

**ITEM 15 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**PRESENTER: Audit Office of NSW – Financial Statements**

Council officers have prepared the draft 2018-2019 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, Risk and Improvement Committee on 17 September 2019. At that meeting, the Audit, Risk and Improvement 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 2019.

### RECOMMENDATION

- 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 + Engaged City

### ATTACHMENTS

- 1 Annual Financial Statements 2018-2019
- 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 2018-2019
- 6 Flowchart of the Annual Financial Statement Approval and Audit Process

### 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, Risk and Improvement 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 overview 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, 9 October 2019.

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 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.

A set of draft Financial Statements were presented to the Audit, Risk and Improvement Committee on 17 September 2019. At the meeting, the Audit, Risk and Improvement Committee resolved:

- 1 The draft Annual Financial Statements for the year ended 30 June 2019 were noted and accepted.
- 2 The General Purpose Financial Reports be recommended to Council for endorsement and the signing of the Statement by the Lord Mayor, Deputy Lord Mayor and Management, made pursuant to Section 413[2][c] of the Local Government Act 1993 (as amended).
- 3 The Special Purpose Financial Reports be recommended to Council for endorsement and the signing of the Statement by the Lord Mayor, Deputy Lord Mayor and Management, made pursuant to the Local Government Code of Accounting Practice and Financial Reporting.

Through their review of the draft Financial Statements the Audit, Risk and Improvement Committee made the following recommendations:

- Minor updates to formatting and grammar in the Executive Summary and Financial Commentary (page 9).
- Additional detail in the financial overview within the Financial Commentary to explain the results and the nature of the one-off transactions causing the deficit in the Net Operating Result Before Capital Grants and Contributions (page 1).

- Disclosures to explain the larger variances in the Notes to the Financial Statements (Note 3b, Note 4a & Note 5).

Executive, senior managers and significant senior officers were requested to ensure that all relevant information with regards to the 2018-2019 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 Our Wollongong 2022 goal 'We are a connected and engaged community'. It specifically delivers on the following:

Community Strategic Plan Strategy	Delivery Program 2018-2021 3 Year Action	Operational Plan 2019-20 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; and
- 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 2 September 2019 as part of the Draft Quarterly Review Statement June 2019. The Annual Financial Statements 2018/19 reflect the following variances to the preliminary pre-audit result:

- A late adjustment of \$10 thousand increasing expenses from continuing operations.
- Rates and annual charges income includes the pensioner subsidies received within the Financial Statements which were reported under Grants & Contributions in the Quarterly Review Statement. This is the result of a change in reporting requirements for the Financial Statements.

The Financial Statements for 30 June 2019 shows a positive operating result when compared to original budget however changes to the budget during the year resulted in an unfavourable operating result compared to the current budget as reported through the Draft Quarterly Review Statement. The Operating Result [pre capital] has been impacted by a number of large abnormal transactions primarily related to accounting treatment and valuation of employee liabilities. Large variations in this result are associated with the application of revised discount factors reflecting current interest expectations that have contributed to an increase in valuation of employee leave liabilities (\$5.2M), the reassessment of prior year workers' compensation claims to reflect broader community valuation trends (\$2.0M), the reclassification of capital expenditure as operational (\$1.7M) and asset disposal costs relating to the replacement of infrastructure assets (\$6.8M).

## 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.

# Wollongong City Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# Wollongong City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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## Wollongong City Council

Financial Statements 2019

### General Purpose Financial Statements for the year ended 30 June 2019

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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](http://www.wollongong.nsw.gov.au).

## Wollongong City Council

Financial Statements 2019

### General Purpose Financial Statements for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 23 September 2019.

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Gordon Bradbery  
Lord Mayor  
23 September 2019

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David Brown  
Deputy Lord Mayor  
23 September 2019

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Greg Doyle  
General Manager  
23 September 2019

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Brian Jenkins  
Responsible Accounting Officer  
23 September 2019

## Wollongong City Council

Financial Statements 2019

### Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
197,686		3a	199,524	193,429
34,967		3b	32,793	34,805
4,572		3c	5,069	5,162
10,062		3d	12,125	10,551
19,837		3e, 3f	28,856	29,384
53,752		3e, 3f	59,656	40,637
<u>Other income:</u>				
–		11	220	5
–		17	291	803
320,876			338,534	314,776
<b>Expenses from continuing operations</b>				
112,838		4a	122,445	107,843
3,310		4b	3,337	3,819
55,983		4c	57,432	53,709
64,508		4d	61,781	60,067
37,360		4e	34,571	40,211
–		5	6,856	361
273,999			286,422	266,010
46,877			52,112	48,766
46,877			52,112	48,766
46,877			52,112	48,766
(6,875)			(7,544)	8,129

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

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

## Wollongong City Council

Financial Statements 2019

### Statement of Comprehensive Income for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>52,112</b>	<b>48,766</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	196,818	5,692
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>196,818</b>	<b>5,692</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		(32)	-
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>(32)</b>	<b>-</b>
<b>Total other comprehensive income for the year</b>		<b>196,786</b>	<b>5,692</b>
<b>Total comprehensive income for the year</b>		<b>248,898</b>	<b>54,458</b>
Total comprehensive income attributable to Council		248,898	54,458

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

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

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## Wollongong City Council

Financial Statements 2019

### Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	25,187	26,491
Investments	6(b)	114,579	109,162
Receivables	7	36,620	27,036
Inventories	8a	337	306
Other	8b	11,879	10,666
<b>Total current assets</b>		<u>188,602</u>	<u>173,661</u>
<b>Non-current assets</b>			
Investments	6(b)	15,056	22,115
Inventories	8a	5,948	5,835
Infrastructure, property, plant and equipment	10	2,565,095	2,317,081
Investment property	11a	5,000	4,780
Intangible assets	12	440	388
Investments accounted for using the equity method	17	2,929	2,638
<b>Total non-current assets</b>		<u>2,594,468</u>	<u>2,352,837</u>
<b>TOTAL ASSETS</b>		<u>2,783,070</u>	<u>2,526,498</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	30,006	26,754
Income received in advance	13	5,014	3,256
Borrowings	13	7,934	7,716
Provisions	14	58,214	50,377
<b>Total current liabilities</b>		<u>101,168</u>	<u>88,103</u>
<b>Non-current liabilities</b>			
Payables	13	385	700
Borrowings	13	17,497	25,039
Provisions	14	47,054	44,566
<b>Total non-current liabilities</b>		<u>64,936</u>	<u>70,305</u>
<b>TOTAL LIABILITIES</b>		<u>166,104</u>	<u>158,408</u>
<b>Net assets</b>		<u>2,616,966</u>	<u>2,368,090</u>
<b>EQUITY</b>			
Accumulated surplus	15a	1,463,845	1,411,338
Revaluation reserves	15a	1,153,065	956,752
Other reserves	15a	56	-
<b>Council equity interest</b>		<u>2,616,966</u>	<u>2,368,090</u>
<b>Total equity</b>		<u>2,616,966</u>	<u>2,368,090</u>

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

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

## Wollongong City Council

Financial Statements 2019

### Statement of Changes in Equity for the year ended 30 June 2019

\$ '000	Notes	2019				2018 <sup>1</sup>			
		Accumulated surplus	IPP&E revaluation reserve	Investment Revaluation Reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Investment Revaluation Reserve	Total equity
Opening balance		1,411,338	956,752	–	2,368,090	1,389,905	962,952	–	2,352,857
Correction of prior period errors	15b	–	–	–	–	(30,652)	(8,573)	–	(39,225)
Adoption of new accounting standards – not retrospective	15c	(110)	–	88	(22)	–	–	–	–
<b>Restated opening balance</b>		<b>1,411,228</b>	<b>956,752</b>	<b>88</b>	<b>2,368,068</b>	<b>1,359,253</b>	<b>954,379</b>	<b>–</b>	<b>2,313,632</b>
Net operating result for the year		52,112	–	–	52,112	48,766	–	–	48,766
<b>Restated net operating result for the period</b>		<b>52,112</b>	<b>–</b>	<b>–</b>	<b>52,112</b>	<b>48,766</b>	<b>–</b>	<b>–</b>	<b>48,766</b>
<b>Other comprehensive income</b>									
– Gain (loss) on revaluation of IPP&E	10	–	196,818	–	196,818	–	5,692	–	5,692
– Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		–	–	(32)	(32)	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>196,818</b>	<b>(32)</b>	<b>196,786</b>	<b>–</b>	<b>5,692</b>	<b>–</b>	<b>5,692</b>
<b>Total comprehensive income</b>		<b>52,112</b>	<b>196,818</b>	<b>(32)</b>	<b>248,898</b>	<b>48,766</b>	<b>5,692</b>	<b>–</b>	<b>54,458</b>
Transfers between equity items		505	(505)	–	–	3,319	(3,319)	–	–
<b>Equity – balance at end of the reporting period</b>		<b>1,463,845</b>	<b>1,153,065</b>	<b>56</b>	<b>2,616,966</b>	<b>1,411,338</b>	<b>956,752</b>	<b>–</b>	<b>2,368,090</b>

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

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

## Wollongong City Council

Financial Statements 2019

### Statement of Cash Flows for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
197,421			198,536	193,451
34,967			35,009	35,362
4,572			4,859	5,426
63,420			74,808	50,700
9,598			3,060	591
–			25,603	23,198
<u>Payments</u>				
(110,458)			(116,018)	(107,925)
(92,522)			(76,382)	(65,774)
(1,089)			(1,096)	(1,263)
–			(907)	(1,543)
–			(33,844)	(52,022)
105,909		16b	113,628	80,201
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
(205)			61,106	67,557
1,795			1,920	10,923
<u>Payments</u>				
–			(59,267)	(54,661)
(97,962)			(110,578)	(93,506)
–			(113)	(44)
–			(285)	–
(96,372)			(107,217)	(69,731)
<b>Cash flows from financing activities</b>				
<u>Payments</u>				
(7,692)			(7,715)	(7,513)
(7,692)			(7,715)	(7,513)
1,845			(1,304)	2,957
131,797		16a	26,491	23,534
133,642		16a	25,187	26,491
Additional Information:				
–		6(b)	129,635	131,277
133,642			154,822	157,768

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 23 September 2019. 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.

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

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019. Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 15.

#### (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:

- estimated fair values of investment properties – refer Note 11
- estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- estimated tip remediation provisions – refer Note 14
- employee benefit provisions – refer Note 14.

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

- Impairment of receivables

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

##### Monies and other assets received by Council

###### (a) The Consolidated Fund

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

###### (b) The Trust Fund

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

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

The following Trust monies and properties are held by Council but 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 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

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

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

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

###### AASB 16 Leases

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

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

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

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1 July 2019). Further investigation of the waste services contracts in consultation with suppliers is required to determine potential inclusion.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$1,273,319 - refer Note 18.

No portion of these commitments relate to short-term leases or low value leases.

Council anticipates it will recognise lease liabilities (on its balance sheet) of \$1,148,929 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totalling \$1,148,929 on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets (as at 1 July 2019) will remain unchanged, while net current assets will be \$335,056 lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will be unchanged for the year ending 30 June 2020 as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$1,148,929 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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

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

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

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

The changes in revenue recognition requirements in AASB15 may cause changes to the timing of revenue recorded in the financial statements as well as additional disclosures. The new standard requires that revenue received under a contract with sufficiently specific performance obligations be recognised when control of the goods or services are transferred to the customer. Where revenue is not connected to a contract with sufficiently specific performance obligations, it will generally be recognised upon receipt. Currently revenue is recognised when it is received, and where income is received in arrears an accrual is made by reference to the stage of completion of the transaction.

#### **AASB 1058 Income of NFP Entities**

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

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

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

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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

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

It is anticipated that the adoption of AASB 1058 may impact the timing of income recognition relating to some capital grants. Council will also be required to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. Currently volunteer services are not recognised.

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

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

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

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Planning and engagement	27,520	13,355	28,058	26,099	(538)	(12,744)	273	1,369	258,471	269,637
Environment	49,350	48,375	61,691	62,198	(12,341)	(13,823)	2,941	1,470	470,695	354,251
Transport services/infrastructure	29,491	17,113	50,189	48,466	(20,698)	(31,353)	26,623	14,130	476,782	430,258
Community services/facilities	8,155	9,033	33,661	32,730	(25,506)	(23,697)	4,732	4,758	37,374	31,089
Recreation and open space	13,954	12,274	47,796	45,762	(33,842)	(33,488)	367	209	79,719	93,723
Regulatory services and safety	8,241	8,417	19,284	18,574	(11,043)	(10,157)	476	521	1,527	1,641
Governance and internal services	194,427	188,042	45,743	32,181	148,684	155,861	16,983	17,281	1,458,502	1,345,899
Contributed Assets	7,396	18,167	–	–	7,396	18,167	–	–	–	–
<b>Total functions and activities</b>	<b>338,534</b>	<b>314,776</b>	<b>286,422</b>	<b>266,010</b>	<b>52,112</b>	<b>48,766</b>	<b>52,395</b>	<b>39,738</b>	<b>2,783,070</b>	<b>2,526,498</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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

##### **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

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	115,655	112,264
Farmland	313	302
Mining	914	897
Business	46,927	45,436
Less: pensioner rebates (mandatory)	(2,902)	(2,885)
Less: pensioner rebates (Council policy)	(377)	(410)
Abandonments	(42)	(94)
<b>Rates levied to ratepayers</b>	<b>160,488</b>	<b>155,510</b>
Pensioner rate subsidies received	1,596	1,551
<b>Total ordinary rates</b>	<b>162,084</b>	<b>157,061</b>
<b>Special rates</b>		
City centre	403	395
Mall	1,107	1,044
<b>Rates levied to ratepayers</b>	<b>1,510</b>	<b>1,439</b>
<b>Total special rates</b>	<b>1,510</b>	<b>1,439</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	34,560	33,601
Stormwater management services	1,831	1,817
Less: pensioner rebates (mandatory)	(797)	(798)
Less: pensioner rebates (Council policy)	(97)	(107)
Abandonments – annual charges <sup>1</sup>	(5)	(13)
<b>Annual charges levied</b>	<b>35,492</b>	<b>34,500</b>
Pensioner subsidies received:		
– Domestic waste management	438	429
<b>Total annual charges</b>	<b>35,930</b>	<b>34,929</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>199,524</b>	<b>193,429</b>

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

#### Accounting policy for rates and charges

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

(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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Waste management services (non-domestic)	9,632	11,062
<b>Total specific user charges</b>	<b>9,632</b>	<b>11,062</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Contestable building services	386	334
Inspection services	509	507
Planning and building regulation	2,790	2,874
Registration fees	233	252
Section 10.7 certificates (EP&A Act)	517	587
Section 603 certificates (rating certificate)	261	316
Section 611 charges (occupation of land)	192	187
Other	60	45
<b>Total fees and charges – statutory/regulatory</b>	<b>4,948</b>	<b>5,102</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Additional waste services	91	117
Art gallery	11	9
Car parking	852	823
Credit card payment processing fee	139	124
Crematorium and cemeteries	1,495	2,219
Design review meeting application fees	113	150
Golf course	567	549
Health inspections	293	290
Hire charges	601	589
Leaseback fees – Council vehicles	679	710
Library	44	44
Marketing	39	39
Outdoor dining	92	91
Parking meters	1,172	1,262
Pre-lodgement meeting fees	113	127
Recreation	4,152	3,984
Road opening permits	363	271
Stallholder fees	119	103
Tourist parks	7,135	6,961
Tree management requests	85	93
Other	58	86
<b>Total fees and charges – other</b>	<b>18,213</b>	<b>18,641</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>32,793</b>	<b>34,805</b>

#### Accounting policy for user charges and fees

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	606	597
– Cash and investments	4,227	4,435
Dividend income relating to investments held at fair value through other comprehensive income	95	–
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	141	130
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>5,069</b>	<b>5,162</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	606	597
General Council cash and investments	2,576	2,566
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	844	580
Unexpended infrastructure loan	153	226
Other externally restricted assets	890	1,193
<b>Total interest and investment revenue</b>	<b>5,069</b>	<b>5,162</b>

#### Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Other revenues</b>			
Diesel rebate		197	207
Fines		645	700
Fines – parking		2,426	2,336
Insurance claims recoveries		325	302
Legal fees recovery – rates and charges (extra charges)		180	271
Legal settlements		25	50
Outgoings reimbursements		129	125
Reimbursements		295	486
Rental income – investment property	11	389	347
Rental income – other council properties		4,676	4,400
Sales – general		2,183	709
Sponsorship and promotional income		50	71
Other		605	547
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>12,125</u></b>	<b><u>10,551</u></b>

