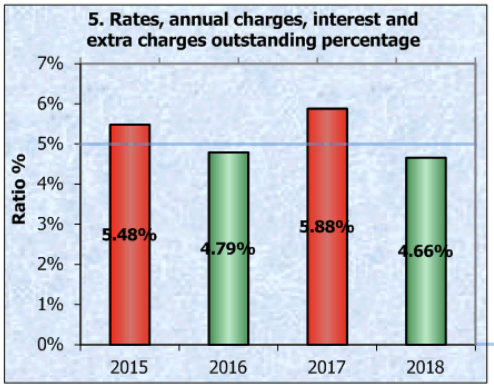
Note 27(b). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio	Commentary on 2017/18 result
	2017/18 ratio 6.30x
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments	The result indicates that Council can adequately service its outstanding debt.

Benchmark: ——— Minimum >=2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

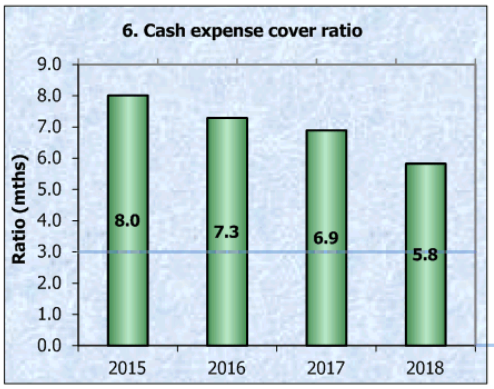
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio	Commentary on 2017/18 result
	2017/18 ratio 4.66%
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	The on-going development of improved recovery processes has continued for all classes of rate payers and this is reflected in this result. One such recovery strategy that has been implemented entails contacting the corporate ratepayers to remind them that instalments are due.

Benchmark: ——— Maximum <5.00%
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of cash expense cover ratio	Commentary on 2017/18 result
	2017/18 ratio 5.83 mths
This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.	The result of this measure reflects a high level of liquidity in Council's investment portfolio at the end of 2017/18.

Benchmark: ——— Minimum >=3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 28. Council information and contact details

Principal place of business:
41 Burelli Street
Wollongong NSW 2500

Contact details

Mailing address:
Locked Bag 8821
Wollongong NSW 2500

Opening hours:
Administration Building: 8:30am - 5:00pm

Telephone: (02) 4227 7111
Facsimile: (02) 4227 7277

Internet: www.wollongong.nsw.gov.au
Email: council@wollongong.nsw.gov.au

Officers

GENERAL MANAGER
David Farmer

RESPONSIBLE ACCOUNTING OFFICER
Brian Jenkins

PUBLIC OFFICER
Clare Phelan

AUDITORS
Audit Office of New South Wales
Level 15, 1 Margaret Street, Sydney, NSW, 2000

Other information
ABN: 63 139 525 939

Elected members

LORD MAYOR
Gordon Bradbery

COUNCILLORS
Ward 1
Leigh Colacino
Janice Kershaw
Jenelle Rimmer
Mithra Cox
Ward 2
John Dorahy
David Brown (DEPUTY LORD MAYOR)
Tania Brown
Cath Blakey
Ward 3
Chris Connor
Vicky King
Dom Figliomeni
Cameron Walters

END OF AUDITED FINANCIAL STATEMENTS

Wollongong City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

wollongong
city of innovation

SPFS 2018

Wollongong City Council

Special Purpose Financial Statements
for the year ended 30 June 2018

Contents

	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	5
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	11

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).

SPFS 2018

Wollongong City Council

Special Purpose Financial Statements
for the year ended 30 June 2018

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 year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 September 2018.

Gordon Bradbery
Lord Mayor

David Brown
Deputy Lord Mayor

David Farmer
General Manager

Brian Jenkins
Responsible Accounting Officer

SPFS 2018

Wollongong City Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Waste Disposal		Tourist Parks	
	Category 1		Category 1	
$ '000	**2018**	**2017**	**2018**	**2017**
Income from continuing operations				
User charges	28,716	29,967	6,975	6,928
Other income	516	397	128	128
Total income from continuing operations	**29,232**	**30,364**	**7,103**	**7,056**
Expenses from continuing operations				
Employee benefits and on-costs	1,755	1,624	2,639	2,591
Borrowing costs	1,989	1,894	–	–
Materials and contracts	1,533	1,464	958	1,116
Depreciation, amortisation and impairment	1,265	1,179	967	966
Loss on sale of assets	–	2	28	–
Calculated taxation equivalents	393	451	522	596
EPA levy	15,369	15,357	–	–
Other expenses	1,890	1,870	1,169	1,085
Total expenses from continuing operations	**24,194**	**23,841**	**6,283**	**6,354**
Surplus (deficit) from continuing operations before capital amounts	**5,038**	**6,523**	**820**	**702**
Surplus (deficit) from continuing operations after capital amounts	**5,038**	**6,523**	**820**	**702**
Surplus (deficit) from all operations before tax	**5,038**	**6,523**	**820**	**702**
Less: corporate taxation equivalent [based on result before capital] 27.5% for Tourist Parks and 30% for Waste Disposal	(1,511)	(1,957)	(226)	(211)
SURPLUS (DEFICIT) AFTER TAX	**3,527**	**4,566**	**594**	**491**
Plus opening retained profits	40,069	33,095	10,676	9,378
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	393	451	522	596
– Corporate taxation equivalent	1,511	1,957	226	211
Closing retained profits	**45,500**	**40,069**	**12,018**	**10,676**
Return on capital %	**19.2%**	**24.7%**	**3.4%**	**2.9%**

SPFS 2018

Wollongong City Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

	Health & Fitness		Crematorium & Cemeteries	
	Category 1		Category 1	
$ '000	**2018**	**2017**	**2018**	**2017**
Income from continuing operations				
User charges	2,628	2,617	2,296	2,697
Grants and contributions provided for non-capital purposes	16	6	–	–
Other income	96	89	11	–
Total income from continuing operations	**2,740**	**2,712**	**2,307**	**2,697**
Expenses from continuing operations				
Employee benefits and on-costs	2,353	2,294	1,468	1,496
Materials and contracts	396	303	320	335
Depreciation, amortisation and impairment	54	32	10	2
Loss on sale of assets	1	–	–	3
Calculated taxation equivalents	174	226	133	154
Other expenses	995	1,038	561	590
Total expenses from continuing operations	**3,973**	**3,893**	**2,492**	**2,580**
Surplus (deficit) from continuing operations before capital amounts	**(1,233)**	**(1,181)**	**(185)**	**117**
Surplus (deficit) from continuing operations after capital amounts	**(1,233)**	**(1,181)**	**(185)**	**117**
Surplus (deficit) from all operations before tax	**(1,233)**	**(1,181)**	**(185)**	**117**
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	–	–	(35)
SURPLUS (DEFICIT) AFTER TAX	**(1,233)**	**(1,181)**	**(185)**	**82**
Plus opening retained profits	(10,996)	(10,041)	(775)	(1,046)
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	174	226	133	154
– Corporate taxation equivalent	–	–	–	35
Closing retained profits	**(12,055)**	**(10,996)**	**(827)**	**(775)**
Return on capital %	**-29.2%**	**-27.6%**	**-3.7%**	**2.5%**
Subsidy from Council	**1,344**	**1,283**	**317**	**–**

SPFS 2018

Wollongong City Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2018

	Waste Disposal		Tourist Parks	
	Category 1		Category 1	
$ '000	**2018**	**2017**	**2018**	**2017**
ASSETS				
Current assets				
Investments	2,165	5,915	–	–
Total Current Assets	**2,165**	**5,915**	**–**	**–**
Non-current assets				
Receivables	53,277	49,521	3,663	2,087
Infrastructure, property, plant and equipment	36,680	34,040	24,210	24,444
Total non-current assets	**89,957**	**83,561**	**27,873**	**26,531**
TOTAL ASSETS	**92,122**	**89,476**	**27,873**	**26,531**
LIABILITIES				
Non-current liabilities				
Provisions	36,994	39,779	–	–
Total non-current liabilities	**36,994**	**39,779**	**–**	**–**
TOTAL LIABILITIES	**36,994**	**39,779**	**–**	**–**
NET ASSETS	55,128	49,697	27,873	26,531
EQUITY				
Accumulated surplus	45,500	40,069	12,018	10,676
Revaluation reserves	9,628	9,628	15,855	15,855
TOTAL EQUITY	55,128	49,697	27,873	26,531

SPFS 2018

Wollongong City Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2018

	Health & Fitness		Crematorium & Cemeteries	
	Category 1		Category 1	
$ '000	**2018**	**2017**	**2018**	**2017**
ASSETS				
Non-current assets				
Infrastructure, property, plant and equipment	4,224	4,278	5,021	4,608
Total non-current assets	**4,224**	**4,278**	**5,021**	**4,608**
TOTAL ASSETS	**4,224**	**4,278**	**5,021**	**4,608**
LIABILITIES				
Non-current liabilities				
Payables	13,063	12,058	3,494	3,029
Total non-current liabilities	**13,063**	**12,058**	**3,494**	**3,029**
TOTAL LIABILITIES	**13,063**	**12,058**	**3,494**	**3,029**
NET ASSETS	(8,839)	(7,780)	1,527	1,579
EQUITY				
Accumulated surplus	(12,055)	(10,996)	(827)	(775)
Revaluation reserves	3,216	3,216	2,354	2,354
TOTAL EQUITY	(8,839)	(7,780)	1,527	1,579

SPFS 2018

Wollongong City Council

Special Purpose Financial Statements
for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8

Wollongong City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the *Local Government Act 1993* (*NSW*), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

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

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality,* Council has declared that the following are to be considered as business activities:

Category 1
(where gross operating turnover is over $2 million)

a. Waste Disposal: *Manages the disposal of solid waste generated within the city.*

b. Tourist Parks: *Operation, management & development of tourist parks at Bulli, Corrimal & Windang.*

c. Health & Fitness: *Responsible for the management and upkeep of Council's Leisure Centres.*

Wollongong City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

d. Crematorium & Cemeteries: *Provision of quality crematorium, cemetery & memorial facilities & services*

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

Nil

Monetary amounts

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

(i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – **27.5% tax for an aggregated turnover under $25m; otherwise 30%**

Land tax – the first $629,000 of combined land values attracts **0%**. For the combined land values in excess of $629,001 up to $3,846,000 the rate is **1.6% + $100**. For the remaining combined land value that exceeds $3,846,000 a premium marginal rate of **2.0%** applies.

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

Income tax

An income tax equivalent has been applied on the profits of the business activities.

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5% for an aggregated turnover under $25m; otherwise 30%.

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

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

Wollongong City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

The rate applied of 27.5% or 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

$$\frac{\textbf{Operating result before capital income + interest expense}}{\textbf{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

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

Wollongong City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Wollongong City Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

Wollongong City Council

Special Schedules
for the year ended 30 June 2018

Contents

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Special Schedules [1]

Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	5
Special Schedule 7	Report on Infrastructure Assets	6

[1] Special Schedules are not audited (with the exception of Special Schedule 2).

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.

Wollongong City Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2018

$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	–	–	–	–
Administration	32,752	5,174	–	(27,578)
Public order and safety				
Fire service levy, fire protection, emergency services	5,256	521	730	(4,005)
Beach control	5,706	2	20	(5,684)
Enforcement of local government regulations	2,136	2,558	–	422
Animal control	1,461	601	–	(860)
Other	109	3	–	(106)
Total public order and safety	14,668	3,685	750	(10,233)
Health	1,433	834	–	(599)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	7,296	613	659	(6,024)
Solid waste management	37,337	45,021	–	7,684
Street cleaning	4,934	13	–	(4,921)
Drainage	13,670	1,817	267	(11,586)
Stormwater management	–	–	–	–
Total environment	63,237	47,464	926	(14,847)
Community services and education				
Administration and education	56	12	–	(44)
Social protection (welfare)	4,894	3,418	–	(1,476)
Aged persons and disabled	364	47	–	(317)
Children's services	3,667	1,689	–	(1,978)
Total community services and education	8,981	5,166	–	(3,815)
Housing and community amenities				
Public cemeteries	2,359	2,307	–	(52)
Public conveniences	709	–	–	(709)
Street lighting	3,154	684	–	(2,470)
Town planning	13,698	5,257	10,869	2,428
Other community amenities	3,294	1,560	–	(1,734)
Total housing and community amenities	23,214	9,808	10,869	(2,537)

Wollongong City Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	11,901	843	–	(11,058)
Museums	–	–	–	–
Art galleries	2,965	183	–	(2,782)
Community centres and halls	5,111	549	–	(4,562)
Performing arts venues	2,249	5	–	(2,244)
Other performing arts	–	–	–	–
Other cultural services	937	19	–	(918)
Sporting grounds and venues	4,428	567	116	(3,745)
Swimming pools	7,193	688	–	(6,505)
Parks and gardens (lakes)	18,648	810	121	(17,717)
Other sport and recreation	3,617	2,743	–	(874)
Total recreation and culture	**57,049**	**6,407**	**237**	**(50,405)**
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	–	–	–
Transport and communication				
Urban roads (UR) – local	41,093	1,646	27,190	(12,257)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	2,593	1,266	–	(1,327)
Footpaths	9,201	29	447	(8,725)
Aerodromes	–	–	–	–
Other transport and communication	837	–	–	(837)
Total transport and communication	**53,724**	**2,941**	**27,637**	**(23,146)**
Economic affairs				
Camping areas and caravan parks	5,766	7,106	–	1,340
Other economic affairs	5,186	5,872	218	904
Total economic affairs	**10,952**	**12,978**	**218**	**2,244**
Totals – functions	**266,010**	**94,457**	**40,637**	**(130,916)**
General purpose revenues (1)	–	**178,879**	–	**178,879**
Share of interests – joint ventures and associates using the equity method	–	**803**	–	**803**
NET OPERATING RESULT (2)	**266,010**	**274,139**	**40,637**	**48,766**

(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

Wollongong City Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation (1)			
Last year notional general income yield	a	160,469	157,481
Plus or minus adjustments (2)	b	854	668
Notional general income	c = (a + b)	**161,323**	**158,149**
Permissible income calculation			
Special variation percentage (3)	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	3,710	2,372
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	**165,033**	**160,521**
Plus (or minus) last year's carry forward total	l	190	30
Less valuation objections claimed in the previous year	m	(138)	–
Sub-total	n = (l + m)	**52**	**30**
Total permissible income	o = k + n	**165,085**	**160,551**
Less notional general income yield	p	165,477	160,469
Catch-up or (excess) result	q = o – p	**(392)**	**82**
Plus income lost due to valuation objections claimed (4)	r	396	138
Less unused catch-up (5)	s	–	(30)
Carry forward to next year	t = q + r – s	**4**	**190**

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 2 in the financial data return (FDR) to administer this process.