#### Accounting policy for other revenue

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

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 the payment is received, whichever occurs first.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	18,596	18,655	-	-
<b>Total general purpose</b>	<b>18,596</b>	<b>18,655</b>	<b>-</b>	<b>-</b>
<b>Specific purpose</b>				
Arts and culture	79	82	-	-
Buildings	-	-	-	600
Community development and support	286	302	-	-
Economic development	-	289	-	-
Emergency services	418	439	-	-
Environmental management and enhancement	2	74	-	-
Environmental programs	58	82	-	-
Floodplain and stormwater management	173	87	1,072	620
Footpaths and cycleways	-	-	-	454
HACC community transport	2,629	2,591	-	-
Heritage and cultural	19	254	-	31
Library	450	480	-	-
LIRS subsidy	835	992	-	-
Local bus route subsidy	79	56	-	-
Natural area management	197	146	-	-
Parks, gardens and sportsfields	-	60	545	71
People and learning	74	36	-	-
Playgrounds	-	-	-	27
Recreation and culture	-	-	36	41
Strategic city planning	95	59	-	-
Street lighting	700	684	-	-
Transport (other roads and bridges funding)	99	22	21,691	9,517
Transport (roads to recovery)	-	-	1,433	1,408
Voluntary purchase scheme	-	-	1,390	39
Waste performance improvement	216	236	-	-
Wollongong multi service outlet	1,223	1,304	-	-
<b>Total specific purpose</b>	<b>7,632</b>	<b>8,275</b>	<b>26,167</b>	<b>12,808</b>
<b>Total grants</b>	<b>26,228</b>	<b>26,930</b>	<b>26,167</b>	<b>12,808</b>
<b>Grant revenue is attributable to:</b>				
- Commonwealth funding	18,679	22,195	8,266	3,872
- State funding	7,549	4,735	17,901	8,936
	<b>26,228</b>	<b>26,930</b>	<b>26,167</b>	<b>12,808</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	–	141
S 7.11 – contributions towards amenities/services		–	–	17,848	3,915
S 7.12 – fixed development consent levies		–	–	5,805	5,066
Other developer contributions – Calderwood		–	–	–	9
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>23,653</b>	<b>9,131</b>
<b>Non-cash contributions</b>					
S 7.12 – fixed development consent levies		–	–	–	49
Planning agreements		–	–	–	1,433
<b>Total developer contributions non-cash</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>1,482</b>
<b>Total developer contributions</b>	25	<b>–</b>	<b>–</b>	<b>23,653</b>	<b>10,613</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Floodplain and stormwater management		299	–	–	–
Heritage/cultural		–	–	5	–
Roads and bridges		39	52	125	140
RMS contributions (regional roads, block grant)		1,431	1,403	–	–
Buildings		–	–	1,003	282
Community development and support		89	171	–	–
Community services and facilities		561	682	–	–
Parks, gardens and sportsfields		17	43	1,306	109
People and learning		74	18	–	–
Pollution minimisation		118	85	–	–
<b>Total other contributions – cash</b>		<b>2,628</b>	<b>2,454</b>	<b>2,439</b>	<b>531</b>
<b>Non-cash contributions</b>					
Bushfire services		–	–	748	730
Dedications – subdivisions (other than by s7.11)		–	–	6,403	15,642
Wollongong City Gallery collection		–	–	246	313
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>7,397</b>	<b>16,685</b>
<b>Total other contributions</b>		<b>2,628</b>	<b>2,454</b>	<b>9,836</b>	<b>17,216</b>
<b>Total contributions</b>		<b>2,628</b>	<b>2,454</b>	<b>33,489</b>	<b>27,829</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>28,856</b>	<b>29,384</b>	<b>59,656</b>	<b>40,637</b>

#### Accounting policy for grants and contributions

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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

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

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

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

\$ '000	2019	2018
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	2,637	2,688
<b>Add:</b> operating grants recognised in the current period but not yet spent	1,232	1,237
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(575)	(1,288)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>3,294</b>	<b>2,637</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	78	361
<b>Add:</b> capital grants recognised in the current period but not yet spent	8	59
<b>Add:</b> capital grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(26)	(342)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>60</b>	<b>78</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	18,990	16,583
<b>Add:</b> contributions recognised in the current period but not yet spent	18,180	3,799
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(356)	(1,392)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>36,814</b>	<b>18,990</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Employee leave entitlements (ELE)	20,101	12,815
Salaries and wages	99,408	93,529
Superannuation	11,869	11,617
Change in workers compensation provision	2,209	723
Workers compensation – self insurance	1,791	1,425
Fringe benefit tax (FBT)	145	114
Payroll tax	33	47
Training costs (other than salaries and wages)	859	766
Protective clothing	349	298
Labour hire	475	486
Other	364	285
<b>Total employee costs</b>	<b>137,603</b>	<b>122,105</b>
Less: capitalised costs	(15,158)	(14,262)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>122,445</b>	<b>107,843</b>

#### Accounting policy for employee benefits and on-costs

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

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

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		1,096	1,263
<b>Total interest bearing liability costs expensed</b>		<b>1,096</b>	<b>1,263</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	14	1,850	1,989
Amortisation of discount on interest free (& favourable) loans to council		391	567
<b>Total other borrowing costs</b>		<b>2,241</b>	<b>2,556</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>3,337</b>	<b>3,819</b>

#### Accounting policy for borrowing costs

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	17,208	16,100
Contractor and consultancy costs	94,996	78,793
– Waste Contractor	17,546	16,618
– Road Works Contractor	3,468	5,789
– Building Contractor	2,360	1,906
– Parks Contractor	2,065	1,817
– Cleaning Contractor	960	957
– Security Contractor	1,120	1,145
– Software Maintenance and Support Contractor	4,229	1,825
– Internal audit	144	149
Auditors remuneration <sup>1</sup>	162	141
<b>Legal expenses:</b>		
– Planning and development	–	6
– Other	866	959
<b>Operating leases:</b>		
– Minimum lease payments	327	335
<b>Total materials and contracts</b>	<b>145,451</b>	<b>126,540</b>
Less: capitalised costs	(88,019)	(72,831)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>57,432</b>	<b>53,709</b>

#### Accounting policy for operating leases

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

#### 1. Auditor remuneration

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

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

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

Audit and review of financial statements	154	133
<b>Remuneration for audit and other assurance services</b>	<b>154</b>	<b>133</b>
<b>Total Auditor-General remuneration</b>	<b>154</b>	<b>133</b>

##### Non NSW Auditor-General audit firms

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

Other audit and assurance services	8	8
<b>Remuneration for audit and other assurance services</b>	<b>8</b>	<b>8</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>8</b>	<b>8</b>
<b>Total Auditor remuneration</b>	<b>162</b>	<b>141</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		4,334	4,301
Office equipment		988	695
Furniture and fittings		269	172
<b>Infrastructure:</b>			
– Bridges		1,941	1,918
– Buildings – non-specialised		5,186	5,377
– Buildings – specialised		6,535	5,681
– Footpaths		4,021	3,818
– Other open space/recreational assets		3,668	3,448
– Other structures		582	597
– Roads		20,460	20,224
– Stormwater drainage		10,246	10,165
– Swimming pools		475	475
<b>Other assets:</b>			
– Library books		1,162	1,073
– Other		1,541	1,509
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	10, 14	141	220
Intangible assets	12	232	394
<b>Total gross depreciation and amortisation costs</b>		<b>61,781</b>	<b>60,067</b>
<b>Total depreciation and amortisation costs</b>		<b>61,781</b>	<b>60,067</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>		<b>61,781</b>	<b>60,067</b>

#### Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E

##### Depreciation and amortisation

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

##### Impairment of non-financial assets

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

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

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

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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	286	309
Bad and doubtful debts	138	(74)
Bank charges	612	497
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	287	336
– NSW fire brigade levy	2,769	2,806
– NSW rural fire service levy	480	494
– Waste and environment levy	11,890	15,297
Councillor expenses – mayoral fee	97	95
Councillor expenses – councillors' fees	401	387
Councillors' expenses (incl. mayor) – other (excluding fees above)	128	106
Donations, contributions and assistance to other organisations (Section 356)		
– City Centre management	27	5
– Illawarra Institute of Sport	35	35
– Illawarra Joint Project Organisation	61	53
– Illawarra Performing Arts Centre	999	690
– Illawarra Regional Information Service	88	88
– Illawarra Surf Life Saving	55	53
– Neighbourhood youth program	115	129
– Sponsorship fund	53	53
– Tourism	1,410	1,396
– Wollongong Shuttle Service	350	–
– Other	690	420
Elections	–	966
Insurance	2,737	2,659
Light, electricity and heating	1,987	1,937
Membership fees	213	191
Postage	446	466
Royalty payments	343	336
Rental agreements	57	37
Provision for self insurance claims	(26)	140
Sewerage charges	185	225
Street lighting	3,500	3,116
Telephone and communications	627	754
Valuation fees	447	437
Volunteer reimbursements	280	280
Water rates	735	975
Other	2,689	4,539
<b>Total other expenses</b>	<b>35,191</b>	<b>40,233</b>
Less: capitalised costs	(620)	(22)
<b>TOTAL OTHER EXPENSES</b>	<b>34,571</b>	<b>40,211</b>

#### Accounting policy for other expenses

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		30	52
Less: carrying amount of property assets sold/written off		(10)	(27)
<b>Net gain/(loss) on disposal</b>		<b>20</b>	<b>25</b>
<b>Plant and equipment</b>			
	10		
Proceeds from disposal – plant and equipment		1,890	1,621
Less: carrying amount of plant and equipment assets sold/written off		(870)	(1,243)
<b>Net gain/(loss) on disposal</b>		<b>1,020</b>	<b>378</b>
<b>Infrastructure</b>			
	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(7,895)	(3,633)
<b>Net gain/(loss) on disposal</b>		<b>(7,895)</b>	<b>(3,633)</b>
<b>Investments</b>			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		61,106	67,557
Less: carrying amount of investments sold/redeemed/matured		(61,106)	(67,557)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Non-current assets classified as 'held for sale'</b>			
	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)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>2,869</b>
<b>Intangible assets</b>			
Proceeds from disposal – intangible assets		–	–
Less: carrying amount of intangible assets sold/written off		(1)	–
<b>Net gain/(loss) on disposal</b>		<b>(1)</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(6,856)</b>	<b>(361)</b>

#### Accounting policy for disposal of assets

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,968	1,390
Cash-equivalent assets		
– Deposits at call	10,218	4,796
– Managed funds	10,001	20,305
– Short-term deposits	3,000	–
<b>Total cash and cash equivalents</b>	<b>25,187</b>	<b>26,491</b>

#### Accounting policy for cash and cash equivalents

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

#### Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	47,549	–	43,162	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	67,030	15,000	66,000	22,115
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	56	–	–
<b>Total Investments</b>	<b>114,579</b>	<b>15,056</b>	<b>109,162</b>	<b>22,115</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>139,766</b>	<b>15,056</b>	<b>135,653</b>	<b>22,115</b>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	2,304	–	2,115	–
NCD's, FRN's (with maturities > 3 months)	43,582	–	39,374	–
Mortgage backed securities	1,663	–	1,673	–
<b>Total</b>	<b>47,549</b>	<b>–</b>	<b>43,162</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	67,030	15,000	66,000	22,115
<b>Total</b>	<b>67,030</b>	<b>15,000</b>	<b>66,000</b>	<b>22,115</b>
<b>Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)</b>				
Unlisted equity securities	–	56	–	–
<b>Total</b>	<b>–</b>	<b>56</b>	<b>–</b>	<b>–</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

	Fair value at 30/06/19	Dividend income recognised during 1/7/18 – 30/6/19
Southern Phones Ordinary & Preference Shares	56	95
<b>Total</b>	<b>56</b>	<b>95</b>

#### Financial assets designated as at fair value through other comprehensive income

At 1 July 2018, Council designated the investments shown below as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes. In 2018, these investments were classified as available for sale.

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

#### Accounting policy for investments

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

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

#### Fair value through other comprehensive income – equity instruments

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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

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

#### Financial assets through profit or loss

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

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

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

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

##### Classification

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

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

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

##### (b) Held to maturity investments

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

##### (c) Loans and receivables

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

##### Impairment of financial assets

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

##### Impairment of available for sale investments

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

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	139,766	15,056	135,653	22,115
<b>attributable to:</b>				
External restrictions	62,601	15,056	52,077	22,115
Internal restrictions	61,203	–	68,129	–
Unrestricted	15,962	–	15,447	–
	139,766	15,056	135,653	22,115

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Details of restrictions</b>		
<b>External restrictions – other</b>		
Developer contributions – general <sup>A</sup>	36,768	18,961
RMS contributions <sup>B</sup>	46	29
Specific purpose unexpended grants <sup>C</sup>	3,354	2,715
Domestic waste management <sup>D</sup>	13,763	12,813
Stormwater management <sup>D</sup>	1,668	1,265
Unexpended loan <sup>E</sup>	3,470	7,019
Private contributions	5,761	6,064
Special rates levy – Wollongong mall	135	164
Special rates levy – city centre	40	(42)
Local infrastructure renewal scheme round 3 <sup>F</sup>	1,867	14,721
West Dapto home deposits issued	–	85
West Dapto home deposit assistance program	10,785	10,398
<b>External restrictions – other</b>	<b>77,657</b>	<b>74,192</b>
<b>Total external restrictions</b>	<b>77,657</b>	<b>74,192</b>
<b>Internal restrictions</b>		
Car parking strategy	1,629	1,061
Darcy Wentworth Park	171	171
Maccabe Park development	1,290	1,140
Sports Priority Program	644	642
Waste Disposal Facility	(638)	2,165
West Dapto Development	5,076	4,759
Strategic Projects	44,015	49,404
Property Investment Fund	8,416	8,276
Southern Phone natural areas	267	266
Lake Illawarra Estuary Management Fund	333	245
<b>Total internal restrictions</b>	<b>61,203</b>	<b>68,129</b>
<b>TOTAL RESTRICTIONS</b>	<b>138,860</b>	<b>142,321</b>

(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

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	9,023	–	8,035	–
Interest and extra charges	1,543	–	1,459	–
User charges and fees	5,942	–	4,688	–
Accrued revenues				
– Interest on investments	871	–	886	–
– Other income accruals	1,744	–	2,004	–
Government grants and subsidies	16,517	–	8,492	–
Net GST receivable	1,457	–	1,701	–
<b>Total</b>	<b>37,097</b>	<b>–</b>	<b>27,265</b>	<b>–</b>
<b>Less: provision of impairment</b>				
User charges and fees	(477)	–	(229)	–
<b>Total provision for impairment – receivables</b>	<b>(477)</b>	<b>–</b>	<b>(229)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>36,620</b>	<b>–</b>	<b>27,036</b>	<b>–</b>

#### Restrictions applicable to receivables

There are no restrictions applicable to the above assets.

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Amount restated through opening retained earnings on adoption of AASB 9	110	–
Balance at the beginning of the year (calculated in accordance with AASB 139)	229	351
+ new provisions recognised during the year	170	–
– amounts already provided for and written off this year	–	(33)
– previous impairment losses reversed	(32)	(89)
<b>Balance at the end of the period</b>	<b>477</b>	<b>229</b>

#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 7. Receivables (continued)

##### Impairment

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

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held)

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

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

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

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 ongoing 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.

Rates and annual charges outstanding are secured against the property.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	–	5,948	–	5,835
Stores and materials	337	–	306	–
<b>Total inventories at cost</b>	<b>337</b>	<b>5,948</b>	<b>306</b>	<b>5,835</b>
<b>TOTAL INVENTORIES</b>	<b>337</b>	<b>5,948</b>	<b>306</b>	<b>5,835</b>
<b>(b) Other assets</b>				
Prepayments	11,879	–	10,666	–
<b>TOTAL OTHER ASSETS</b>	<b>11,879</b>	<b>–</b>	<b>10,666</b>	<b>–</b>

#### (i) Other disclosures

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>				
Residential	–	5,948	–	5,835
<b>Total real estate for resale</b>	<b>–</b>	<b>5,948</b>	<b>–</b>	<b>5,835</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	–	5,835	–	5,791
Development costs	–	113	–	44
<b>Total costs</b>	<b>–</b>	<b>5,948</b>	<b>–</b>	<b>5,835</b>
<b>Total real estate for resale</b>	<b>–</b>	<b>5,948</b>	<b>–</b>	<b>5,835</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	–	5,835	–	5,791
– Purchases and other costs	–	113	–	44
<b>Total real estate for resale</b>	<b>–</b>	<b>5,948</b>	<b>–</b>	<b>5,835</b>

#### Accounting policy for inventories and other assets

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 8. Inventories and other assets (continued)

##### 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.

#### Note 9. Non-current assets classified as held for sale

Council did not classify any non-current assets as held for sale during the 2018/19 financial year.