Wollongong City Council

Special Schedule 2 – Independent Auditors Report
for the year ended 30 June 2019

Report on Special Schedule 2

Insert here signed Independent Auditors Report

Special Schedules 2018

Wollongong City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance[a]	2017/18 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	3,341	677	20,536	20,011	196,916	522,996	2%	9%	86%	3%	0%
	Sub-total	**3,341**	**677**	**20,536**	**20,011**	**196,916**	**522,996**	**2.0%**	**9.0%**	**86.0%**	**3.0%**	**0.0%**
Other structures	Other structures	920	1,232	512	499	6,609	15,544	6%	18%	45%	23%	8%
	Sub-total	**920**	**1,232**	**512**	**499**	**6,609**	**15,544**	**6.0%**	**18.0%**	**45.0%**	**23.0%**	**8.0%**
Roads	Sealed roads	78,982	108,907	15,984	14,971	552,342	1,401,805	5%	10%	74%	3%	8%
	Bridges	785	1,049	1,022	957	98,526	150,163	11%	32%	50%	0%	7%
	Footpaths	1,679	3,383	2,198	2,059	135,841	279,783	14%	16%	68%	1%	1%
	Sub-total	**81,446**	**113,339**	**19,204**	**17,987**	**786,709**	**1,831,751**	**6.9%**	**12.7%**	**71.1%**	**2.4%**	**6.8%**
Stormwater drainage	Stormwater drainage	64	86	2,703	2,528	523,856	931,671	4%	13%	83%	0%	0%
	Sub-total	**64**	**86**	**2,703**	**2,528**	**523,856**	**931,671**	**4.0%**	**13.0%**	**83.0%**	**0.0%**	**0.0%**
Open space/ recreational assets	Swimming pools & Open Space/Recreation	4,093	5,795	26,006	26,926	118,740	187,226	4%	9%	71%	12%	4%
	Sub-total	**4,093**	**5,795**	**26,006**	**26,926**	**118,740**	**187,226**	**4.0%**	**9.0%**	**71.0%**	**12.0%**	**4.0%**
	TOTAL – ALL ASSETS	**89,864**	**121,129**	**68,961**	**67,951**	**1,632,830**	**3,489,188**	**5.2%**	**12.1%**	**76.4%**	**2.5%**	**3.8%**

Notes:

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

Wollongong City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

Notes:

Infrastructure asset condition assessment 'key'

(1) Cost to bring up to 'satisfactory standard' refers to the estimated cost to replace the calculated percentage of each asset type that are below satisfactory. Satisfactory standard is generally defined as condition 2 (see Asset Condition Definitions). As identified through Council's Securing our Future community engagement, for footpaths and shared paths, this is condition 3. Cost estimates are based on adopted valuation methodologies and do not generally include the cost of enhancements/upgrades to existing assets. The nominated percentage of each asset type below satisfactory standard is detailed under Condition of Public Works in the Annual Report.

(2) Required Annual Maintenance is the amount that should be spent to maintain assets in a satisfactory standard and to ensure that the estimated remaining life of the asset is achieved PLUS the new requirement to include the "operating expenses required to keep the asset in a funcitional state for community use'. During the 2016/17 financial year this process was completely reviewed to ensure inclusion o all labour and materials on all 'asset operaton' tasks.

(3) Current Annual Maintenance is the total expenditure incurred during the year to maintain assets. It also includes the actual expenditure on operational costs to keep the asset in a functional state for community use, which includes costs such as mowing, painting, lighting, cleaning, enery supply etc. It does not include operational overheads (eg. administration staff) or capital expenditure.

(4) Cost to bring to agreed service level is defined as "The proportion of the GRC that have reached the intervention level based on condition." The outstanding renewal works compared to the total replacement cost of Council assets. That is calculated as the cost of bringng condition 4 and 5 assets to condition 1.

(5) Below is a summary of asset types included in Asset Class:

Buildings: Community Facilities, Cultural Facilities, Childcare Centres, Public Toilets, Exeloos, Grandstands, Surf Life Savings Clubs, Amenities, Office/Shops, Industrial, Residences, Cabins and Leisure Centres
Roads and Road Related Assets: Road seal, base, sub-base, kerb and gutter, guardrails and traffic facilities (roundabouts, speedhumps, medians, etc)
Bridge, Boardwalks and Jetties: Road Bridges, Pedestrian Bridges, Boardwalks and Jetties
Footpaths and Cycleways: Footpaths and cycleways (excluding off road footpaths in parks)
Car parks: Surface car parks (not multi-storey) and Boat ramps
Stormwater: Pits, Pipes, Headwalls, Culverts and Riparian Assets
Recreation: Pools, Playgrounds, Sport Courts, Park Furniture, Picnic Shelters and Landscaping. Does not include non-depreciable land and earthworks

Wollongong City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

Condition of Public Assets

In assessing the condition of Public Assrts, Council has considered the existing condition and function of each asset. The results shown for the conidtion of assets within each category are an average. Therefore, a proportion of assets in each category are above and below the average result. Council recognise that the ratings scale used (as outlined below) may be different from those used by other Councils, but has been based on the rating scale in the International Infrastructure Management Manual.

Asset Condition Definition #

Rating	Status
1	As New
2	Good
3	Fair
4	Poor
5	To be replaced

Wollongong City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods 2017	Prior periods 2016	Benchmark
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio (1)					
Asset renewals (2)	53,906	**104.26%**	104.90%	92.20%	>= 100%
Depreciation, amortisation and impairment	51,703				
2. Infrastructure backlog ratio (1)					
Estimated cost to bring assets to a satisfactory standard	89,864	**5.50%**	5.72%	5.90%	< 2.00%
Net carrying amount of infrastructure assets	1,632,830				
3. Asset maintenance ratio					
Actual asset maintenance	67,951	**98.54%**	98.07%	97.40%	> 100%
Required asset maintenance	68,961				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	121,129	**3.47%**	3.68%	4.24%	
Gross replacement cost	3,489,188				

Notes

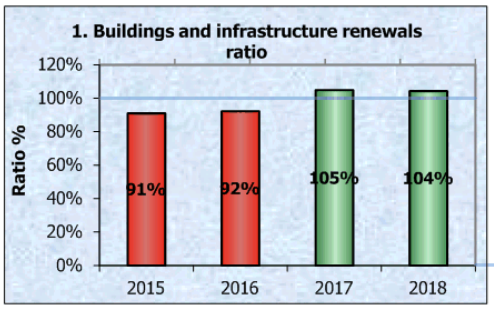
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Wollongong City Council

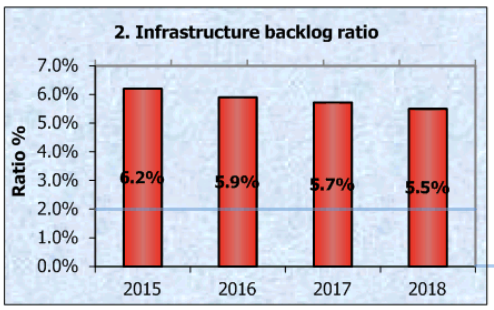
Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018



Purpose of asset renewals ratio	Commentary on 2017/18 result
	2017/18 Ratio 104.26%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	Capital renewal is calculated at an individual capital project level, providing a high degree of confidence in the renewal result. The ratio has increased above 100%. This is ideal and represents Councils allocations of rates specifically for asset renewal.

Benchmark: ——— Minimum >=100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

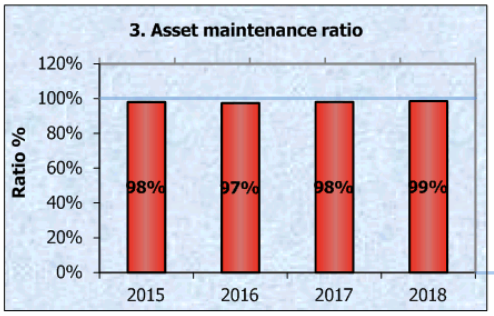
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of infrastructure backlog ratio	Commentary on 2017/18 result
	2017/18 Ratio 5.50%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	The cost to bring to satisfactory is defined as the cost difference of the written down value of the assets in condition 4 and 5, to their wrtitten down value at condition 2, with the exception of path assets to condition 3. Councils 'Securing our Future' financial review confirmed condition 3 for paths through public consultation.

Benchmark: ——— Maximum <2.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

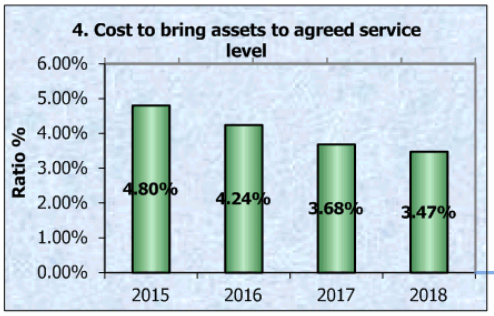
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of asset maintenance ratio	Commentary on 2017/18 result
	2017/18 Ratio 98.54%
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.	As at 2015/16 the ratio now requires the inclusion of '..operating expenses required to keep the asset in a functional state for community use..'. Council has reviewed 500 cost centres and all supporting natural accounts to improve the detail of this result. Operational required costs have been set to equal the operational actual cost.

Benchmark: ——— Minimum >100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio	Commentary on 2017/18 result
	2017/18 Ratio 3.47%
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.	This ratio is the sum of the outstanding renewal works compared to the total replacement cost of infrastructure assets. That is, the cost to renew assets in condition 4 and 5 as a proportion of the Gross Replacement Cost.

Wollongong City Council

General Purpose Financial Statements
for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 September 2018.

Gordon Bradbery
Lord Mayor
24 September 2018

David Brown
Deputy Lord Mayor
24 September 2018

David Farmer
General Manager
24 September 2018

Brian Jenkins
Responsible Accounting Officer
24 September 2018

SPFS 2018

Wollongong City Council

Special Purpose Financial Statements
for the year ended 30 June 2018

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 year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 September 2018.

Gordon Bradbery
Lord Mayor

David Brown
Deputy Lord Mayor

David Farmer
General Manager

Brian Jenkins
Responsible Accounting Officer

wollongong
city of innovation

EXECUTIVE SUMMARY

As General Manager of Wollongong City Council, I present the Annual Financial Statements for 2017-2018. These statements continue to reflect Council's transformation in recent years to an organisation that is financially stable having the capacity to manage short, medium and longer term challenges.

It is pleasing to report that Council continued the momentum gained under the Securing Our Future Program, which was finalised in 2016-2017. During 2017-2018 Council was able to continue to harness improvements and to add to the Strategic Projects restricted asset. It was also able to deliver some recurring service enhancements and accelerated some capital projects applying improvements from prior years. Also, following extensive community consultation, Council increased it's preparedness for the challenges and opportunities of future years through the development of the Wollongong 2028 Community Strategic Plan and the Our Resourcing Strategy 2018-2021.

The Income Statement shows a net operating surplus of $48.8 million compared to a surplus of $69.4 million in 2016-2017. The net operating result before capital grants and contributions, Council's external financial indicator of long term financial viability, was a surplus of $8.1 million. This compares to a surplus of $27.4 million in 2016-2017. The 2016-17 result was peculiarly high due to several one-off events. This year's result is consistent with long term financial target of achieving a small operating surplus.

Council's Balance Sheet shows the vast extent of assets managed by Council for the Community. The total value of Council's assets at 30 June 2018 was $2.57 billion. During 2017-2018, Council completed capital works of $95.9 million including the construction and acquisition of $39.4 million of new assets and $56.4 million for the renewal of existing assets. The program includes projects such as the continuation of West Dapto Access Works including the extension of Fowlers Road to Fairwater Drive, continuation of works on the Blue Mile, the Tramway sea wall, the Grand Pacific Walk and various upgrades to community centres, amenities and buildings at Council parks, gardens and sports fields across the Local Government Area.

Council maintains a strong position in cash and investments with holdings of $158 million at 30 June 2018 [$168 million in 2016-2017]. $142 million of Council's cash [$133 million in 2016-2017] is restricted in its use to specific purposes by external bodies, legislation and Council resolution.

Council's unrestricted current ratio rose slightly from 2.65:1 in 2016-2017 to 2.93:1 in 2017-2018. This ratio, which measures Council's liquidity and ability to satisfy short-term obligations, is above the Local Government Bench mark of>1.5:1. Council's strategy is to better utilise cash and target a lean unrestricted cash ratio, however, significant cash assets held for future waste facility requirements are included in this ratio. The measure is expected to increase until payments are required.

Rates and Annual Charges outstanding fell from 5.88% in 2016-2017 to 4.66% in 2017-2018, an improvement which is attributable to Council's ongoing development of improved recovery processes for all classes of rate payers. The result is also within the industry standard of <5%.

Council continues to have relatively low levels of borrowing and did not undertake any additional borrowings in 2017-2018. This contrasts to recent years where borrowings under attractive and/or subsidised terms for specific works have been sought. Low debt levels remain a financial strength of Council and add flexibility in making financial decisions for the future. The 2017-2018 debt service ratios increased slightly to 3.34% compared to 3.18% in 2016-2017. This change is the result of decreased income from continuing operations, which was impacted by the timing of the receipt of the Financial Assistance Grant year-on-year, rather than a shift in borrowing levels. This ratio remains positive in comparison to the Local Government benchmark of <10% and is within Council's financial strategy to operate within a ratio of 4%.

My thanks to all staff and external auditors who worked on the preparation of these statements.

David Farmer
General Manager
Wollongong City Council

Financial Commentary 2017-2018

2017-2018 FINANCIAL OVERVIEW

This report provides an overview of Council's 2017-2018 Financial Statements. The Financial Statements are prepared by Council to provide information in relation to Council's financial performance and position. The Statements are prepared in accordance with Australian Accounting Standards, the NSW Local Government Act 1993 and the NSW Local Government Code of Accounting Practice and Financial Reporting (Update N° 26). The Statements are independently audited by the Audit Office of NSW, reported to Council, placed on public exhibition and lodged with the Office of Local Government. The Financial Statements are made up of five key financial reports; Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows.