##### (ii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

\$ '000	Assets 'held for sale' 2019	Assets 'held for sale' 2018
<b>Opening balance</b>	–	6,381
<b>Balance still unsold after 12 months:</b>	–	6,381
<u>Less:</u>		
Less: carrying value of assets/operations sold that were re-classified this reporting period	–	(6,381)
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>–</b>	<b>–</b>

##### 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 continued 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 arising from employee benefits; financial assets; and investment properties 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

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

	as at 30/6/2018			Asset movements during the reporting period										as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements - Transfer to Expense	Other movements - Waste Remediation Reassessment	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	99,074	-	99,074	35,231	38,340	-	-	(51,044)	-	(1,651)	-	-	-	119,950	-	119,950
Plant and equipment	42,637	(20,565)	22,072	5,822	-	(869)	(4,334)	-	-	-	-	-	-	42,040	(19,349)	22,691
Office equipment	7,500	(3,755)	3,745	619	-	-	(988)	-	-	-	-	-	-	8,118	(4,742)	3,376
Furniture and fittings	2,404	(537)	1,867	499	-	-	(269)	-	-	-	-	-	-	2,904	(807)	2,097
<b>Land:</b>																
- Operational land	162,892	-	162,892	-	2,467	(10)	-	-	(159)	-	-	-	84,653	249,843	-	249,843
- Community land	226,264	(760)	225,504	-	3,564	-	-	-	82	-	-	-	-	229,910	(760)	229,150
- Crown land	108,721	-	108,721	-	-	-	-	-	-	-	-	-	-	108,721	-	108,721
- Land under roads (post 30/6/08)	3,983	-	3,983	-	150	-	-	-	77	-	-	-	1,474	5,684	-	5,684
<b>Infrastructure:</b>																
- Buildings - non-specialised	202,759	(123,157)	79,602	39	5	(212)	(5,186)	2,958	-	-	-	-	62,666	213,464	(73,592)	139,872
- Buildings - specialised	319,098	(202,059)	117,039	1,095	147	(1,580)	(6,535)	8,316	(149)	-	-	-	44,959	326,555	(163,263)	163,292
- Other structures	15,544	(8,935)	6,609	69	99	-	(582)	149	(9)	-	-	-	1,147	13,971	(6,489)	7,482
- Roads	1,401,990	(849,433)	552,557	9,021	12,707	(4,549)	(20,460)	19,810	913	-	-	-	-	1,426,090	(856,091)	569,999
- Bridges	150,163	(51,637)	98,526	933	1,314	(355)	(1,941)	262	-	-	-	-	-	152,318	(53,579)	98,739
- Footpaths	278,315	(142,842)	135,473	1,593	661	(572)	(4,021)	15,022	(966)	-	-	-	-	291,660	(144,470)	147,190
- Stormwater drainage	931,000	(407,530)	523,470	2,776	3,119	(518)	(10,246)	1,989	46	-	-	-	-	937,821	(417,185)	520,636
- Swimming pools	30,218	(22,933)	7,285	-	-	-	(475)	-	(479)	-	-	-	-	29,738	(23,407)	6,331
- Other open space/recreational assets	156,993	(45,549)	111,444	286	810	(110)	(3,668)	1,033	644	-	-	(16)	-	158,109	(47,686)	110,423
<b>Other assets:</b>																
- Heritage collections	12,842	-	12,842	-	344	-	-	-	-	-	-	-	1,935	15,121	-	15,121
- Library books	8,158	(3,707)	4,451	1,207	-	-	(1,162)	-	-	-	-	-	-	8,162	(3,666)	4,496
- Other	47,249	(13,048)	34,201	47	265	-	(1,541)	1,505	-	-	-	-	-	49,066	(14,589)	34,477
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>																
- Tip assets	14,875	(9,151)	5,724	-	-	-	(141)	-	-	-	(58)	-	-	14,817	(9,292)	5,525
<b>Total Infrastructure, property, plant and equipment</b>	<b>4,222,679</b>	<b>(1,905,598)</b>	<b>2,317,081</b>	<b>59,237</b>	<b>63,992</b>	<b>(8,775)</b>	<b>(61,549)</b>	<b>-</b>	<b>-</b>	<b>(1,651)</b>	<b>(58)</b>	<b>(16)</b>	<b>196,834</b>	<b>4,404,062</b>	<b>(1,838,967)</b>	<b>2,565,095</b>

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council 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 revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land 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:

It is noted that useful life estimates are unchanged from the 2016 reporting period.

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	6 to 10	Playground equipment	10 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	2 to 10		
Vehicles	3 to 5	<b>Buildings</b>	
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
<b>Stormwater assets</b>			
Drains	80 to 100		
Culverts	80 to 100		
Flood control structures	75		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
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 disposal are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

##### 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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

##### 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 firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

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

#### Note 11. Investment property

\$ '000	2019	2018
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	5,000	4,780
<b>Reconciliation of annual movement:</b>		
Opening balance	4,780	4,775
– Net gain/(loss) from fair value adjustments	220	5
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>5,000</b>	<b>4,780</b>

##### (b) Valuation basis

The basis of valuation of investment properties 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 2019 revaluations were based on independent assessments made by: Brendan Carr Certified Practising Valuer.

##### (c) Contractual obligations at reporting date

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 11. Investment property (continued)

\$ '000	2019	2018
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#### (d) Leasing arrangements – Council as lessor

The investment properties 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	371	283
Later than 1 year but less than 5 years	720	300
<b>Total minimum lease payments receivable</b>	<b>1,091</b>	<b>583</b>

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.

#### (e) Investment property income and expenditure – summary

<b>Rental income from investment property:</b>		
– Minimum lease payments	389	347
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(140)	(149)
<b>Net revenue contribution from investment property</b>	<b>249</b>	<b>198</b>
plus:		
<b>Fair value movement for year</b>	<b>220</b>	<b>5</b>
<b>Total income attributable to investment property</b>	<b>469</b>	<b>203</b>

#### 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 a separate line item.

Properties that are under construction for future use as investment properties 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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 12. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	2,333	2,204
Accumulated amortisation	(1,945)	(1,551)
<b>Net book value – opening balance</b>	<b>388</b>	<b>653</b>
<b>Movements for the year</b>		
– Purchases	285	129
– Amortisation charges	(232)	(394)
– Gross book value written off	(113)	–
– Accumulated amortisation charges written off	112	–
<b>Closing values at 30 June</b>		
Gross book value	2,506	2,333
Accumulated amortisation	(2,066)	(1,945)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE (1)</b>	<b>440</b>	<b>388</b>
<b>The net book value of intangible assets represents:</b>		
– Software	440	388
	<b>440</b>	<b>388</b>

#### Accounting policy for intangible assets

##### IT development and software

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 13. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	3,302	–	7,668	–
Goods and services – capital expenditure	3,627	–	9,758	–
Accrued expenses:				
– Other expenditure accruals	18,299	–	6,762	–
Security bonds, deposits and retentions	3,758	–	1,605	–
Agency Funds	385	385	350	700
Other	635	–	611	–
<b>Total payables</b>	<b>30,006</b>	<b>385</b>	<b>26,754</b>	<b>700</b>
<b>Income received in advance</b>				
Payments received in advance	5,014	–	3,256	–
<b>Total income received in advance</b>	<b>5,014</b>	<b>–</b>	<b>3,256</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	7,934	17,497	7,716	25,039
<b>Total borrowings</b>	<b>7,934</b>	<b>17,497</b>	<b>7,716</b>	<b>25,039</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>42,954</b>	<b>17,882</b>	<b>37,726</b>	<b>25,739</b>

(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.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Loans	7,934	17,497	7,716	25,039
<b>Total payables and borrowings relating to restricted assets</b>	<b>7,934</b>	<b>17,497</b>	<b>7,716</b>	<b>25,039</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>35,020</b>	<b>385</b>	<b>30,010</b>	<b>700</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>42,954</b>	<b>17,882</b>	<b>37,726</b>	<b>25,739</b>

\$ '000	2019	2018
<b>(b) Current payables and borrowings not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	3,088	1,205
<b>Total payables and borrowings</b>	<b>3,088</b>	<b>1,205</b>

Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 13. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	32,755	(7,716)	–	–	392	25,431
<b>TOTAL</b>	<b>32,755</b>	<b>(7,716)</b>	<b>–</b>	<b>–</b>	<b>392</b>	<b>25,431</b>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	39,701	(7,513)	–	–	567	32,755
<b>TOTAL</b>	<b>39,701</b>	<b>(7,513)</b>	<b>–</b>	<b>–</b>	<b>567</b>	<b>32,755</b>

\$ '000	2019	2018
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(d) Financing arrangements

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

Bank overdraft facilities <sup>1</sup>	300	300
Credit cards/purchase cards	835	835
<b>Total financing arrangements</b>	<b>1,135</b>	<b>1,135</b>

Drawn facilities as at balance date:

– Credit cards/purchase cards	100	98
<b>Total drawn financing arrangements</b>	<b>100</b>	<b>98</b>

Undrawn facilities as at balance date:

– Bank overdraft facilities	300	300
– Credit cards/purchase cards	735	737
<b>Total undrawn financing arrangements</b>	<b>1,035</b>	<b>1,037</b>

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables and loans.

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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 13. Payables and borrowings (continued)

##### Borrowings

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

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

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

#### Note 14. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	10,025	–	9,367	–
Sick leave	167	–	144	–
Long service leave	42,505	680	36,872	517
Other leave	1,097	–	1,037	–
<b>Sub-total – aggregate employee benefits</b>	<b>53,794</b>	<b>680</b>	<b>47,420</b>	<b>517</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	2,292	40,647	1,200	40,134
<b>Sub-total – asset remediation/restoration</b>	<b>2,292</b>	<b>40,647</b>	<b>1,200</b>	<b>40,134</b>
<b>Other provisions</b>				
Self insurance – workers compensation	1,758	5,363	1,327	3,585
Self insurance – claims incurred	370	364	430	330
<b>Sub-total – other provisions</b>	<b>2,128</b>	<b>5,727</b>	<b>1,757</b>	<b>3,915</b>
<b>TOTAL PROVISIONS</b>	<b>58,214</b>	<b>47,054</b>	<b>50,377</b>	<b>44,566</b>

\$ '000	2019	2018
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##### (a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	43,517	37,710
	<u>43,517</u>	<u>37,710</u>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 14. Provisions (continued)

##### (b) Description of and movements in provisions

\$ '000	Other provisions			Total
	Self Insurance: Claims incurred	Self Insurance: Workers compensation	Asset remediation	
<b>2019</b>				
At beginning of year	760	4,912	41,334	47,006
Additional provisions	–	2,108	–	2,108
Amounts used (payments)	–	(2,523)	–	(2,523)
Remeasurement effects	–	2,624	–	2,624
Unwinding of discount	–	–	1,850	1,850
Unused amounts reversed	(26)	–	(57)	(83)
Other	–	–	–	–
Expenditure incurred attributable to provisions	–	–	(188)	(188)
<b>Total other provisions at end of period</b>	<b>734</b>	<b>7,121</b>	<b>42,939</b>	<b>50,794</b>
<b>2018</b>				
At beginning of year	620	4,189	44,237	49,046
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
Other	–	–	–	–
Expenditure incurred attributable to provisions	–	–	(29)	(29)
<b>Total other provisions at end of period</b>	<b>760</b>	<b>4,912</b>	<b>41,334</b>	<b>47,006</b>

##### 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 Dapto 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 self insurer up to certain levels of excess.

##### 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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 14. Provisions (continued)

##### 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.

###### On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods. These amounts include superannuation which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period. 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.

##### 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, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

###### Rehabilitation

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

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

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

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

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 14. Provisions (continued)

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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).

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### 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.

###### Investment revaluation reserve

Changes in the fair value of financial assets are taken through the investment revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

###### Available for sale investments revaluation reserve (2018 only)

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 (\$16.744M) and IPPE that had been recognised was disposed of in previous years (\$3.623M). In addition, an error in the application of accounting policy to the valuation of Land Under Road required further discounting on the value of these assets (\$25.646M).

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 30 June 2018.

#### Adjustments to the comparative figures for the year ended 30 June 2018

##### Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
<b>Asset Classes Adjusted:</b>			
Plant and Equipment	22,350	(278)	22,072
Operational Land	170,106	(7,214)	162,892
Community Land	338,951	(4,726)	334,225
Land Under Roads	30,165	(26,182)	3,983
Buildings - non-specialised	79,776	(174)	79,602
Buildings - specialised	117,140	(101)	117,039
Roads	552,342	215	552,557
Footpaths	135,841	(368)	135,473
Stormwater drainage	523,856	(386)	523,470
Other open space/recreational assets	111,455	(11)	111,444
<b>Other Assets Without Variation</b>	483,741	-	483,741
<b>Total assets</b>	<b>2,565,723</b>	<b>(39,225)</b>	<b>2,526,498</b>
<b>Total liabilities</b>	<b>158,408</b>	<b>-</b>	<b>158,408</b>
Reserves	965,325	(8,573)	956,752
Accumulated Surplus	1,441,990	(30,652)	1,411,338
<b>Total equity</b>	<b>2,407,315</b>	<b>(39,225)</b>	<b>2,368,090</b>

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

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

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

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

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

##### Classification of financial assets

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

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

##### Measurement of equity instruments

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

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

##### Impairment of financial assets

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

\$ '000	Investment revaluation reserve	Accumulated surplus	Total
<b>Opening equity balances as at 1 July 2018</b>	–	1,411,338	1,411,338
Reclassify investments from 'available for sale' to fair value through other comprehensive income – equity	88	–	88
Increase in expected credit losses for trade receivables	–	(110)	(110)
<b>Adjusted Opening equity balances at 1 July 2018 – AASB 9</b>	88	1,411,228	1,411,316

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

The opening balances for the year ended 30 June 2019 have been adjusted for the recognition of the Southern Phones Ordinary and Preference share at fair value through other comprehensive income as disclosed in Note 6(b) and to restate the opening balance of the provision for impairment of receivables as disclosed in Note 7.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Southern Phones Shares	Amortised Cost	FVOCI - equity	–	88	–	88
Receivables	Loans & Receivables	Amortised Cost	27,036	–	(110)	26,926
<b>Total financial assets under AASB 9 at 1 July 2018</b>			27,036	88	(110)	27,014

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 16. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	25,187	26,491
<b>Balance as per the Statement of Cash Flows</b>		<b>25,187</b>	<b>26,491</b>

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

<b>Net operating result from Income Statement</b>		52,112	48,766
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		61,781	60,067
Net losses/(gains) on disposal of assets		6,856	361
Non-cash capital grants and contributions		(7,397)	(18,167)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(141)	(130)
– Investment property		(220)	(5)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		391	567
Unwinding of discount rates on reinstatement provisions		1,850	1,989
Share of net (profits)/losses of associates/joint ventures using the equity method		(291)	(803)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(9,832)	(3,383)
Increase/(decrease) in provision for impairment of receivables		138	(122)
Decrease/(increase) in inventories		(31)	(8)
Decrease/(increase) in other current assets		(1,213)	14
Increase/(decrease) in payables		(4,366)	597
Increase/(decrease) in other accrued expenses payable		1,861	(5,947)
Increase/(decrease) in other liabilities		3,655	425
Increase/(decrease) in provision for employee benefits		6,537	9
Increase/(decrease) in other provisions		1,938	(4,029)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>113,628</b>	<b>80,201</b>

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

Developer contributions 'in kind'		–	1,482
Other dedications		6,403	15,642
Contributed Art Works		246	313
Contributed Bush Fire Assets		748	730
<b>Total non-cash investing and financing activities</b>		<b>7,397</b>	<b>18,167</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 17. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	291	803	2,929	2,638
<b>Total</b>	<b>291</b>	<b>803</b>	<b>2,929</b>	<b>2,638</b>

#### (a) Joint arrangements

##### (i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

##### (a) Net carrying amounts – Council's share

	Nature of relationship	Measurement method	2019	2018
Civic West	Joint venture	Equity	2,060	1,584
Civic Risk	Joint venture	Equity	869	1,054
<b>Total carrying amounts – material joint ventures</b>			<b>2,929</b>	<b>2,638</b>

#### (b) Details

	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	
	2019	2018	2019	2018	2019	2018	2019	2018
Civic West	2,062	1,584	4.4%	3.8%	4.4%	3.8%	9.1%	10.0%
Civic Risk	869	1,054	12.5%	12.4%	12.5%	12.4%	5.9%	6.3%

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 17. Interests in other entities (continued)

	Civic West		Civic Risk	
	2019	2018	2019	2018
<b>(d) Summarised financial information for joint ventures</b>				
<b>Statement of financial position</b>				
<b>Current assets</b>				
Cash and cash equivalents	2,961	3,022	1,813	1,158
Other current assets	27,370	19,442	7,216	5,759
<b>Non-current assets</b>	<b>36,522</b>	<b>41,740</b>	<b>5,368</b>	<b>5,989</b>
<b>Current liabilities</b>				
Current financial liabilities (excluding trade and other payables and provisions)	6,657	6,111	4,827	2,690
Other current liabilities	740	720	346	299
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	12,116	15,612	2,279	1,448
<b>Net assets</b>	<b>47,340</b>	<b>41,761</b>	<b>6,945</b>	<b>8,469</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	41,761	37,976	8,468	6,490
Profit/(loss) for the period	5,579	5,913	(1,524)	1,978
Other adjustments to equity	–	(2,128)	–	–
<b>Closing net assets</b>	<b>47,340</b>	<b>41,761</b>	<b>6,944</b>	<b>8,468</b>
<b>Council's share of net assets (%)</b>	<b>4.4%</b>	<b>3.8%</b>	<b>12.5%</b>	<b>12.4%</b>
<b>Council's share of net assets (\$)</b>	<b>2,060</b>	<b>1,584</b>	<b>869</b>	<b>1,054</b>
<b>Statement of comprehensive income</b>				
Income	6,295	6,076	11,320	9,425
Interest income	3,672	3,261	447	439
Interest expense	(17)	(17)	–	–
Other expenses	(4,371)	(3,408)	(13,291)	(7,886)
<b>Profit/(loss) from continuing operations</b>	<b>5,579</b>	<b>5,912</b>	<b>(1,524)</b>	<b>1,978</b>
<b>Profit/(loss) for the period</b>	<b>5,579</b>	<b>5,912</b>	<b>(1,524)</b>	<b>1,978</b>
<b>Total comprehensive income</b>	<b>5,579</b>	<b>5,912</b>	<b>(1,524)</b>	<b>1,978</b>
<b>Share of income – Council (%)</b>	<b>8.5%</b>	<b>10.1%</b>	<b>12.1%</b>	<b>10.5%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>476</b>	<b>596</b>	<b>(185)</b>	<b>207</b>
<b>Total comprehensive income – Council (\$)</b>	<b>476</b>	<b>596</b>	<b>(185)</b>	<b>207</b>
<b>Summarised Statement of cash flows</b>				
Cash flows from operating activities	2,439	113	2,904	903
Cash flows from investing activities	(2,500)	1,510	(2,250)	(250)
Cash flows from financing activities	–	(1,537)	–	–
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(61)</b>	<b>86</b>	<b>654</b>	<b>653</b>

#### Accounting policy for joint arrangements

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 17. Interests in other entities (continued)

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 ventures are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for 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	2019 Net profit	2019 Net assets
Illawarra Shoalhaven Joint Organisation	Inter-Governmental Collaboration Joint Venture	111	885

##### Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

Name of entity/operation	Principal activity/type of entity	2019 Net profit	2019 Net assets
Illawarra District Noxious Weed Authority	Administer Noxious Weeds Act Joint Venture	8	802

##### Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

Name of entity/operation	Principal activity/type of entity	2019 Net profit	2019 Net assets
Destination Wollongong	Tourism Development & Promotion Associate	(129)	(72)

##### Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

Name of entity/operation	Principal activity/type of entity	2019 Net profit	2019 Net assets
Illawarra Performing Arts Centre	Theatre & Town Hall Management Associate	50	359

##### Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 18. Commitments

\$ '000	2019	2018
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##### (a) Capital commitments (exclusive of GST)

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

##### Property, plant and equipment

Buildings	387	2,957
Infrastructure	17,975	3,399
Land	110	–
<b>Total commitments</b>	<b>18,472</b>	<b>6,356</b>

##### These expenditures are payable as follows:

Within the next year	18,289	6,356
Later than one year and not later than 5 years	183	–
<b>Total payable</b>	<b>18,472</b>	<b>6,356</b>

##### Sources for funding of capital commitments:

Unrestricted general funds	6,269	4,881
Section 94 Funds	7,172	–
Future grants and contributions	5,031	1,415
Unexpended grants	–	60
<b>Total sources of funding</b>	<b>18,472</b>	<b>6,356</b>

##### Details of capital commitments

Buildings include Kembla Terraces Roof and Administration building Fire Panel.

Land includes 16 and 18 Otford Road Otford.

Infrastructure includes Unanderra and Towradgi Beach SLSC Carpark, Blackman Parade Culvert, Harry Graham Drive Stabilisation, Bellambi Rockpool and seawall, Porter Street Shareway, Helensburgh Landfill Rehabilitation, Mt Keira Power Supply, Northcliffe Drive extension, Walker Street Helensburgh Water Main protection, Russell Vale retaining wall, Matron Dunster Park Carpark, Thirroul Pool saltwater intake pipes, Bong Bong Road Traffic signals, West Dapto Access Road, Beaton Park Leisure Centre Filter enclosure.

##### (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	335
Later than one year and not later than 5 years	428	661
Later than 5 years	510	612
<b>Total non-cancellable operating lease commitments</b>	<b>1,273</b>	<b>1,608</b>

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

Lease of land for Dapto Ribbonwood Centre and lease of Warrawong Library.

##### Conditions relating to finance and 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

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 19. Contingencies and other assets/liabilities not recognised

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

##### ASSETS NOT RECOGNISED

###### 1. 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 and including 30/6/08.

###### 2. 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.

##### LIABILITIES NOT RECOGNISED

###### 1. Bank Guarantees

Council has provided Bank Guarantees totalling \$610,547 as security over damages for work that may impact a third party.

Council has provided security to Work Cover for outstanding workers compensation claims liability in the form of a bank guarantee to the sum of \$7,711,000.

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

###### 2. 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 \$1.778M for Council in 2018/19. Council's LTFM includes forecast payments of \$1.828M in 2019/20 and \$1.868M in 2020/21. At this stage there has not been any advice regarding any future extension of the top up payment.

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.

###### 3. 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.

###### 4. 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.

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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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 Council's intention to spend funds in the manner and timing set out in those 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.

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. Council is currently working with the EPA and specialised consultants to determine the remediation actions required.

##### 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 \$7.4M to \$11.8M depending on the source of capping materials and the final design solution adopted. Council's current provision is approximately \$4.1M. If a shortfall eventuates this will impact the income statement.

##### 7. 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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 20. Financial risk management

##### Risk management

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

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

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

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

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

The risks associated with the instruments held are:

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

##### (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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in price of investments	4,755	4,755	(4,755)	(4,755)
Possible impact of a 1% movement in interest rates	1,072	1,072	(1,072)	(1,072)
<b>2018</b>				
Possible impact of a 10% movement in price of investments	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)

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 20. Financial risk management (continued)

##### (b) Credit risk

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

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

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.

##### Credit risk profile

###### Receivables – rates and annual charges

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

	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	5,975	1,415	939	2,237	10,566
<b>2018</b>						
Gross carrying amount	–	5,331	1,367	851	1,945	9,494

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

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	23,982	812	173	157	1,407	26,531
Expected loss rate (%)	0.23%	2.09%	2.31%	7.01%	27.71%	1.80%
<b>ECL provision</b>	<b>55</b>	<b>17</b>	<b>4</b>	<b>11</b>	<b>390</b>	<b>477</b>
<b>2018</b>						
Gross carrying amount	15,753	652	328	82	956	17,771
Expected loss rate (%)	0.53%	2.15%	2.44%	7.12%	23.95%	1.91%
<b>ECL provision</b>	<b>83</b>	<b>14</b>	<b>8</b>	<b>6</b>	<b>229</b>	<b>340</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 20. Financial risk management (continued)

##### (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 diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

\$ '000	Weighted average interest rate	Without defined maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	0.00%	3,758	26,175	385	–	30,318	30,391
Loans and advances	1.50%	–	8,814	21,947	–	30,761	25,431
<b>Total financial liabilities</b>		<b>3,758</b>	<b>34,989</b>	<b>22,332</b>	<b>–</b>	<b>61,079</b>	<b>55,822</b>
<b>2018</b>							
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
<b>Total financial liabilities</b>		<b>1,605</b>	<b>34,008</b>	<b>28,148</b>	<b>3,313</b>	<b>67,074</b>	<b>60,209</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 21. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 25/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----	
<b>REVENUES</b>				
Rates and annual charges	197,686	199,524	1,838	1% <b>F</b>
User charges and fees	34,967	32,793	(2,174)	(6)% <b>U</b>
Interest and investment revenue	4,572	5,069	497	11% <b>F</b>
Interest & investment income is greater due to increased cash holdings for a significant part of the year due to timing of delivery of project and favourable operating performance and positive fair valuation of a number of investment assets.				
Other revenues	10,062	12,125	2,063	21% <b>F</b>
Other revenues has a positive variance due to additional land sales (\$1.5M), receipt of an insurance claim (\$0.3M) and a license relating to the lease of an easement of land (\$0.2M).				
Operating grants and contributions	19,837	28,856	9,019	45% <b>F</b>
Operating grants is affected by the early receipt of two instalments of the Financial Assistance Grant relating to the 2019/20 financial year (\$9.4M) and additional grants received during the year, partially offset by the timing of grant payments.				
Capital grants and contributions	53,752	59,656	5,904	11% <b>F</b>
Capital grants and contributions are impacted by acceleration of the West Dapto Access Strategy (\$11.2M), greater City Wide and City Centre developer contributions (\$4.6M) and additional grants received during the year (\$2.0M). These have been partially offset by lower West Dapto developer contributions (\$9.1M) and lower contributed assets (\$2.8M).				
Fair value increment on investment property	–	220	220	∞ <b>F</b>
Joint ventures and associates – net profits	–	291	291	∞ <b>F</b>
<b>EXPENSES</b>				
Employee benefits and on-costs	112,838	122,445	(9,607)	(9)% <b>U</b>
Borrowing costs	3,310	3,337	(27)	(1)% <b>U</b>
Materials and contracts	55,983	57,432	(1,449)	(3)% <b>U</b>
Depreciation and amortisation	64,508	61,781	2,727	4% <b>F</b>
Other expenses	37,360	34,571	2,789	7% <b>F</b>
Net losses from disposal of assets	–	6,856	(6,856)	∞ <b>U</b>
This budget variation is largely a result of disposal of civil assets that have residual values.				

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 21. Material budget variations**

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----	
<b>STATEMENT OF CASH FLOWS</b>				
<b>Net cash provided from (used in) operating activities</b>	105,909	113,628	7,719	7% <b>F</b>
<b>Net cash provided from (used in) investing activities</b>	(96,372)	(107,217)	(10,845)	11% <b>U</b>
This unfavourable variance has resulted from an increase in the capital program during the financial year with purchase of infrastructure, property, plant and equipment higher than originally anticipated.				
<b>Net cash provided from (used in) financing activities</b>	(7,692)	(7,715)	(23)	0% <b>U</b>

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 22. Fair Value Measurement

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments	6(b)					
- 'Designated at fair value on initial recognition'		30/06/19	-	-	47,549	47,549
- 'Financial assets at fair value through other comprehensive income'		30/06/19	-	-	56	56
<b>Total financial assets</b>			-	-	<b>47,605</b>	<b>47,605</b>
<b>Investment property</b>						
Commercial building	11	30/06/19	-	-	5,000	5,000
<b>Total investment property</b>			-	-	<b>5,000</b>	<b>5,000</b>
<b>Infrastructure, property, plant and equipment</b>						
Roads		30/06/17	-	-	569,999	569,999
Bridges		30/06/17	-	-	98,739	98,739
Footpaths		30/06/17	-	-	147,190	147,190
Stormwater		30/06/17	-	-	520,636	520,636
Plant and equipment		N/A	-	-	22,691	22,691
Office equipment		N/A	-	-	3,376	3,376
Furniture and fittings		N/A	-	-	2,097	2,097
Operational land		30/06/19	-	-	249,843	249,843
Community land		30/06/16	-	-	337,871	337,871
Land under roads		30/06/19	-	-	5,684	5,684
Buildings		30/06/19	-	-	303,164	303,164
Other structures		30/06/19	-	-	7,482	7,482
Swimming pools		30/06/16	-	-	6,331	6,331
Library books		N/A	-	-	4,496	4,496
Other open space/recreational assets		30/06/16	-	-	110,423	110,423
Tip asset		30/06/19	-	-	5,525	5,525
Works in progress		N/A	-	-	119,950	119,950
Artworks		30/06/19	-	-	15,121	15,121
Other		30/06/16	-	-	34,477	34,477
<b>Total infrastructure, property, plant and equipment</b>			-	-	<b>2,565,095</b>	<b>2,565,095</b>

continued on next page ...

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 22. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments	6(b)					
– ‘Designated at fair value on initial recognition’		30/06/18	–	–	43,162	43,162
– ‘Financial assets at fair value through other comprehensive income’			–	–	–	–
<b>Total financial assets</b>			–	–	<b>43,162</b>	<b>43,162</b>
<b>Investment property</b>						
Commercial building	11	30/06/18	–	–	4,780	4,780
<b>Total investment property</b>			–	–	<b>4,780</b>	<b>4,780</b>
<b>Infrastructure, property, plant and equipment</b>						
Roads	10	30/06/17	–	–	552,557	552,557
Bridges		30/06/17	–	–	98,526	98,526
Footpaths		30/06/17	–	–	135,473	135,473
Stormwater		30/06/17	–	–	523,470	523,470
Plant and equipment		30/06/18	–	–	22,072	22,072
Office equipment		30/06/18	–	–	3,745	3,745
Furniture and fittings		30/06/18	–	–	1,867	1,867
Operational land		30/06/14	–	–	162,892	162,892
Community land		30/06/16	–	–	334,225	334,225
Land under roads		30/06/14	–	–	3,983	3,983
Buildings		30/06/14	–	–	196,641	196,641
Other structures		30/06/16	–	–	6,609	6,609
Swimming pools		30/06/16	–	–	7,285	7,285
Library books		30/06/18	–	–	4,451	4,451
Other open space/recreational assets		30/06/16	–	–	111,444	111,444
Tip asset		30/06/18	–	–	5,724	5,724
Works in progress		30/06/18	–	–	99,074	99,074
Artworks		30/06/17	–	–	12,842	12,842
Other		30/06/16	–	–	34,201	34,201
<b>Total infrastructure, property, plant and equipment</b>			–	–	<b>2,317,081</b>	<b>2,317,081</b>

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### 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

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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 22. Fair Value Measurement (continued)

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

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

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.

##### 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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 22. Fair Value Measurement (continued)

##### 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.

##### 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

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### 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 Ninnos 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.

##### 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

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### 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
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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 22. Fair Value Measurement (continued)

Asset Category	Valuation Frequency	Description of Process	Valuer*	Responsibility
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

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Financial assets	Investment property	IPP&E	Held for sale assets	Total
<b>2018</b>					
<b>Opening balance</b>	43,428	4,775	2,309,628	6,381	2,364,212
Purchases (GBV)	3,348	-	114,042	-	117,390
Disposals (WDV)	(4,057)	-	(8,447)	(6,381)	(18,885)
Depreciation and impairment	-	-	(59,673)	-	(59,673)
FV gains – other comprehensive income	-	-	5,692	-	5,692
FV gains – Income Statement <sup>1</sup>	443	5	-	-	448
Prior Period Error	-	-	(38,768)	-	(38,768)
Waste remediation reassessment	-	-	(4,863)	-	(4,863)
Transfer to expense	-	-	(73)	-	(73)
<b>Closing balance</b>	<b>43,162</b>	<b>4,780</b>	<b>2,317,538</b>	<b>-</b>	<b>2,365,480</b>
<b>2019</b>					
<b>Opening balance</b>	43,162	4,780	2,317,538	-	2,365,480
Purchases (GBV)	14,299	-	123,228	-	137,527
Disposals (WDV)	(10,021)	-	(8,775)	-	(18,796)
Depreciation and impairment	-	-	(61,549)	-	(61,549)
FV gains – other comprehensive income	-	-	196,361	-	196,361
FV gains – Income Statement <sup>1</sup>	165	220	-	-	385
Prior Period Error	-	-	-	-	-
Waste remediation reassessment	-	-	(58)	-	(58)
Transfer to expense	-	-	(1,651)	-	(1,651)
<b>Closing balance</b>	<b>47,605</b>	<b>5,000</b>	<b>2,565,094</b>	<b>-</b>	<b>2,617,699</b>

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 23. Related Party Transactions

##### (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:

	2019	2018
<b>Compensation:</b>		
Short-term benefits	2,239	2,176
Termination benefits	42	-
<b>Total</b>	<b>2,281</b>	<b>2,176</b>

##### (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

\$'000s	Value of transactions during the year	Outstanding balance	Terms and conditions
<b>2019</b>			
<b>Associate</b>			
Marketing, events, business and investment in LGA	1,419	-	Amounts provided under a funding agreement.
Event sponsorship & support LGA Major Events	71	-	Based on specific events.
	10	-	Amounts provided under a funding agreement.
Partner program	6	-	
Merchandise	1	-	
<b>Associate</b>			
Performing Arts Centre Management	1,006	-	Amounts provided under a funding agreement.
Town Hall management	388	-	Amounts provided under a funding agreement.
Community Subsidy	20	-	Amounts provided under a funding agreement.
Venue Hire	11	-	
Asset Maintenance	9	-	
Catering	2	-	

Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 23. Related Party Transactions (continued)

\$'000s	Value of transactions during the year	Outstanding balance	Terms and conditions
<b>2018</b>			
<b>Associate</b>			
Marketing, events, business and investment in LGA	1,376	-	Amounts provided under a funding agreement.
Subsidised office space	146	-	Amounts provided under a funding agreement.
Event sponsorship & support	91	-	<b>Based on specific events.</b>
LGA Major Events	20	-	Amounts provided under a funding agreement.
Feasibility study	8	-	
Visitor guide	4	-	
Partner program	3	-	
Contribution to Green Bus Service Extension	3	-	
Commission on accommodation bookings	1	-	
<b>Associate</b>			
Performing Arts Centre Management	690	-	Amounts provided under a funding agreement.
Town Hall management	375	-	Amounts provided under a funding agreement.
Community Subsidy	23	-	Amounts provided under a funding agreement.
Venue hire	11	-	
Ticket purchase	9	-	
Town Hall – evacuation users	6	-	
Student Transportation	1	-	

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 24. Events occurring after the reporting date

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

#### Note 25. Statement of developer contributions

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

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

#### Summary of contributions and levies

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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	4,088	2,460	-	146	-	-	6,694	-
Roads	(7,751)	13,247	-	(106)	(6,037)	-	(647)	-
Open space	5,360	1,737	-	174	-	-	7,271	-
Community facilities	1,116	71	-	33	-	-	1,220	-
Administration	(1,177)	302	-	-	(301)	-	(1,176)	-
Public transport	577	31	-	17	-	-	625	-
<b>S7.11 contributions – under a plan</b>	<b>2,213</b>	<b>17,848</b>	<b>-</b>	<b>264</b>	<b>(6,338)</b>	<b>-</b>	<b>13,987</b>	<b>-</b>
<b>S7.12 levies – under a plan</b>	<b>16,266</b>	<b>5,805</b>	<b>-</b>	<b>562</b>	<b>(352)</b>	<b>-</b>	<b>22,281</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>18,479</b>	<b>23,653</b>	<b>-</b>	<b>826</b>	<b>(6,690)</b>	<b>-</b>	<b>36,268</b>	<b>-</b>
S7.11 not under plans	337	-	-	10	-	-	347	-
S7.4 planning agreements	145	-	-	8	-	-	153	-
<b>Total contributions</b>	<b>18,961</b>	<b>23,653</b>	<b>-</b>	<b>844</b>	<b>(6,690)</b>	<b>-</b>	<b>36,768</b>	<b>-</b>

continued on next page ...