2017-2018 FINANCIAL OVERVIEW

The 2017-2018 financial results are positive, continuing to build on the achievements of the Securing our Future Program, achieving an operating surplus before grants and contributions for capital purposes. At the end of the reporting period the Council's financial position is financially sustainable in the short, medium and long term. Overall, Council is well placed for the future having the financial stability and capacity to manage short and medium-term challenges.

While the Securing our Future Program was officially completed in 2017, Council continued the practice developed under the Program where improvements beyond plan targets are restricted for future Strategic Projects. During the year, Council added to these restricted assets and delivered recurring service enhancements and accelerated some capital projects. These funds are allocated using Council's planning process, which encapsulates extensive community consultation.

During its first year of term, the current Council worked on developing the Wollongong 2028 Community Strategic Plan and relevantly the Our Resourcing Strategy 2018-2021. Having achieved financial sustainability under the Securing our Future Program, Council will continue to rigorously maintain financial sustainability and shift focus to deliver services more effectively, efficiently and innovatively. Alongside this it will manage the anticipated significant growth in West Dapto and associated impacts. These plans and strategies will take Council into the future by building on current strengths and addressing future challenges.

2017-2018 HIGHLIGHTS

$2.57B
Total Assets
LY $2.53B

3.34%
Debt Service Ratio
LY 3.18%

$39.4M
Capital Works - New
LY $31M

$56.4M
Capital Works - Renew
LY $59.4M

$48.8M Surplus
Net Operating Result
LY $69.5M Surplus

$8.1M Surplus
Net Operating Result Before Capital Grants & Contributions
LY $27.4M Surplus

$18.2M
Contributed Assets Recognised
LY $29.5M

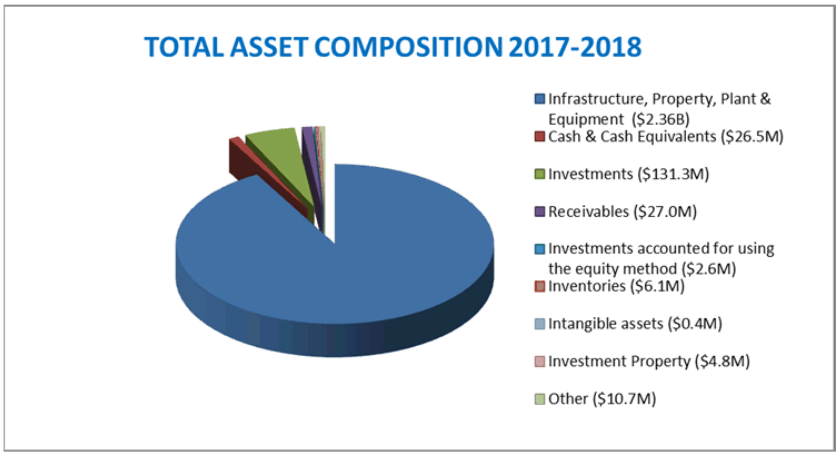
2.93:1
Unrestricted Current Ratio
LY 2.60:1

$157.8M
Cash Assets & Investments
LY $167.6M

4.66%
Rates, Annual Charges, Interest & Extra Charges Outstanding
LY 5.88%

ASSETS

Council is the custodian of community assets with a total value of $2.57B at 30 June 2018. The composition of assets at balance date is shown as follows:



Infrastructure, Property, Plant & Equipment (IPPE)

With a carrying value of $2.36B IPPE is Council's most significant asset group representing 92% of total asset value. This asset group include roads, drains, footpaths, community facilities, recreational facilities, parks and gardens.

During 2017-2018, Council achieved its target and delivered a capital works program of $95.9M including the construction and purchase of $39.4M of new assets and renewal of existing assets of $56.4M. After accounting for annual depreciation expense, the overall value of IPPE increased by $106.4M during 2017-2018. Further financial details of IPPE are shown at Note 10.

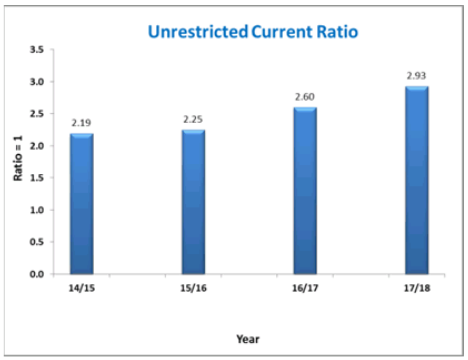
Cash and Investments

Council maintained robust levels of cash and investments, with holdings of $158M at 30 June 2018. While holdings decreased compared to last year it is noted that last year's holdings were higher than usual. Cash and investment positions over recent years are as follows:

CASH, INVESTMENTS & AVAILABLE FUNDS ($M)				
	YTD Actual 30 June 2015	YTD Actual 30 June 2016	YTD Actual 30 June 2017	YTD Actual 30 June 2018
TOTAL CASH & INVESTMENTS	144.656	154.025	167.577	157.768
Less Restrictions:				
External	77.693	75.276	75.788	74.192
Internal	41.960	55.377	57.379	68.129
AVAILABLE CASH	25.003	23.372	34.410	15.447
Adjusted for :				
Current payables	(40.408)	(40.626)	(41.617)	(30.010)
Receivables	26.422	24.487	34.211	37.702
AVAILABLE FUNDS	11.017	7.233	27.004	23.139

Council's cash and investment position is robust at face-value; however these funds are subject to restriction. Council's true cash position is more accurately depicted by considering available funds which are uncommitted and not subject to restriction. External restrictions are funds held by Council that must be spent for a specific purpose and cannot be used by Council for general operations. Internal restrictions are funds that Council has determined will be used for a specific future purpose.

At 30 June 2018, Council achieved an available funds position of $23.1M, which is significantly higher than the Financial Strategy target range of 3.5% to 5.5% of operational revenue (pre-capital) or $9.6M - $15.1M. The result at balance date was uplifted by the early receipt of the first two instalments of the Financial Assistance Grant for 2018-2019 totalling $9.5M.



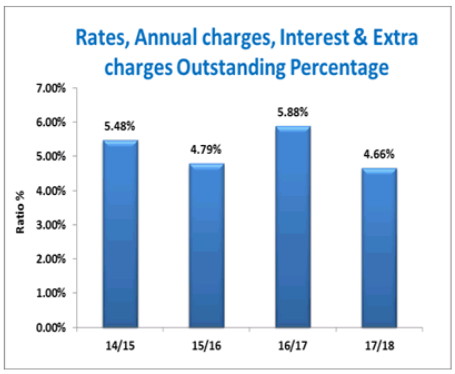
Measures: Cash/Liquidity Position or Council's ability to satisfy obligations in the short term from its unrestricted activities.

Strategy: Council's strategy is to maximise the use of available funds for asset renewal by targeting a lean Unrestricted Current Ratio. Cash assets held for future waste facility requirements are captured in this ratio. As these amounts are significant, this ratio is expected to increase until payments are required.

Performance: Council's performance is on par with the Local Government Benchmark of >1.5:1 and it is reflective of a deliberate strategy to better utilise cash.

Receivables

Receivables are the amount of money that is owed to Council or funds that Council has paid in advance. At 30 June 2018, receivables totalled $27M, an increase of $3.5M compared to the 2016-2017 reporting period. The fluctuation is related to an increase in Government Grants and Subsidies receivable, which is partially offset by a decrease in Rates and Annual Charges Outstanding. Full details of receivables are provided in Note 7.