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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					
<b>S7.11 Contributions – under a plan</b>								
<b>CONTRIBUTION PLAN – WEST DAPTO</b>								
Drainage	4,088	2,460	-	146	-	-	6,694	-
Roads	(7,751)	13,247	-	(106)	(6,037)	-	(647)	-
Open space	5,360	1,737	-	174	-	-	7,271	-
Community facilities	1,116	71	-	33	-	-	1,220	-
Administration	(1,177)	302	-	-	(301)	-	(1,176)	-
Public transport	577	31	-	17	-	-	625	-
<b>Total</b>	<b>2,213</b>	<b>17,848</b>	<b>-</b>	<b>264</b>	<b>(6,338)</b>	<b>-</b>	<b>13,987</b>	<b>-</b>
<b>S7.12 Levies – under a plan</b>								
<b>CONTRIBUTION PLAN – WOLLONGONG <sup>A, B</sup></b>								
City Wide	16,818	4,082	-	546	(352)	-	21,094	-
City Centre	(552)	1,723	-	16	-	-	1,187	-
<b>Total</b>	<b>16,266</b>	<b>5,805</b>	<b>-</b>	<b>562</b>	<b>(352)</b>	<b>-</b>	<b>22,281</b>	<b>-</b>

(A) The Wollongong City-Wide Development Contributions 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 Wollongong City-Wide Development 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 Development Contribution plans. These are transferred and applied towards items within the Section 7.12 Plan works schedule as the Section 7.12 Plan is the replacement for the plans repealed in June 2006.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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					
<b>S7.11 Contributions – not under a plan</b>								
<b>CONTRIBUTION PLAN – CALDERWOOD <sup>A, B, C</sup></b>								
Roads	337	-	-	10	-	-	347	-
<b>Total</b>	<b>337</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>347</b>	<b>-</b>

(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 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

##### S7.4 planning agreements

Roads	145	-	-	8	-	-	153	-
<b>Total</b>	<b>145</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>153</b>	<b>-</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### 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 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(1,340)	(0.48)%	2.76%	10.74%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	278,226				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	247,336	73.20%	77.06%	74.75%	>60.00%
Total continuing operating revenue <sup>1</sup>	337,882				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>3</sup>	126,001	2.70x	2.93x	2.65x	>1.50x
Current liabilities less specific purpose liabilities <sup>4</sup>	46,629				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	63,778	5.77x	6.30x	8.51x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,052				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	10,566	5.09%	4.66%	5.88%	<10.00%
Rates, annual and extra charges collectible	207,770				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	107,217	5.45 mths	5.83 mths	6.90 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	19,663				

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

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

(3) Refer to Notes 6-8 inclusive. Excludes any real estate and land for resale not expected to be sold in next 12 months.

(4) Refer to Notes 13 and 14. Excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

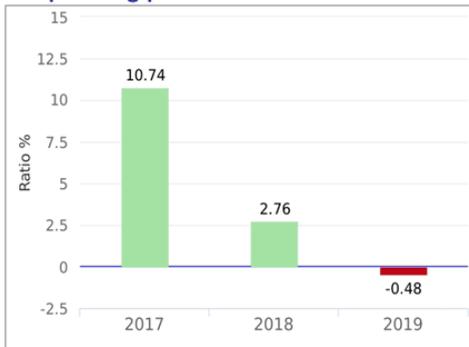
Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio (0.48)%

The 2019 result has been unfavourably impacted by a number of unusual factors that include the change in discount factors applicable to employee leave entitlements (\$5.2M), valuation of workers compensation liability to recognise impact of external valuation trends on Council's active claims (\$2.0M) and the reclassification of capital expenditure for current and prior years (\$2.3M). Without these abnormal variations, this indicator would be 2.9%.

Benchmark: — > 0.00%

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

Ratio achieves benchmark  
Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 73.20%

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 the result.

Benchmark: — > 60.00%

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

Ratio achieves benchmark  
Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 2.70x

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 unrestricted ratio. As the requirements to hold funds for waste facility rehabilitation is significant the measure is expected to increase until payments are required.

Benchmark: — > 1.50x

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

Ratio achieves benchmark  
Ratio is outside benchmark

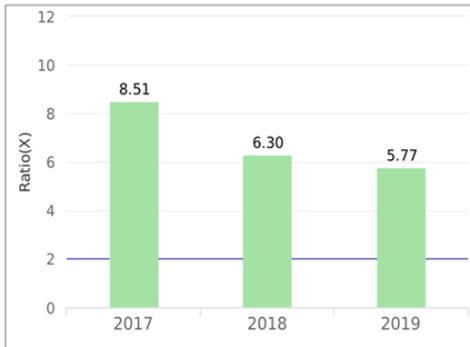
Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 5.77x

The result indicates that Council can adequately service its outstanding debt.

Benchmark: — > 2.00x

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

- Ratio achieves benchmark
- Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 5.09%

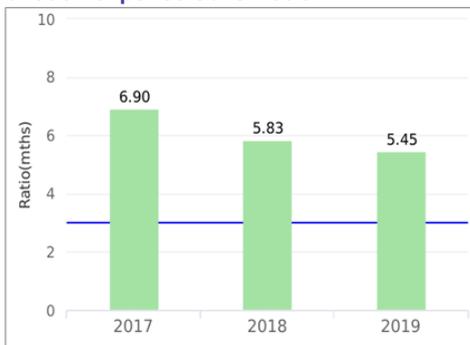
Although Council continue to improve the recovery processes for all rate payers, there has been an increase in debt owed to Council by pensioners that Council policy allows.

Benchmark: — < 10.00%

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

- Ratio achieves benchmark
- Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 5.45 mths

The result of this measure reflects a high level of liquidity in Council's investment portfolio at the end of 2018/19.

Benchmark: — > 3.00mths

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

- Ratio achieves benchmark
- Ratio is outside benchmark

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 28. Council information and contact details

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**Principal place of business:**

41 Burelli Street  
Wollongong NSW 2500

#### Contact details

**Mailing Address:**

Locked Bag 8821  
Wollongong NSW 2500

**Telephone:** (02) 4227 7111

**Facsimile:** (02) 4227 7277

**Opening hours:**

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

**Internet:** [www.wollongong.nsw.gov.au](http://www.wollongong.nsw.gov.au)

**Email:** [council@wollongong.nsw.gov.au](mailto:council@wollongong.nsw.gov.au)

#### Officers

**GENERAL MANAGER**

Greg Doyle

**RESPONSIBLE ACCOUNTING OFFICER**

Brian Jenkins

**PUBLIC OFFICER**

Todd Hopwood

**AUDITORS**

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

#### Elected members

**LORD MAYOR**

Gordon Bradbery

**COUNCILLORS**

**Ward 1**

Leigh Colacino  
Mithra Cox  
Janice Kershaw  
Jenelle Rimmer

**Ward 2**

Cath Blakey  
David Brown  
Tania Brown  
John Dorahy

**Ward 3**

Dom Figliomeni  
Vicky King  
Ann Martin  
Cameron Walters

#### Other information

**ABN:** 63 139 525 939

## Wollongong City Council

Financial Statements 2019

### General Purpose Financial Statements for the year ended 30 June 2019

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#### Independent Auditor's Report

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

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## Wollongong City Council

Financial Statements 2019

### General Purpose Financial Statements for the year ended 30 June 2019

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#### Independent Auditor's Report

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

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# Wollongong City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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## Wollongong City Council

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements for the year ended 30 June 2019

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#### Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, 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).

## Wollongong City Council

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements for the year ended 30 June 2019

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

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, 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 23 September 2019.

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Gordon Bradbery  
Lord Mayor  
23 September 2019

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David Brown  
Deputy Lord Mayor  
23 September 2019

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Greg Doyle  
General Manager  
23 September 2019

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Brian Jenkins  
Responsible Accounting Officer  
23 September 2019

## Wollongong City Council

Special Purpose Financial Statements 2019

### Income Statement – Waste Disposal for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	27,821	28,716
Other income	516	516
<b>Total income from continuing operations</b>	<u>28,337</u>	<u>29,232</u>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,905	1,755
Borrowing costs	1,849	1,989
Materials and contracts	2,466	1,533
Depreciation, amortisation and impairment	1,221	1,265
Calculated taxation equivalents	529	393
EPA levy	11,764	15,369
Other expenses	1,903	1,890
<b>Total expenses from continuing operations</b>	<u>21,637</u>	<u>24,194</u>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	6,700	5,038
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>6,700</b>	<b>5,038</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>6,700</b>	<b>5,038</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,843)	(1,385)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<u><b>4,857</b></u>	<u><b>3,653</b></u>
<b>Plus accumulated surplus</b>	45,500	40,069
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	529	393
– Corporate taxation equivalent	1,843	1,385
<b>Closing accumulated surplus</b>	<u><b>52,729</b></u>	<u><b>45,500</b></u>
<b>Return on capital %</b>	21.6%	19.2%

## Wollongong City Council

Special Purpose Financial Statements 2019

### Income Statement – Tourist parks for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	7,153	6,975
Other income	144	128
<b>Total income from continuing operations</b>	<b>7,297</b>	<b>7,103</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,813	2,639
Materials and contracts	1,157	958
Depreciation, amortisation and impairment	1,095	967
Loss on sale of assets	53	28
Calculated taxation equivalents	535	522
Other expenses	1,192	1,169
<b>Total expenses from continuing operations</b>	<b>6,845</b>	<b>6,283</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>452</b>	<b>820</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>452</b>	<b>820</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>452</b>	<b>820</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(124)	(226)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>328</b>	<b>594</b>
<b>Plus accumulated surplus</b>	<b>12,018</b>	<b>10,676</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	535	522
– Corporate taxation equivalent	124	226
<b>Closing accumulated surplus</b>	<b>13,005</b>	<b>12,018</b>
<b>Return on capital %</b>	<b>1.7%</b>	<b>3.4%</b>

## Wollongong City Council

Special Purpose Financial Statements 2019

### Income Statement – Health & Fitness for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	2,896	2,628
Grants and contributions provided for non-capital purposes	–	16
Other income	95	96
<b>Total income from continuing operations</b>	<b>2,991</b>	<b>2,740</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,521	2,353
Materials and contracts	332	396
Depreciation, amortisation and impairment	54	54
Loss on sale of assets	–	1
Calculated taxation equivalents	176	174
Other expenses	977	995
<b>Total expenses from continuing operations</b>	<b>4,060</b>	<b>3,973</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,069)</b>	<b>(1,233)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,069)</b>	<b>(1,233)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(1,069)</b>	<b>(1,233)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,069)</b>	<b>(1,233)</b>
<b>Plus accumulated surplus</b>	<b>(12,055)</b>	<b>(10,996)</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	176	174
<b>Closing accumulated surplus</b>	<b>(12,948)</b>	<b>(12,055)</b>
<b>Return on capital %</b>	<b>(24.3)%</b>	<b>(29.2)%</b>
<b>Subsidy from Council</b>	<b>1,127</b>	<b>1,344</b>

## Wollongong City Council

Special Purpose Financial Statements 2019

### Income Statement – Crematorium & Cemeteries for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	1,550	2,296
Other income	9	11
<b>Total income from continuing operations</b>	<u>1,559</u>	<u>2,307</u>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,431	1,468
Materials and contracts	269	320
Depreciation, amortisation and impairment	9	10
Loss on sale of assets	7	-
Calculated taxation equivalents	173	133
Other expenses	560	561
<b>Total expenses from continuing operations</b>	<u>2,449</u>	<u>2,492</u>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	(890)	(185)
<b>Surplus (deficit) from continuing operations after capital amounts</b>	(890)	(185)
<b>Surplus (deficit) from all operations before tax</b>	(890)	(185)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<u>(890)</u>	<u>(185)</u>
<b>Plus accumulated surplus</b>	(827)	(775)
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	173	133
<b>Closing accumulated surplus</b>	<u>(1,544)</u>	<u>(827)</u>
<b>Return on capital %</b>	(13.6)%	(3.7)%
<b>Subsidy from Council</b>	976	317

**Wollongong City Council**

Special Purpose Financial Statements 2019

**Statement of Financial Position – Waste Disposal**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	–	2,165
<b>Total current assets</b>	<b>–</b>	<b>2,165</b>
<b>Non-current assets</b>		
Receivables	70,160	53,277
Infrastructure, property, plant and equipment	39,543	36,680
<b>Total non-current assets</b>	<b>109,703</b>	<b>89,957</b>
<b>TOTAL ASSETS</b>	<b>109,703</b>	<b>92,122</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	638	–
<b>Total current liabilities</b>	<b>638</b>	<b>–</b>
<b>Non-current liabilities</b>		
Provisions	42,939	36,994
<b>Total non-current liabilities</b>	<b>42,939</b>	<b>36,994</b>
<b>TOTAL LIABILITIES</b>	<b>43,577</b>	<b>36,994</b>
<b>NET ASSETS</b>	<b>66,126</b>	<b>55,128</b>
<b>EQUITY</b>		
Accumulated surplus	52,729	45,500
Revaluation reserves	13,397	9,628
<b>TOTAL EQUITY</b>	<b>66,126</b>	<b>55,128</b>

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**Wollongong City Council**

Special Purpose Financial Statements 2019

**Statement of Financial Position – Tourist parks**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Receivables	4,127	3,663
Infrastructure, property, plant and equipment	26,480	24,210
<b>Total non-current assets</b>	<b>30,607</b>	<b>27,873</b>
<b>TOTAL ASSETS</b>	<b>30,607</b>	<b>27,873</b>
<b>NET ASSETS</b>	<b>30,607</b>	<b>27,873</b>
<b>EQUITY</b>		
Accumulated surplus	13,005	12,018
Revaluation reserves	17,602	15,855
<b>TOTAL EQUITY</b>	<b>30,607</b>	<b>27,873</b>

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**Wollongong City Council**

Special Purpose Financial Statements 2019

**Statement of Financial Position – Health & Fitness**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	4,398	4,224
<b>Total non-current assets</b>	<b>4,398</b>	<b>4,224</b>
<b>TOTAL ASSETS</b>	<b>4,398</b>	<b>4,224</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Payables	13,901	13,063
<b>Total non-current liabilities</b>	<b>13,901</b>	<b>13,063</b>
<b>TOTAL LIABILITIES</b>	<b>13,901</b>	<b>13,063</b>
<b>NET ASSETS</b>	<b>(9,503)</b>	<b>(8,839)</b>
<b>EQUITY</b>		
Accumulated surplus	(12,946)	(12,055)
Revaluation reserves	3,443	3,216
<b>TOTAL EQUITY</b>	<b>(9,503)</b>	<b>(8,839)</b>

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**Wollongong City Council**

Special Purpose Financial Statements 2019

**Statement of Financial Position – Crematorium & Cemeteries**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	6,534	5,021
<b>Total non-current assets</b>	<b>6,534</b>	<b>5,021</b>
<b>TOTAL ASSETS</b>	<b>6,534</b>	<b>5,021</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Payables	4,585	3,494
<b>Total non-current liabilities</b>	<b>4,585</b>	<b>3,494</b>
<b>TOTAL LIABILITIES</b>	<b>4,585</b>	<b>3,494</b>
<b>NET ASSETS</b>	<b>1,949</b>	<b>1,527</b>
<b>EQUITY</b>		
Accumulated surplus	(1,535)	(827)
Revaluation reserves	3,484	2,354
<b>TOTAL EQUITY</b>	<b>1,949</b>	<b>1,527</b>

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## Wollongong City Council

Special Purpose Financial Statements 2019

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy 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.
- d. **Crematorium & Cemeteries:** Provision of quality crematorium, cemetery & memorial facilities & services

##### Category 2

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

Nil

## Wollongong City Council

Special Purpose Financial Statements 2019

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

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

##### Monetary amounts

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

##### (i) Taxation equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$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 \$850,000.

##### 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%.

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.

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

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

## Wollongong City Council

Special Purpose Financial Statements 2019

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

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

##### (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:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

##### (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

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements for the year ended 30 June 2019

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

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# Wollongong City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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## Wollongong City Council

Special Schedules 2019

### Special Schedules for the year ended 30 June 2019

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Permissible income for general rates	3
Report on Infrastructure Assets	4

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## Wollongong City Council

Special Schedules 2019

### Permissible income for general rates for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	165,477	160,469
Plus or minus adjustments <sup>2</sup>	b	730	854
<b>Notional general income</b>	c = a + b	<b>166,207</b>	<b>161,323</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = c x e	4,488	3,710
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>170,695</b>	<b>165,033</b>
Plus (or minus) last year's carry forward total	l	4	190
Less valuation objections claimed in the previous year	m	(396)	(138)
<b>Sub-total</b>	n = (l + m)	<b>(392)</b>	<b>52</b>
<b>Total permissible income</b>	o = k + n	<b>170,303</b>	<b>165,085</b>
Less notional general income yield	p	170,562	165,477
<b>Catch-up or (excess) result</b>	q = o - p	<b>(259)</b>	<b>(392)</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	265	396
Less unused catch-up <sup>5</sup>	s	(4)	-
<b>Carry forward to next year <sup>6</sup></b>	t = q + r - s	<b>2</b>	<b>4</b>

#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

## Wollongong City Council

Special Schedules 2019

### Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost					Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring the agreed level of service set by Council	2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount		1	2	3	4	5
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Buildings	5,152	6,926	21,298	20,833	303,164	540,019	3.0%	17.1%	78.7%	0.7%	0.6%
	<b>Sub-total</b>	<b>5,152</b>	<b>6,926</b>	<b>21,298</b>	<b>20,833</b>	<b>303,164</b>	<b>540,019</b>	<b>3.0%</b>	<b>17.1%</b>	<b>78.7%</b>	<b>0.7%</b>	<b>0.6%</b>
<b>Other structures</b>	Other structures	963	1,284	551	539	7,482	13,971	4.6%	18.2%	68.0%	2.4%	6.8%
	<b>Sub-total</b>	<b>963</b>	<b>1,284</b>	<b>551</b>	<b>539</b>	<b>7,482</b>	<b>13,971</b>	<b>4.6%</b>	<b>18.2%</b>	<b>68.0%</b>	<b>2.4%</b>	<b>6.8%</b>
<b>Roads</b>	Sealed roads	67,173	89,737	16,943	16,317	569,999	1,426,090	6.7%	10.5%	74.5%	1.4%	7.0%
	Bridges	902	1,203	1,810	1,743	98,739	152,318	12.7%	36.5%	50.0%	0.2%	0.5%
	Footpaths	3,078	6,155	3,465	3,337	147,190	291,660	15.2%	19.7%	63.0%	1.3%	0.8%
	<b>Sub-total</b>	<b>71,153</b>	<b>97,095</b>	<b>22,218</b>	<b>21,397</b>	<b>815,928</b>	<b>1,870,068</b>	<b>8.5%</b>	<b>14.0%</b>	<b>70.7%</b>	<b>1.3%</b>	<b>5.5%</b>
<b>Stormwater drainage</b>	Stormwater drainage	76	101	2,568	2,596	520,636	937,830	4.2%	13.1%	82.6%	0.0%	0.1%
	<b>Sub-total</b>	<b>76</b>	<b>101</b>	<b>2,568</b>	<b>2,596</b>	<b>520,636</b>	<b>937,830</b>	<b>4.2%</b>	<b>13.1%</b>	<b>82.6%</b>	<b>0.0%</b>	<b>0.1%</b>
<b>Open space / recreational assets</b>	Swimming pools & Open Space/Recreation	6,936	10,377	25,305	26,816	116,754	187,847	2.9%	12.4%	71.8%	6.6%	6.4%
	<b>Sub-total</b>	<b>6,936</b>	<b>10,377</b>	<b>25,305</b>	<b>26,816</b>	<b>116,754</b>	<b>187,847</b>	<b>2.9%</b>	<b>12.4%</b>	<b>71.8%</b>	<b>6.6%</b>	<b>6.4%</b>
<b>TOTAL - ALL ASSETS</b>		<b>84,280</b>	<b>115,783</b>	<b>71,940</b>	<b>72,181</b>	<b>1,763,964</b>	<b>3,549,735</b>	<b>6.2%</b>	<b>14.2%</b>	<b>75.1%</b>	<b>1.1%</b>	<b>3.4%</b>

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

#### 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 functional state for community use'. During the 2016/17 financial year this process was completely reviewed to ensure inclusion of all labour and materials on all 'asset operation' tasks.

## Wollongong City Council

Special Schedules 2019

### Report on Infrastructure Assets (continued)

as at 30 June 2019

(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, energy supply etc. It does not include operational overheads (e.g. 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 Councils assets. That is calculated as the cost of bringing 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 Saving 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

#### Condition of Public Assets

In assessing the condition of Public Assets, Council has considered the existing condition and function of each asset. The results shown for the condition 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 Definitions #

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

## Wollongong City Council

Special Schedules 2019

### Report on Infrastructure Assets (continued) as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	49,733	93.63%	104.26%	104.90%	>=100.00%
Depreciation, amortisation and impairment	53,114				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	84,280	4.78%	5.51%	5.72%	<2.00%
Net carrying amount of infrastructure assets	1,763,964				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	72,181	100.34%	98.54%	98.07%	>100.00%
Required asset maintenance	71,940				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	115,783	3.26%	3.47%	3.68%	
Gross replacement cost	3,549,735				

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

(1) Excludes Work In Progress (WIP)

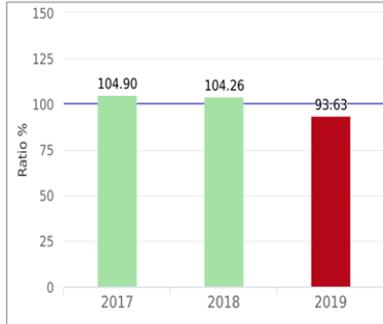
(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Wollongong City Council

Special Schedules 2019

Report on Infrastructure Assets (continued)  
as at 30 June 2019

Buildings and infrastructure renewals ratio <sup>1</sup>



Infrastructure renewals ratio	Commentary on result
	18/19 ratio 93.63%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	Council expended a record \$115M on Capital works during 2018/19. A significant proportion of works being new infrastructure initiatives associated with supporting major sub-division development works. As a result, Council spent slightly less on renewal projects than the previous year (\$49.7M down from \$53.9M last year), while the revaluing of building assets resulted in increased depreciation (from \$51.7M last year up to \$53.1M).

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

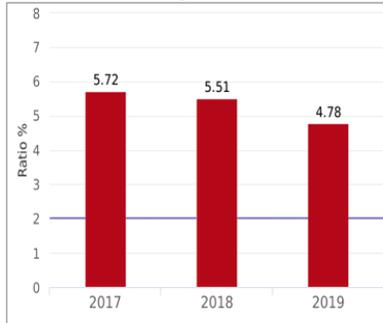
Asset maintenance ratio



Asset maintenance ratio	Commentary on result
	18/19 ratio 100.34%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 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 costs. The increase to above 100% is primarily due to increased maintenance of Buildings and Facilities.

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

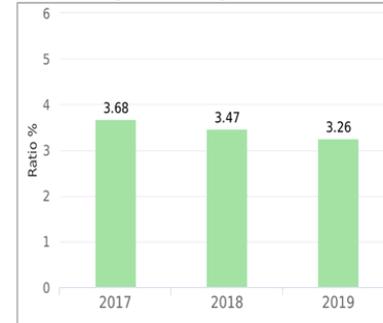
Infrastructure backlog ratio <sup>1</sup>



Infrastructure backlog ratio	Commentary on result
	18/19 ratio 4.78%
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 written down value at condition 2, with the exception of path assets to condition 3. Council's 'Securing our Future' financial review confirmed condition 3 for paths through public consultation.

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

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	Commentary on result
	18/19 ratio 3.26%
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.

(1) Excludes Work In Progress (WIP)

# Wollongong City Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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# Wollongong City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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## Wollongong City Council

Financial Statements 2019

### General Purpose Financial Statements for the year ended 30 June 2019

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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](http://www.wollongong.nsw.gov.au).

## Wollongong City Council

Financial Statements 2019

### General Purpose Financial Statements for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 23 September 2019.

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Gordon Bradbery  
Lord Mayor  
23 September 2019

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David Brown  
Deputy Lord Mayor  
23 September 2019

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Greg Doyle  
General Manager  
23 September 2019

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Brian Jenkins  
Responsible Accounting Officer  
23 September 2019

Wollongong City Council

Financial Statements 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
197,686	Rates and annual charges	3a	199,524	193,429
34,967	User charges and fees	3b	32,793	34,805
4,572	Interest and investment revenue	3c	5,069	5,162
10,062	Other revenues	3d	12,125	10,551
19,837	Grants and contributions provided for operating purposes	3e,3f	28,856	29,384
53,752	Grants and contributions provided for capital purposes	3e,3f	59,656	40,637
<u>Other income:</u>				
–	Fair value increment on investment properties	11	220	5
–	Net share of interests in joint ventures and associates using the equity method	17	291	803
320,876	<b>Total income from continuing operations</b>		338,534	314,776
<b>Expenses from continuing operations</b>				
112,838	Employee benefits and on-costs	4a	122,445	107,843
3,310	Borrowing costs	4b	3,337	3,819
55,983	Materials and contracts	4c	57,432	53,709
64,508	Depreciation and amortisation	4d	61,781	60,067
37,360	Other expenses	4e	34,571	40,211
–	Net losses from the disposal of assets	5	6,856	361
273,999	<b>Total expenses from continuing operations</b>		286,422	266,010
46,877	<b>Operating result from continuing operations</b>		52,112	48,766
46,877	<b>Net operating result for the year</b>		52,112	48,766
46,877	Net operating result attributable to council		52,112	48,766
(6,875)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		(7,544)	8,129

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

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

**Wollongong City Council**

Financial Statements 2019

**Statement of Comprehensive Income**  
for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>52,112</b>	<b>48,766</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	196,818	5,692
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>196,818</b>	<b>5,692</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		(32)	-
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>(32)</b>	<b>-</b>
<b>Total other comprehensive income for the year</b>		<b>196,786</b>	<b>5,692</b>
<b>Total comprehensive income for the year</b>		<b>248,898</b>	<b>54,458</b>
Total comprehensive income attributable to Council		248,898	54,458

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

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

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## Wollongong City Council

Financial Statements 2019

### Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	25,187	26,491
Investments	6(b)	114,579	109,162
Receivables	7	36,620	27,036
Inventories	8a	337	306
Other	8b	11,879	10,666
<b>Total current assets</b>		<u>188,602</u>	<u>173,661</u>
<b>Non-current assets</b>			
Investments	6(b)	15,056	22,115
Inventories	8a	5,948	5,835
Infrastructure, property, plant and equipment	10	2,565,095	2,317,081
Investment property	11a	5,000	4,780
Intangible assets	12	440	388
Investments accounted for using the equity method	17	2,929	2,638
<b>Total non-current assets</b>		<u>2,594,468</u>	<u>2,352,837</u>
<b>TOTAL ASSETS</b>		<u>2,783,070</u>	<u>2,526,498</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	30,006	26,754
Income received in advance	13	5,014	3,256
Borrowings	13	7,934	7,716
Provisions	14	58,214	50,377
<b>Total current liabilities</b>		<u>101,168</u>	<u>88,103</u>
<b>Non-current liabilities</b>			
Payables	13	385	700
Borrowings	13	17,497	25,039
Provisions	14	47,054	44,566
<b>Total non-current liabilities</b>		<u>64,936</u>	<u>70,305</u>
<b>TOTAL LIABILITIES</b>		<u>166,104</u>	<u>158,408</u>
<b>Net assets</b>		<u>2,616,966</u>	<u>2,368,090</u>
<b>EQUITY</b>			
Accumulated surplus	15a	1,463,845	1,411,338
Revaluation reserves	15a	1,153,065	956,752
Other reserves	15a	56	-
<b>Council equity interest</b>		<u>2,616,966</u>	<u>2,368,090</u>
<b>Total equity</b>		<u>2,616,966</u>	<u>2,368,090</u>

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

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

## Wollongong City Council

Financial Statements 2019

### Statement of Changes in Equity for the year ended 30 June 2019

\$ '000	Notes	2019				2018 <sup>1</sup>			
		Accumulated surplus	IPP&E revaluation reserve	Investment Revaluation Reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Investment Revaluation Reserve	Total equity
Opening balance		1,411,338	956,752	–	2,368,090	1,389,905	962,952	–	2,352,857
Correction of prior period errors	15b	–	–	–	–	(30,652)	(8,573)	–	(39,225)
Adoption of new accounting standards – not retrospective	15c	(110)	–	88	(22)	–	–	–	–
<b>Restated opening balance</b>		<b>1,411,228</b>	<b>956,752</b>	<b>88</b>	<b>2,368,068</b>	<b>1,359,253</b>	<b>954,379</b>	<b>–</b>	<b>2,313,632</b>
Net operating result for the year		52,112	–	–	52,112	48,766	–	–	48,766
<b>Restated net operating result for the period</b>		<b>52,112</b>	<b>–</b>	<b>–</b>	<b>52,112</b>	<b>48,766</b>	<b>–</b>	<b>–</b>	<b>48,766</b>
<b>Other comprehensive income</b>									
– Gain (loss) on revaluation of IPP&E	10	–	196,818	–	196,818	–	5,692	–	5,692
– Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		–	–	(32)	(32)	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>196,818</b>	<b>(32)</b>	<b>196,786</b>	<b>–</b>	<b>5,692</b>	<b>–</b>	<b>5,692</b>
<b>Total comprehensive income</b>		<b>52,112</b>	<b>196,818</b>	<b>(32)</b>	<b>248,898</b>	<b>48,766</b>	<b>5,692</b>	<b>–</b>	<b>54,458</b>
Transfers between equity items		505	(505)	–	–	3,319	(3,319)	–	–
<b>Equity – balance at end of the reporting period</b>		<b>1,463,845</b>	<b>1,153,065</b>	<b>56</b>	<b>2,616,966</b>	<b>1,411,338</b>	<b>956,752</b>	<b>–</b>	<b>2,368,090</b>

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

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

## Wollongong City Council

Financial Statements 2019

### Statement of Cash Flows for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
197,421			198,536	193,451
34,967			35,009	35,362
4,572			4,859	5,426
63,420			74,808	50,700
9,598			3,060	591
–			25,603	23,198
<u>Payments</u>				
(110,458)			(116,018)	(107,925)
(92,522)			(76,382)	(65,774)
(1,089)			(1,096)	(1,263)
–			(907)	(1,543)
–			(33,844)	(52,022)
105,909		16b	113,628	80,201
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
(205)			61,106	67,557
1,795			1,920	10,923
<u>Payments</u>				
–			(59,267)	(54,661)
(97,962)			(110,578)	(93,506)
–			(113)	(44)
–			(285)	–
(96,372)			(107,217)	(69,731)
<b>Cash flows from financing activities</b>				
<u>Payments</u>				
(7,692)			(7,715)	(7,513)
(7,692)			(7,715)	(7,513)
1,845			(1,304)	2,957
131,797		16a	26,491	23,534
133,642		16a	25,187	26,491
<b>Additional Information:</b>				
–		6(b)	129,635	131,277
133,642			154,822	157,768

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 23 September 2019. 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.

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

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019. Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 15.

##### (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:

- estimated fair values of investment properties – refer Note 11
- estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- estimated tip remediation provisions – refer Note 14
- employee benefit provisions – refer Note 14.

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

- Impairment of receivables

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

##### Monies and other assets received by Council

###### (a) The Consolidated Fund

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

###### (b) The Trust Fund

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

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

The following Trust monies and properties are held by Council but 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 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

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

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

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

###### AASB 16 Leases

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

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

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

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1 July 2019). Further investigation of the waste services contracts in consultation with suppliers is required to determine potential inclusion.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$1,273,319 - refer Note 18.

No portion of these commitments relate to short-term leases or low value leases.

Council anticipates it will recognise lease liabilities (on its balance sheet) of \$1,148,929 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totalling \$1,148,929 on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets (as at 1 July 2019) will remain unchanged, while net current assets will be \$335,056 lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will be unchanged for the year ending 30 June 2020 as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$1,148,929 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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

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

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

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

The changes in revenue recognition requirements in AASB15 may cause changes to the timing of revenue recorded in the financial statements as well as additional disclosures. The new standard requires that revenue received under a contract with sufficiently specific performance obligations be recognised when control of the goods or services are transferred to the customer. Where revenue is not connected to a contract with sufficiently specific performance obligations, it will generally be recognised upon receipt. Currently revenue is recognised when it is received, and where income is received in arrears an accrual is made by reference to the stage of completion of the transaction.

#### **AASB 1058 Income of NFP Entities**

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

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

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

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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

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

It is anticipated that the adoption of AASB 1058 may impact the timing of income recognition relating to some capital grants. Council will also be required to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. Currently volunteer services are not recognised.