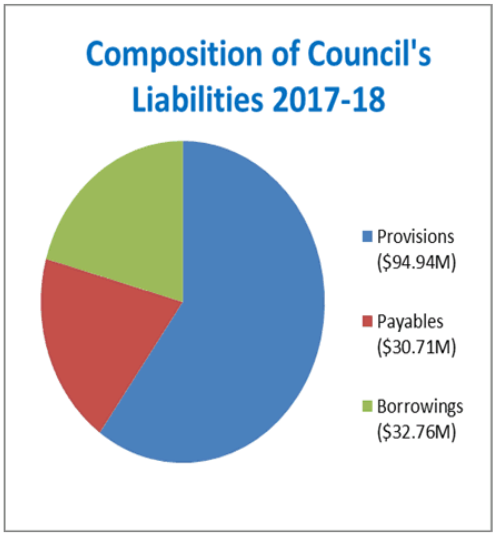


Measures: The impact of uncollected rates and other charges on liquidity and the adequacy of recovery efforts.

Target: Industry standard of <5%.

Performance: Council's Debt Recovery Policy has produced a result which exceeds target and performance in recent years. This is the result of an improved debt recovery process for all classes of rate payers implemented over the last several years.

LIABILITIES



At 30 June 2018 Council's Total Liabilities were $158.4M. The composition of Council's Total Liabilities is shown below.

Provisions: Account for 59.9% of Council's Liabilities with the most significant provisions relating to Employee Leave Entitlements [$47.9M], Waste Depot Remediation Provision [$41.3M], Workers' Compensation Provision [$4.9M] and Self-Insurance [$0.8M].

Payables: Account for 19.4% of Council's Liabilities. The most significant payables being goods and services received and capital expenditure incurred but not yet paid for, and accrued expenditure.

Borrowings: Account for 20.7% of Council's Liabilities and relate to the interest free Infrastructure Loan from the State Government secured in 2010 and the subsidised Local Infrastructure Renewal Scheme Programs (1, 2 and 3) secured over the previous five financial years.

Provisions

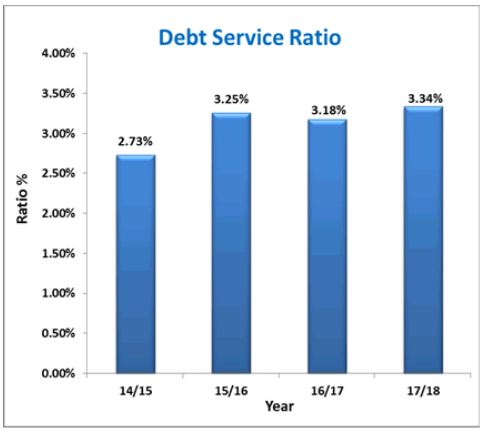
Provisions decreased during 2017-2018 by $2M. The decrease is mainly attributable to decreased valuation for future remediation works at Whytes Gully waste facility [$2.9M] offset by increased Workers' Compensation [$0.7M].

Borrowings

Council continues to remain a relatively low debt user. In 2017-2018 Council did not undertake additional borrowings, all activity related to the repayment of previously secured loans.

In prior years Council took advantage of borrowing opportunities enabling it to accelerate specific capital programs. The loan facilities which Council has in place include an interest free infrastructure loan from the NSW State Government for West Dapto Access Works, which was secured in 2010 for a 10 year term which will continue to be repaid over the next three years.

Council also has subsidised loans under the Local Government Infrastructure Renewal Scheme (LIRS). Funds were secured under LIRS rounds 1, 2 and 3. The projects funded under round 1 (Citywide Footpaths and Shared Path Renewal and Missing Links Construction Program) and round 2 (Upgrade Berkeley and Corrimal Community Centres and Thirroul Pavilion and Kiosk) are complete. The project funded by the round 3 applications, (the West Dapto Access Project to construct Fowlers Road to Fairwater Drive) is still active. Repayment of LIRS loans will continue in accordance with the various payment schedules until 2025.



Measures: The proportion of revenues that is required to meet Council's annual loan repayments.

Target: Council's Financial Strategy allows for a ratio of 4%.

Performance: A low level of debt is reflected in Council's Debt Service Ratio of 3.34%. This is exceptionally low in comparison to the Local Government benchmark ratio of <10%, and is within Council's own Strategy.

The Debt Service Ratio increased slightly in the 2017-2018 reporting period. This is due to a decrease in Council's income from continuing operations.

Operational Performance - Income & Expenses

Council achieved a Net Operating Surplus from Continuing Operations of $48.8M in 2017-2018 in comparison to a Surplus of $69.5M in 2016-2017. Council's underlying measure of long term operational performance, the Operational Result before Capital Grants and Contributions, is a surplus of $8.1M, compared to a surplus of $27.4M in 2016-2017. The 2017-2018 result compares favourably to the original budget and meets Council's long term financial target of achieving a small surplus. The decrease on prior year result is due to several one-off events that occurred in 2016-2017.

Income

Council's Income from Continuing Operations for 2017-2018 was $314.8M compared to a prior year result of $324.5M. Although there was an increase in Rates & Annual Charges of $6.9M, decreases in other revenue categories combined to offset this and cause an overall decrease, including:

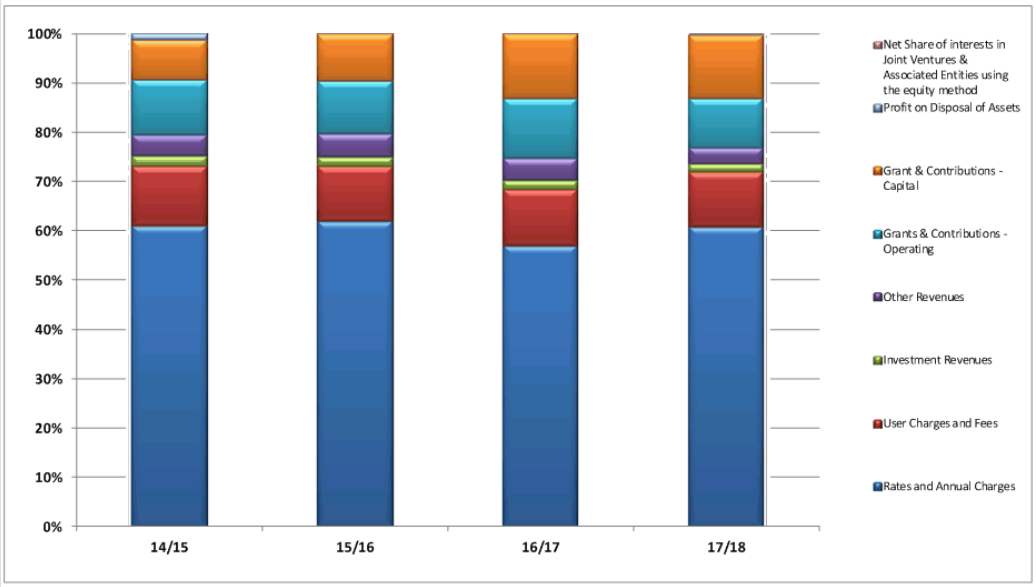
- Decreased grants & contributions operating [$8.3M] due to the timing of Financial Assistance Grant receipts from the Federal Government. The equivalent of a full year grant was received in 2017-2018 compared to one and a half years grant in 2016-2017.
- Decreased other revenues [$3.9M] as 2016-2017 included recognition of a one off rebate for the cessation of the Carbon Tax Legislation of $4.2M.
- Decreased user fees and charges [$2.7M] mainly associated with lower revenue at Whytes Gully Waste Facility the result of reduced use by major commercial customers.
- Decreased Grants and Contributions Capital [$1.4M] due to a lower level of subdivision dedications which are impacted by the timing of development activity, largely offset by an

increase in capital grants due to funding for West Dapto Infrastructure in particular for Fowlers Road.