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

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

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

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

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

Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Planning and engagement	27,520	13,355	28,058	26,099	(538)	(12,744)	273	1,369	258,471	269,637
Environment	49,350	48,375	61,691	62,198	(12,341)	(13,823)	2,941	1,470	470,695	354,251
Transport services/infrastructure	29,491	17,113	50,189	48,466	(20,698)	(31,353)	26,623	14,130	476,782	430,258
Community services/facilities	8,155	9,033	33,661	32,730	(25,506)	(23,697)	4,732	4,758	37,374	31,089
Recreation and open space	13,954	12,274	47,796	45,762	(33,842)	(33,488)	367	209	79,719	93,723
Regulatory services and safety	8,241	8,417	19,284	18,574	(11,043)	(10,157)	476	521	1,527	1,641
Governance and internal services	194,427	188,042	45,743	32,181	148,684	155,861	16,983	17,281	1,458,502	1,345,899
Contributed Assets	7,396	18,167	–	–	7,396	18,167	–	–	–	–
<b>Total functions and activities</b>	<b>338,534</b>	<b>314,776</b>	<b>286,422</b>	<b>266,010</b>	<b>52,112</b>	<b>48,766</b>	<b>52,395</b>	<b>39,738</b>	<b>2,783,070</b>	<b>2,526,498</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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

##### 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

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	115,655	112,264
Farmland	313	302
Mining	914	897
Business	46,927	45,436
Less: pensioner rebates (mandatory)	(2,902)	(2,885)
Less: pensioner rebates (Council policy)	(377)	(410)
Abandonments	(42)	(94)
<b>Rates levied to ratepayers</b>	<b>160,488</b>	<b>155,510</b>
Pensioner rate subsidies received	1,596	1,551
<b>Total ordinary rates</b>	<b>162,084</b>	<b>157,061</b>
<b>Special rates</b>		
City centre	403	395
Mall	1,107	1,044
<b>Rates levied to ratepayers</b>	<b>1,510</b>	<b>1,439</b>
<b>Total special rates</b>	<b>1,510</b>	<b>1,439</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	34,560	33,601
Stormwater management services	1,831	1,817
Less: pensioner rebates (mandatory)	(797)	(798)
Less: pensioner rebates (Council policy)	(97)	(107)
Abandonments – annual charges <sup>1</sup>	(5)	(13)
<b>Annual charges levied</b>	<b>35,492</b>	<b>34,500</b>
Pensioner subsidies received:		
– Domestic waste management	438	429
<b>Total annual charges</b>	<b>35,930</b>	<b>34,929</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>199,524</b>	<b>193,429</b>

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

#### Accounting policy for rates and charges

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

(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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Waste management services (non-domestic) <sup>1</sup>	9,632	11,062
<b>Total specific user charges</b>	<b>9,632</b>	<b>11,062</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Contestable building services	386	334
Inspection services	509	507
Planning and building regulation	2,790	2,874
Registration fees	233	252
Section 10.7 certificates (EP&A Act)	517	587
Section 603 certificates (rating certificate)	261	316
Section 611 charges (occupation of land)	192	187
Other	60	45
<b>Total fees and charges – statutory/regulatory</b>	<b>4,948</b>	<b>5,102</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Additional waste services	91	117
Art gallery	11	9
Car parking	852	823
Credit card payment processing fee	139	124
Crematorium and cemeteries <sup>2</sup>	1,495	2,219
Design review meeting application fees	113	150
Golf course	567	549
Health inspections	293	290
Hire charges	601	589
Leaseback fees – Council vehicles	679	710
Library	44	44
Marketing	39	39
Outdoor dining	92	91
Parking meters	1,172	1,262
Pre-lodgement meeting fees	113	127
Recreation	4,152	3,984
Road opening permits	363	271
Stallholder fees	119	103
Tourist parks	7,135	6,961
Tree management requests	85	93
Other	58	86
<b>Total fees and charges – other</b>	<b>18,213</b>	<b>18,641</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>32,793</b>	<b>34,805</b>

#### Accounting policy for user charges and fees

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

(1) Non-Domestic waste management services income has reduced in comparison to the prior financial year as a result of commercial customers using alternate facilities.

(2) Crematorium operations ceased at the end of the 2017/18 financial year.

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	606	597
– Cash and investments	4,227	4,435
Dividend income relating to investments held at fair value through other comprehensive income	95	–
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	141	130
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>5,069</b>	<b>5,162</b>

**Interest revenue is attributable to:**

**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	606	597
General Council cash and investments	2,576	2,566

**Restricted investments/funds – external:**

<b>Development contributions</b>		
– Section 7.11	844	580
Unexpended infrastructure loan	153	226
Other externally restricted assets	890	1,193
<b>Total interest and investment revenue</b>	<b>5,069</b>	<b>5,162</b>

**Accounting policy for interest and investment revenue**

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Other revenues</b>			
Diesel rebate		197	207
Fines		645	700
Fines – parking		2,426	2,336
Insurance claims recoveries		325	302
Legal fees recovery – rates and charges (extra charges)		180	271
Legal settlements		25	50
Outgoings reimbursements		129	125
Reimbursements		295	486
Rental income – investment property	11	389	347
Rental income – other council properties		4,676	4,400
Sales – general		2,183	709
Sponsorship and promotional income		50	71
Other		605	547
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>12,125</u></b>	<b><u>10,551</u></b>

**Accounting policy for other revenue**

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

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 the payment is received, whichever occurs first.

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	18,596	18,655	-	-
<b>Total general purpose</b>	<b>18,596</b>	<b>18,655</b>	<b>-</b>	<b>-</b>
<b>Specific purpose</b>				
Arts and culture	79	82	-	-
Buildings	-	-	-	600
Community development and support	286	302	-	-
Economic development	-	289	-	-
Emergency services	418	439	-	-
Environmental management and enhancement	2	74	-	-
Environmental programs	58	82	-	-
Floodplain and stormwater management	173	87	1,072	620
Footpaths and cycleways	-	-	-	454
HACC community transport	2,629	2,591	-	-
Heritage and cultural	19	254	-	31
Library	450	480	-	-
LIRS subsidy	835	992	-	-
Local bus route subsidy	79	56	-	-
Natural area management	197	146	-	-
Parks, gardens and sportsfields	-	60	545	71
People and learning	74	36	-	-
Playgrounds	-	-	-	27
Recreation and culture	-	-	36	41
Strategic city planning	95	59	-	-
Street lighting	700	684	-	-
Transport (other roads and bridges funding)	99	22	21,691	9,517
Transport (roads to recovery)	-	-	1,433	1,408
Voluntary purchase scheme	-	-	1,390	39
Waste performance improvement	216	236	-	-
Wollongong multi service outlet	1,223	1,304	-	-
<b>Total specific purpose</b>	<b>7,632</b>	<b>8,275</b>	<b>26,167</b>	<b>12,808</b>
<b>Total grants</b>	<b>26,228</b>	<b>26,930</b>	<b>26,167</b>	<b>12,808</b>
<b>Grant revenue is attributable to:</b>				
- Commonwealth funding	18,679	22,195	8,266	3,872
- State funding	7,549	4,735	17,901	8,936
	<b>26,228</b>	<b>26,930</b>	<b>26,167</b>	<b>12,808</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	–	141
S 7.11 – contributions towards amenities/services		–	–	17,848	3,915
S 7.12 – fixed development consent levies		–	–	5,805	5,066
Other developer contributions – Calderwood		–	–	–	9
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>23,653</b>	<b>9,131</b>
<b>Non-cash contributions</b>					
S 7.12 – fixed development consent levies		–	–	–	49
Planning agreements		–	–	–	1,433
<b>Total developer contributions non-cash</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>1,482</b>
<b>Total developer contributions</b>	25	<b>–</b>	<b>–</b>	<b>23,653</b>	<b>10,613</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Floodplain and stormwater management		299	–	–	–
Heritage/cultural		–	–	5	–
Roads and bridges		39	52	125	140
RMS contributions (regional roads, block grant)		1,431	1,403	–	–
Buildings		–	–	1,003	282
Community development and support		89	171	–	–
Community services and facilities		561	682	–	–
Parks, gardens and sportsfields		17	43	1,306	109
People and learning		74	18	–	–
Pollution minimisation		118	85	–	–
<b>Total other contributions – cash</b>		<b>2,628</b>	<b>2,454</b>	<b>2,439</b>	<b>531</b>
<b>Non-cash contributions</b>					
Bushfire services		–	–	748	730
Dedications – subdivisions (other than by s7.11)		–	–	6,403	15,642
Wollongong City Gallery collection		–	–	246	313
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>7,397</b>	<b>16,685</b>
<b>Total other contributions</b>		<b>2,628</b>	<b>2,454</b>	<b>9,836</b>	<b>17,216</b>
<b>Total contributions</b>		<b>2,628</b>	<b>2,454</b>	<b>33,489</b>	<b>27,829</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>28,856</b>	<b>29,384</b>	<b>59,656</b>	<b>40,637</b>

#### Accounting policy for grants and contributions

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

\$ '000	2019	2018
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	2,637	2,688
<b>Add:</b> operating grants recognised in the current period but not yet spent	1,232	1,237
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(575)	(1,288)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>3,294</b>	<b>2,637</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	78	361
<b>Add:</b> capital grants recognised in the current period but not yet spent	8	59
<b>Add:</b> capital grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(26)	(342)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>60</b>	<b>78</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	18,990	16,583
<b>Add:</b> contributions recognised in the current period but not yet spent	18,180	3,799
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(356)	(1,392)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>36,814</b>	<b>18,990</b>

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 4. Expenses from continuing operations**

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Employee leave entitlements (ELE) <sup>1</sup>	20,101	12,815
Salaries and wages	99,408	93,529
Superannuation	11,869	11,617
Change in workers compensation provision	2,209	723
Workers compensation – self insurance	1,791	1,425
Fringe benefit tax (FBT)	145	114
Payroll tax	33	47
Training costs (other than salaries and wages)	859	766
Protective clothing	349	298
Labour hire	475	486
Other	364	285
<b>Total employee costs</b>	<b>137,603</b>	<b>122,105</b>
Less: capitalised costs	(15,158)	(14,262)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>122,445</b>	<b>107,843</b>

**Accounting policy for employee benefits and on-costs**

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

**Retirement benefit obligations**

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

**Superannuation plans**

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

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

(1) Employee leave entitlements reflect the current value of the future payments which are discounted based on published long term government bond rates. As the average discount factor has reduced from 2.6% in June 2018 to 1.2% in June 2019, the value of the provision has increased by \$5.2M resulting in a larger than anticipated movement in the provision during 2018-2019.

\$ '000	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		1,096	1,263
<b>Total interest bearing liability costs expended</b>		<b>1,096</b>	<b>1,263</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors – Remediation liabilities	14	1,850	1,989
Amortisation of discount on interest free (& favourable) loans to council		391	567
<b>Total other borrowing costs</b>		<b>2,241</b>	<b>2,556</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>3,337</b>	<b>3,819</b>

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

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

**Accounting policy for borrowing costs**

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

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	17,208	16,100
Contractor and consultancy costs	94,996	78,793
– Waste Contractor	17,546	16,618
– Road Works Contractor	3,468	5,789
– Building Contractor	2,360	1,906
– Parks Contractor	2,065	1,817
– Cleaning Contractor	960	957
– Security Contractor	1,120	1,145
– Software Maintenance and Support Contractor	4,229	1,825
– Internal audit	144	149
Auditors remuneration <sup>1</sup>	162	141
<b>Legal expenses:</b>		
– Planning and development	–	6
– Other	866	959
<b>Operating leases:</b>		
– Minimum lease payments	327	335
<b>Total materials and contracts</b>	<b>145,451</b>	<b>126,540</b>
Less: capitalised costs	(88,019)	(72,831)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>57,432</b>	<b>53,709</b>

**Accounting policy for operating leases**

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

**1. Auditor remuneration**

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

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

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

Audit and review of financial statements	154	133
<b>Remuneration for audit and other assurance services</b>	<b>154</b>	<b>133</b>

**Total Auditor-General remuneration**

**154**      **133**

**Non NSW Auditor-General audit firms**

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

Other audit and assurance services	8	8
<b>Remuneration for audit and other assurance services</b>	<b>8</b>	<b>8</b>

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

**8**      **8**

**Total Auditor remuneration**

**162**      **141**

continued on next page ...

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		4,334	4,301
Office equipment		988	695
Furniture and fittings		269	172
<b>Infrastructure:</b>			
– Bridges		1,941	1,918
– Buildings – non-specialised		5,186	5,377
– Buildings – specialised		6,535	5,681
– Footpaths		4,021	3,818
– Other open space/recreational assets		3,668	3,448
– Other structures		582	597
– Roads		20,460	20,224
– Stormwater drainage		10,246	10,165
– Swimming pools		475	475
<b>Other assets:</b>			
– Library books		1,162	1,073
– Other		1,541	1,509
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	10, 14	141	220
Intangible assets	12	232	394
<b>Total gross depreciation and amortisation costs</b>		<b>61,781</b>	<b>60,067</b>
<b>Total depreciation and amortisation costs</b>		<b>61,781</b>	<b>60,067</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>		<b>61,781</b>	<b>60,067</b>

#### Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E

##### Depreciation and amortisation

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

##### Impairment of non-financial assets

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

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

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

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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	286	309
Bad and doubtful debts	138	(74)
Bank charges	612	497
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	287	336
– NSW fire brigade levy	2,769	2,806
– NSW rural fire service levy	480	494
– Waste and environment levy	11,890	15,297
Councillor expenses – mayoral fee	97	95
Councillor expenses – councillors' fees	401	387
Councillors' expenses (incl. mayor) – other (excluding fees above)	128	106
Donations, contributions and assistance to other organisations (Section 356)		
– City Centre management	27	5
– Illawarra Institute of Sport	35	35
– Illawarra Joint Project Organisation	61	53
– Illawarra Performing Arts Centre	999	690
– Illawarra Regional Information Service	88	88
– Illawarra Surf Life Saving	55	53
– Neighbourhood youth program	115	129
– Sponsorship fund	53	53
– Tourism	1,410	1,396
– Wollongong Shuttle Service	350	–
– Other	690	420
Elections	–	966
Insurance	2,737	2,659
Light, electricity and heating	1,987	1,937
Membership fees	213	191
Postage	446	466
Royalty payments	343	336
Rental agreements	57	37
Provision for self insurance claims	(26)	140
Sewerage charges	185	225
Street lighting	3,500	3,116
Telephone and communications	627	754
Valuation fees	447	437
Volunteer reimbursements	280	280
Water rates	735	975
Other	2,689	4,539
<b>Total other expenses</b>	<b>35,191</b>	<b>40,233</b>
Less: capitalised costs	(620)	(22)
<b>TOTAL OTHER EXPENSES</b>	<b>34,571</b>	<b>40,211</b>

#### Accounting policy for other expenses

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		30	52
Less: carrying amount of property assets sold/written off		(10)	(27)
<b>Net gain/(loss) on disposal</b>		<b>20</b>	<b>25</b>
<b>Plant and equipment</b>			
	10		
Proceeds from disposal – plant and equipment		1,890	1,621
Less: carrying amount of plant and equipment assets sold/written off		(870)	(1,243)
<b>Net gain/(loss) on disposal</b>		<b>1,020</b>	<b>378</b>
<b>Infrastructure</b>			
	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off <sup>1</sup>		(7,895)	(3,633)
<b>Net gain/(loss) on disposal</b>		<b>(7,895)</b>	<b>(3,633)</b>
<b>Investments</b>			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		61,106	67,557
Less: carrying amount of investments sold/redeemed/matured		(61,106)	(67,557)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Non-current assets classified as 'held for sale'</b>			
	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)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>2,869</b>
<b>Intangible assets</b>			
	12		
Proceeds from disposal – intangible assets		–	–
Less: carrying amount of intangible assets sold/written off		(1)	–
<b>Net gain/(loss) on disposal</b>		<b>(1)</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(6,856)</b>	<b>(361)</b>

#### Accounting policy for disposal of assets

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

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

(1) The increased expense is the result of replacing assets that have not been fully depreciated and have a book value at the time of replacement. During 2018-2019, the replacement of the roof at Beaton Park Leisure Centre and replacement of roads including Harry Graham Drive have had a significant impact on the losses recognised.

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,968	1,390
Cash-equivalent assets		
– Deposits at call	10,218	4,796
– Managed funds	10,001	20,305
– Short-term deposits	3,000	–
<b>Total cash and cash equivalents</b>	<b>25,187</b>	<b>26,491</b>

**Accounting policy for cash and cash equivalents**

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

**Note 6(b). Investments**

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	47,549	–	43,162	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	67,030	15,000	66,000	22,115
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	56	–	–
<b>Total Investments</b>	<b>114,579</b>	<b>15,056</b>	<b>109,162</b>	<b>22,115</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>139,766</b>	<b>15,056</b>	<b>135,653</b>	<b>22,115</b>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	2,304	–	2,115	–
NCD's, FRN's (with maturities > 3 months)	43,582	–	39,374	–
Mortgage backed securities	1,663	–	1,673	–
<b>Total</b>	<b>47,549</b>	<b>–</b>	<b>43,162</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	67,030	15,000	66,000	22,115
<b>Total</b>	<b>67,030</b>	<b>15,000</b>	<b>66,000</b>	<b>22,115</b>
<b>Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)</b>				
Unlisted equity securities	–	56	–	–
<b>Total</b>	<b>–</b>	<b>56</b>	<b>–</b>	<b>–</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

	Fair value at 30/06/19	Dividend income recognised during 1/7/18 – 30/6/19
Southern Phones Ordinary & Preference Shares	56	95
<b>Total</b>	<b>56</b>	<b>95</b>

#### Financial assets designated as at fair value through other comprehensive income

At 1 July 2018, Council designated the investments shown below as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes. In 2018, these investments were classified as available for sale.