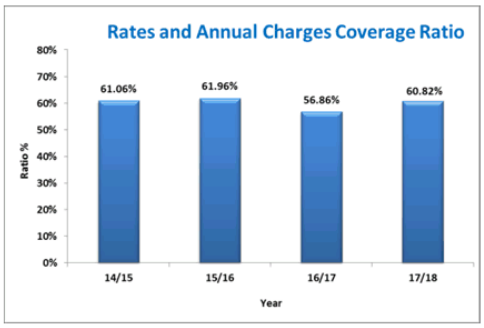
The composition of Council's revenue remained reasonably consistent compared to previous years as depicted in the table below. Exceptions include Rates and Annual Charges which increased in its portion of total income from continuing operations [from 57% to 61%] in favour of Grants and Contributions Capital which decreased [from 12% to 10%] its portion of total income from continuing operations. It is noted that Council does not control the flow of asset dedications by developers and contributions vary from year to year.

REVENUE SOURCES

INCOME FROM CONTINUING OPERATIONS	Year ended 30/06/2015 $'000	%	Year ended 30/06/2016 $'000	%	Year ended 30/06/2017 $'000	%	Year ended 30/06/2018 $'000	%
Rates & Annual Charges	166,849	61%	174,149	62%	184,530	57%	191,449	61%
User Charges & Fees	32,851	12%	31,252	11%	37,491	12%	34,805	11%
Interest & Investment Revenues	5,689	2%	5,597	2%	5,909	2%	5,162	2%
Other Revenues	11,965	4%	12,891	5%	14,418	4%	10,551	3%
Grants & Contributions - Operating	30,319	11%	30,461	11%	39,639	12%	31,364	10%
Grants & Contributions - Capital	22,033	8%	26,548	9%	42,022	13%	40,637	13%
Profit on Disposal of Assets	3,533	1%	0	0%	0	0%	5	0%
Net Share of interests in Joint Ventures & Associated Entities using the equity method	0	0%	150	0%	525	0%	803	0%
Total Income from Continuing Operations	**273,239**	**100%**	**281,048**	**100%**	**324,534**	**100%**	**314,776**	**100%**



Income from Rates and Annual Charges, Council's largest revenue stream, totalled $191.5M in 2017-2018, an increase of $6.9M on the prior year. The increase is due to indexation and an increase in residential rates resulting from subdivision growth in West Dapto and an increase in multi-unit developments. In addition, there was also an increase in revenue from domestic waste management that is partly due to a discount in 2016-2017 charges for carbon tax payments collected in previous years and increased costs of providing the service and growth in services as the City continues to grow.

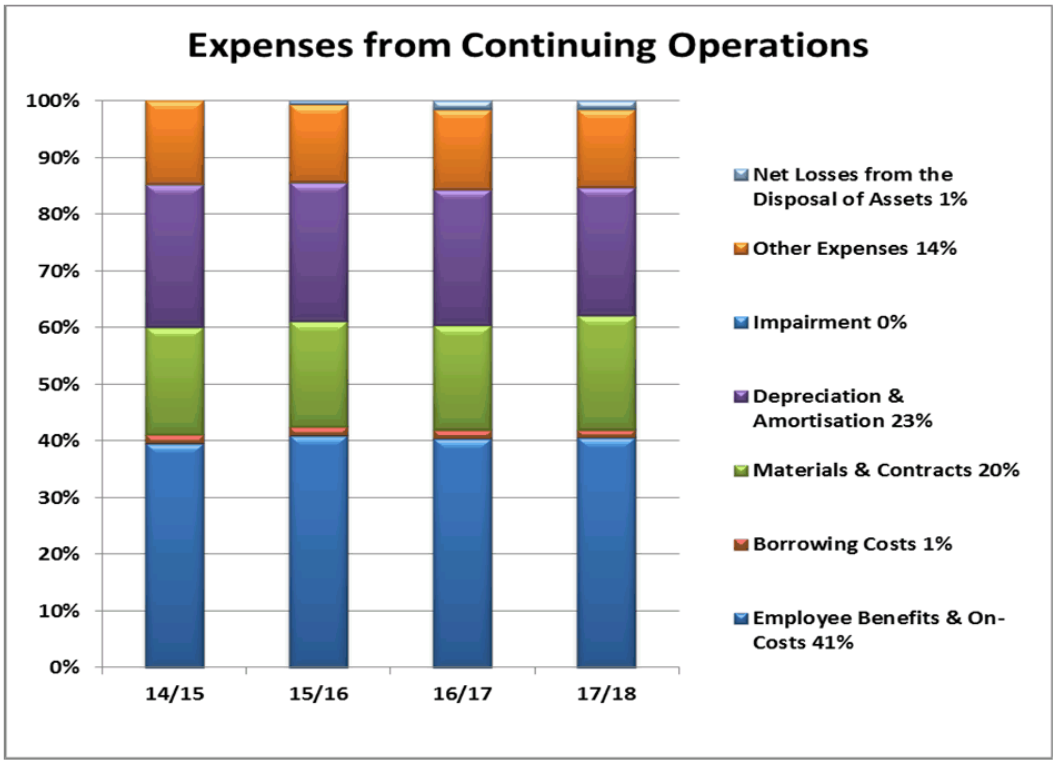


Measures: The degree of Council's dependence upon revenue from rates and annual charges and the security of Council's income.

Performance: In this ratio indicates an increased level of dependence on rates and annual charges revenue compared to last year. It is noted that this year's performance is in line with the years prior to 2016-2017 and last year's result was skewed by an increase in the flow of developer contributions which did not recur this year. As predicted, this ratio is subject to some fluctuation, and the current year performance is as expected.

Expenses

Expenses from Continuing Operations for 2017-2018 totalled $266M, an increase on prior year expenditure of $10.9M. This increase can predominately be explained by Materials and Contracts rising from $47M in 2016-2017 to $53.8M in 2017-2018 alongside the $4.7M increase in Employee Benefits and On-Costs. This is partly due to impact of normal price increases such as enterprise agreement rises as well as an increase in volume of specific projects undertaken that required additional resources. In terms of composition, the proportion of each expenditure category against total expenses from continuing operations has remained consistent compared to prior years. Material budget variations from the 2017-2018 year for income and expenditure items are detailed in Note 21 of the statements.



Wollongong City Council

Historical Financial Data

Income Statement

	Notes	Actual 2014/15 $'000	Actual 2015/16 $'000	Actual 2016/17 $'000	Actual 2017/18 $'000
Income from Continuing Operations					
Revenue:					
Rates & Annual Charges	3a	166,849	174,149	184,530	191,449
User Charges & Fees	3b	32,851	31,252	37,491	34,805
Interest and Investment Revenue	3c	5,689	5,597	5,909	5,162
Other Revenues	3d	11,965	12,891	14,418	10,551
Grants & Contributions provided for Operating Purposes	3e,f	30,319	30,461	39,639	31,364
Grants & Contributions provided for Capital Purposes	3e,f	22,033	26,548	42,022	40,637
Other Income:					-
Net Gains from the Disposal of Assets	5	3,533	-	-	-
Fair Value Increment on Investment Property	11	-	-	-	5
Profit from interests in Joint Ventures & Associates		-	-	-	-
Entities using the equity method	17	-	150	525	803
Total Income from Continuing Operations		**273,239**	**281,048**	**324,534**	**314,776**
Expenses from Continuing Operations					
Employee Benefits & On-Costs					
Employee Benefits & On-Costs	4a	95,399	103,547	103,139	107,843
Borrowing Costs	4b	4,037	4,223	4,071	3,819
Materials & Contracts	4c	45,647	47,144	47,032	53,709
Depreciation & Amortisation	4d	60,763	61,882	61,271	60,067
Impairment	4d	-	6	-	-
Other Expenses	4e	35,777	34,782	35,594	36,667
Net Losses from the Disposal of Assets	5	-	1,627	3,960	3,905
Loss from interests in Joint Ventures & Associates	19	22	-		-
Total Expenses from Continuing Operations		**241,645**	**253,211**	**255,067**	**266,010**
Operating Result from Continuing Operations		**31,594**	**27,837**	**69,467**	**48,766**
NET OPERATING RESULT FOR THE YEAR		**31,594**	**27,837**	**69,467**	**48,766**
Less:					
Grants & Contributions provided for Capital Purposes	3e,f	22,033	26,548	42,022	40,637
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		**9,561**	**1,289**	**27,445**	**8,129**

This Statement is to be read in conjunction with the Notes in the body of the financial statements.

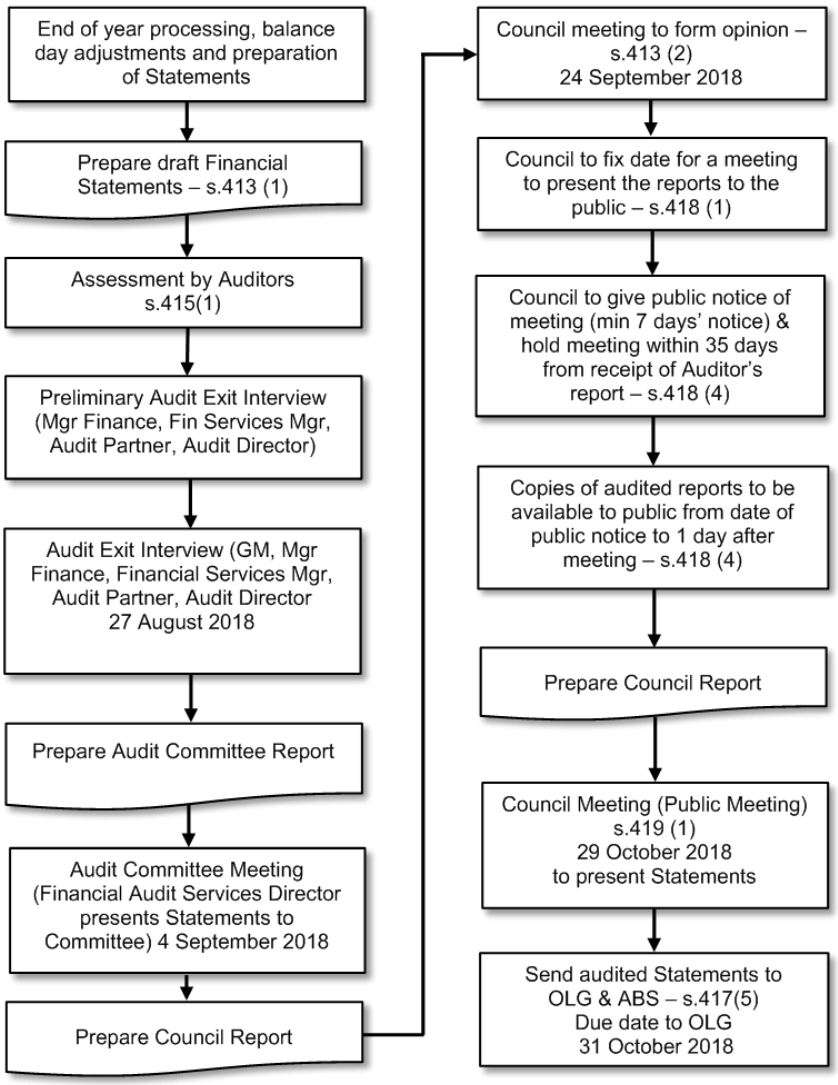
Wollongong City Council

Historical Financial Data

Statement of Financial Position

	Notes	Actual 2014/15 $'000	Actual 2015/16 $'000	Actual 2016/17 $'000	Actual 2017/18 $'000
ASSETS					
Current assets					
Cash & cash equivalents	6a	33,580	17,747	23,534	26,491
Investments	6b	102,076	126,193	119,458	109,162
Receivables	7	22,109	21,280	23,531	27,036
Inventories	8	6,040	6,027	6,089	6,141
Other	8	4,313	3,207	10,680	10,666
Assets held for sale (previously non-current)	9	-	-	6,381	-
Total current assets		**168,118**	**174,454**	**189,673**	**179,496**
Non-current assets					
Cash assets	6a	-	-	-	-
Investments	6b	9,000	10,085	24,585	22,115
Receivables	7	-	-	-	-
Inventories	8	-	-	-	-
Infrastructure, property, plant & equipment	10	2,250,472	2,270,419	2,314,277	2,356,306
Investments accounted for using the equity method	17	1,160	1,310	1,835	2,638
Investment property	11	2,750	4,775	4,775	4,780
Intangible assets	12	1,220	1,043	653	388
Non-current assets classified as 'held for sale'		-	-		
Other		-	-	-	-
Total non-current assets		**2,264,602**	**2,287,632**	**2,346,125**	**2,386,227**
TOTAL ASSETS		**2,432,720**	**2,462,086**	**2,535,798**	**2,565,723**
LIABILITIES					
Current liabilities					
Payables	13	34,039	34,238	38,660	26,754
Income received in advance	13	6,369	3,194	2,957	3,256
Interest bearing liabilities	13	47,487	6,690	7,513	7,716
Provisions	14	-	50,683	48,853	50,377
Total current liabilities		**87,895**	**94,805**	**97,983**	**88,103**
Non-current liabilities					
Payables	13	-	-	-	700
Interest bearing liabilities	13	39,758	33,940	32,188	25,039
Provisions	14	42,554	44,031	48,121	44,566
Total non-current liabilities		**82,312**	**77,971**	**80,309**	**70,305**
TOTAL LIABILITIES		**170,207**	**172,776**	**178,292**	**158,408**
NET ASSETS	**$**	**2,262,513**	**2,289,310**	**2,357,506**	**2,407,315**
EQUITY					
Retained earnings	15	1,251,040	1,302,643	1,389,905	1,441,990
Revaluation reserves	15	1,011,473	986,667	962,952	965,325
Council Equity Interest		**2,262,513**	**2,289,310**	**2,352,857**	**2,407,315**
Minority Equity Interest		-	-	-	-
TOTAL EQUITY	**$**	**2,262,513**	**2,289,310**	**2,352,857**	**2,407,315**

This Statement is to be read in conjunction with the Notes in the body of the financial statements..

Wollongong City Council

Flowchart of the Annual Financial Statements Approval Process