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

#### Accounting policy for investments

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

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

#### Fair value through other comprehensive income – equity instruments

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

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

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

#### Financial assets through profit or loss

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

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

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

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

##### Classification

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

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

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

##### (b) Held to maturity investments

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

##### (c) Loans and receivables

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

Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 6(b). Investments (continued)

**Impairment of financial assets**

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

**Impairment of available for sale investments**

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

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	139,766	15,056	135,653	22,115
<b>attributable to:</b>				
External restrictions	62,601	15,056	52,077	22,115
Internal restrictions	61,203	–	68,129	–
Unrestricted	15,962	–	15,447	–
	139,766	15,056	135,653	22,115

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Details of restrictions</b>		
<b>External restrictions – other</b>		
Developer contributions – general <sup>A</sup>	36,768	18,961
RMS contributions <sup>B</sup>	46	29
Specific purpose unexpended grants <sup>C</sup>	3,354	2,715
Domestic waste management <sup>D</sup>	13,763	12,813
Stormwater management <sup>D</sup>	1,668	1,265
Unexpended loan <sup>E</sup>	3,470	7,019
Private contributions	5,761	6,064
Special rates levy – Wollongong mall	135	164
Special rates levy – city centre	40	(42)
Local infrastructure renewal scheme round 3 <sup>F</sup>	1,867	14,721
West Dapto home deposits issued	–	85
West Dapto home deposit assistance program	10,785	10,398
<b>External restrictions – other</b>	<b>77,657</b>	<b>74,192</b>
<b>Total external restrictions</b>	<b>77,657</b>	<b>74,192</b>
<b>Internal restrictions</b>		
Car parking strategy	1,629	1,061
Darcy Wentworth Park	171	171
Maccabe Park development	1,290	1,140
Sports Priority Program	644	642
Waste Disposal Facility	(638)	2,165
West Dapto Development	5,076	4,759
Strategic Projects	44,015	49,404
Property Investment Fund	8,416	8,276
Southern Phone natural areas	267	266
Lake Illawarra Estuary Management Fund	333	245
<b>Total internal restrictions</b>	<b>61,203</b>	<b>68,129</b>
<b>TOTAL RESTRICTIONS</b>	<b>138,860</b>	<b>142,321</b>

(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**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 7. Receivables**

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	9,023	–	8,035	–
Interest and extra charges	1,543	–	1,459	–
User charges and fees	5,942	–	4,688	–
Accrued revenues				
– Interest on investments	871	–	886	–
– Other income accruals	1,744	–	2,004	–
Government grants and subsidies	16,517	–	8,492	–
Net GST receivable	1,457	–	1,701	–
<b>Total</b>	<b>37,097</b>	<b>–</b>	<b>27,265</b>	<b>–</b>
<b>Less: provision of impairment</b>				
User charges and fees	(477)	–	(229)	–
<b>Total provision for impairment – receivables</b>	<b>(477)</b>	<b>–</b>	<b>(229)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>36,620</b>	<b>–</b>	<b>27,036</b>	<b>–</b>

**Restrictions applicable to receivables**

There are no restrictions applicable to the above assets.

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Amount restated through opening retained earnings on adoption of AASB 9	110	–
Balance at the beginning of the year (calculated in accordance with AASB 139)	229	351
+ new provisions recognised during the year	170	–
– amounts already provided for and written off this year	–	(33)
– previous impairment losses reversed	(32)	(89)
<b>Balance at the end of the period</b>	<b>477</b>	<b>229</b>

**Accounting policy for receivables**

**Recognition and measurement**

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

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 7. Receivables (continued)

##### Impairment

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

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held)

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

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

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

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 ongoing 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.

Rates and annual charges outstanding are secured against the property.

Wollongong City Council

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Notes to the Financial Statements  
for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	–	5,948	–	5,835
Stores and materials	337	–	306	–
<b>Total inventories at cost</b>	<b>337</b>	<b>5,948</b>	<b>306</b>	<b>5,835</b>
<b>TOTAL INVENTORIES</b>	<b>337</b>	<b>5,948</b>	<b>306</b>	<b>5,835</b>
<b>(b) Other assets</b>				
Prepayments	11,879	–	10,666	–
<b>TOTAL OTHER ASSETS</b>	<b>11,879</b>	<b>–</b>	<b>10,666</b>	<b>–</b>

**(i) Other disclosures**

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>				
Residential	–	5,948	–	5,835
<b>Total real estate for resale</b>	<b>–</b>	<b>5,948</b>	<b>–</b>	<b>5,835</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	–	5,835	–	5,791
Development costs	–	113	–	44
<b>Total costs</b>	<b>–</b>	<b>5,948</b>	<b>–</b>	<b>5,835</b>
<b>Total real estate for resale</b>	<b>–</b>	<b>5,948</b>	<b>–</b>	<b>5,835</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	–	5,835	–	5,791
– Purchases and other costs	–	113	–	44
<b>Total real estate for resale</b>	<b>–</b>	<b>5,948</b>	<b>–</b>	<b>5,835</b>

**Accounting policy for inventories and other assets**

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

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 8. Inventories and other assets (continued)

##### 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.

#### Note 9. Non-current assets classified as held for sale

Council did not classify any non-current assets as held for sale during the 2018/19 financial year.

##### (ii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

\$ '000	Assets 'held for sale' 2019	Assets 'held for sale' 2018
<b>Opening balance</b>	–	6,381
<b>Balance still unsold after 12 months:</b>	–	6,381
<b>Less:</b>		
Less: carrying value of assets/operations sold that were re-classified this reporting period	–	(6,381)
<b>Closing balance of 'held for sale' non-current assets and operations</b>	–	–

##### 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 continued 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 arising from employee benefits; financial assets; and investment properties 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

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Notes to the Financial Statements  
for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period										as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements - Transfer to Expense	Other movements - Waste Remediation Reassessment	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	99,074	-	99,074	35,231	38,340	-	-	(51,044)	-	(1,651)	-	-	-	119,950	-	119,950
Plant and equipment	42,637	(20,565)	22,072	5,822	-	(869)	(4,334)	-	-	-	-	-	-	42,040	(19,349)	22,691
Office equipment	7,500	(3,755)	3,745	619	-	-	(988)	-	-	-	-	-	-	8,118	(4,742)	3,376
Furniture and fittings	2,404	(537)	1,867	499	-	-	(269)	-	-	-	-	-	-	2,904	(807)	2,097
<b>Land:</b>																
- Operational land	162,892	-	162,892	-	2,467	(10)	-	-	(159)	-	-	-	84,653	249,843	-	249,843
- Community land	226,264	(760)	225,504	-	3,564	-	-	-	82	-	-	-	-	229,910	(760)	229,150
- Crown land	108,721	-	108,721	-	-	-	-	-	-	-	-	-	-	108,721	-	108,721
- Land under roads (post 30/6/08)	3,983	-	3,983	-	150	-	-	-	77	-	-	-	1,474	5,684	-	5,684
<b>Infrastructure:</b>																
- Buildings - non-specialised	202,759	(123,157)	79,602	39	5	(212)	(5,186)	2,958	-	-	-	-	62,666	213,464	(73,592)	139,872
- Buildings - specialised	319,098	(202,059)	117,039	1,095	147	(1,580)	(6,535)	8,316	(149)	-	-	-	44,959	326,555	(163,263)	163,292
- Other structures	15,544	(8,935)	6,609	69	99	-	(582)	149	(9)	-	-	-	1,147	13,971	(6,489)	7,482
- Roads	1,401,990	(849,433)	552,557	9,021	12,707	(4,549)	(20,460)	19,810	913	-	-	-	-	1,426,090	(856,091)	569,999
- Bridges	150,163	(51,637)	98,526	933	1,314	(355)	(1,941)	262	-	-	-	-	-	152,318	(53,579)	98,739
- Footpaths	278,315	(142,842)	135,473	1,593	661	(572)	(4,021)	15,022	(966)	-	-	-	-	291,660	(144,470)	147,190
- Stormwater drainage	931,000	(407,530)	523,470	2,776	3,119	(518)	(10,246)	1,989	46	-	-	-	-	937,821	(417,185)	520,636
- Swimming pools	30,218	(22,933)	7,285	-	-	-	(475)	-	(479)	-	-	-	-	29,738	(23,407)	6,331
- Other open space/recreational assets	156,993	(45,549)	111,444	286	810	(110)	(3,668)	1,033	644	-	-	(16)	-	158,109	(47,686)	110,423
<b>Other assets:</b>																
- Heritage collections	12,842	-	12,842	-	344	-	-	-	-	-	-	-	1,935	15,121	-	15,121
- Library books	8,158	(3,707)	4,451	1,207	-	-	(1,162)	-	-	-	-	-	-	8,162	(3,666)	4,496
- Other	47,249	(13,048)	34,201	47	265	-	(1,541)	1,505	-	-	-	-	-	49,066	(14,589)	34,477
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>																
- Tip assets	14,875	(9,151)	5,724	-	-	-	(141)	-	-	-	(58)	-	-	14,817	(9,292)	5,525
<b>Total Infrastructure, property, plant and equipment</b>	<b>4,222,679</b>	<b>(1,905,598)</b>	<b>2,317,081</b>	<b>59,237</b>	<b>63,992</b>	<b>(8,775)</b>	<b>(61,549)</b>	<b>-</b>	<b>-</b>	<b>(1,651)</b>	<b>(58)</b>	<b>(16)</b>	<b>196,834</b>	<b>4,404,062</b>	<b>(1,838,967)</b>	<b>2,565,095</b>

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council 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 revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land 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:

It is noted that useful live estimates are unchanged from the 2016 reporting period.

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	6 to 10	Playground equipment	10 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	2 to 10		
Vehicles	3 to 5	<b>Buildings</b>	
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
<b>Stormwater assets</b>			
Drains	80 to 100		
Culverts	80 to 100		
Flood control structures	75		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
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 disposal are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

##### 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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

##### 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 firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

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

#### Note 11. Investment property

\$ '000	2019	2018
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	5,000	4,780
<b>Reconciliation of annual movement:</b>		
Opening balance	4,780	4,775
– Net gain/(loss) from fair value adjustments	220	5
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>5,000</b>	<b>4,780</b>

##### (b) Valuation basis

The basis of valuation of investment properties 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 2019 revaluations were based on independent assessments made by: Brendan Carr Certified Practising Valuer.

##### (c) Contractual obligations at reporting date

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

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 11. Investment property (continued)**

\$ '000	2019	2018
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**(d) Leasing arrangements – Council as lessor**

The investment properties 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	371	283
Later than 1 year but less than 5 years	720	300
<b>Total minimum lease payments receivable</b>	<b>1,091</b>	<b>583</b>

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.

**(e) Investment property income and expenditure – summary**

<b>Rental income from investment property:</b>		
– Minimum lease payments	389	347
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(140)	(149)
<b>Net revenue contribution from investment property</b>	<b>249</b>	<b>198</b>
plus:		
<b>Fair value movement for year</b>	<b>220</b>	<b>5</b>
<b>Total income attributable to investment property</b>	<b>469</b>	<b>203</b>

**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 a separate line item.

Properties that are under construction for future use as investment properties 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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 12. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	2,333	2,204
Accumulated amortisation	(1,945)	(1,551)
<b>Net book value – opening balance</b>	<b>388</b>	<b>653</b>
<b>Movements for the year</b>		
– Purchases	285	129
– Amortisation charges	(232)	(394)
– Gross book value written off	(113)	–
– Accumulated amortisation charges written off	112	–
<b>Closing values at 30 June</b>		
Gross book value	2,506	2,333
Accumulated amortisation	(2,066)	(1,945)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE (1)</b>	<b>440</b>	<b>388</b>
<b>The net book value of intangible assets represents:</b>		
– Software	440	388
	<b>440</b>	<b>388</b>

#### Accounting policy for intangible assets

##### IT development and software

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

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

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements  
for the year ended 30 June 2019**

**Note 13. Payables and borrowings**

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	3,302	–	7,668	–
Goods and services – capital expenditure	3,627	–	9,758	–
Accrued expenses:				
– Other expenditure accruals	18,299	–	6,762	–
Security bonds, deposits and retentions	3,758	–	1,605	–
Agency Funds	385	385	350	700
Other	635	–	611	–
<b>Total payables</b>	<b>30,006</b>	<b>385</b>	<b>26,754</b>	<b>700</b>
<b>Income received in advance</b>				
Payments received in advance	5,014	–	3,256	–
<b>Total income received in advance</b>	<b>5,014</b>	<b>–</b>	<b>3,256</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	7,934	17,497	7,716	25,039
<b>Total borrowings</b>	<b>7,934</b>	<b>17,497</b>	<b>7,716</b>	<b>25,039</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>42,954</b>	<b>17,882</b>	<b>37,726</b>	<b>25,739</b>

(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.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Loans	7,934	17,497	7,716	25,039
<b>Total payables and borrowings relating to restricted assets</b>	<b>7,934</b>	<b>17,497</b>	<b>7,716</b>	<b>25,039</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>35,020</b>	<b>385</b>	<b>30,010</b>	<b>700</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>42,954</b>	<b>17,882</b>	<b>37,726</b>	<b>25,739</b>

\$ '000	2019	2018
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**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	3,088	1,205
<b>Total payables and borrowings</b>	<b>3,088</b>	<b>1,205</b>

Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 13. Payables and borrowings (continued)

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	32,755	(7,716)	–	–	392	25,431
<b>TOTAL</b>	<b>32,755</b>	<b>(7,716)</b>	<b>–</b>	<b>–</b>	<b>392</b>	<b>25,431</b>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	39,701	(7,513)	–	–	567	32,755
<b>TOTAL</b>	<b>39,701</b>	<b>(7,513)</b>	<b>–</b>	<b>–</b>	<b>567</b>	<b>32,755</b>

\$ '000	2019	2018
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(d) Financing arrangements

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

Bank overdraft facilities <sup>1</sup>	300	300
Credit cards/purchase cards	835	835
<b>Total financing arrangements</b>	<b>1,135</b>	<b>1,135</b>

Drawn facilities as at balance date:

– Credit cards/purchase cards	100	98
<b>Total drawn financing arrangements</b>	<b>100</b>	<b>98</b>

Undrawn facilities as at balance date:

– Bank overdraft facilities	300	300
– Credit cards/purchase cards	735	737
<b>Total undrawn financing arrangements</b>	<b>1,035</b>	<b>1,037</b>

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables and loans.

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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 13. Payables and borrowings (continued)

##### Borrowings

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

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

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

#### Note 14. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	10,025	–	9,367	–
Sick leave	167	–	144	–
Long service leave	42,505	680	36,872	517
Other leave	1,097	–	1,037	–
<b>Sub-total – aggregate employee benefits</b>	<b>53,794</b>	<b>680</b>	<b>47,420</b>	<b>517</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	2,292	40,647	1,200	40,134
<b>Sub-total – asset remediation/restoration</b>	<b>2,292</b>	<b>40,647</b>	<b>1,200</b>	<b>40,134</b>
<b>Other provisions</b>				
Self insurance – workers compensation	1,758	5,363	1,327	3,585
Self insurance – claims incurred	370	364	430	330
<b>Sub-total – other provisions</b>	<b>2,128</b>	<b>5,727</b>	<b>1,757</b>	<b>3,915</b>
<b>TOTAL PROVISIONS</b>	<b>58,214</b>	<b>47,054</b>	<b>50,377</b>	<b>44,566</b>

\$ '000	2019	2018
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##### (a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	43,517	37,710
	<b>43,517</b>	<b>37,710</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 14. Provisions (continued)

##### (b) Description of and movements in provisions

\$ '000	Other provisions			Total
	Self Insurance: Claims incurred	Self Insurance: Workers compensation	Asset remediation	
<b>2019</b>				
At beginning of year	760	4,912	41,334	47,006
Additional provisions	–	2,108	–	2,108
Amounts used (payments)	–	(2,523)	–	(2,523)
Remeasurement effects	–	2,624	–	2,624
Unwinding of discount	–	–	1,850	1,850
Unused amounts reversed	(26)	–	(57)	(83)
Other	–	–	–	–
Expenditure incurred attributable to provisions	–	–	(188)	(188)
<b>Total other provisions at end of period</b>	<b>734</b>	<b>7,121</b>	<b>42,939</b>	<b>50,794</b>
<b>2018</b>				
At beginning of year	620	4,189	44,237	49,046
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
Other	–	–	–	–
Expenditure incurred attributable to provisions	–	–	(29)	(29)
<b>Total other provisions at end of period</b>	<b>760</b>	<b>4,912</b>	<b>41,334</b>	<b>47,006</b>

##### 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 Dapto 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 self insurer up to certain levels of excess.

##### 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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 14. Provisions (continued)

##### 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.

###### On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods. These amounts include superannuation which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period. 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.

##### 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, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

###### Rehabilitation

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

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

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

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

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 14. Provisions (continued)

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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).

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### 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.

###### Investment revaluation reserve

Changes in the fair value of financial assets are taken through the investment revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

###### Available for sale investments revaluation reserve (2018 only)

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 (\$3.623M) and IPPE that had been recognised was disposed of in previous years (\$17.202M). In addition, an error in the application of accounting policy to the valuation of Land Under Road required further discounting on the value of these assets (\$25.646M).

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 30 June 2018.

#### Adjustments to the comparative figures for the year ended 30 June 2018

##### Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
<b>Asset Classes Adjusted:</b>			
Plant and Equipment	22,350	(278)	22,072
Operational Land	170,106	(7,214)	162,892
Community Land	338,951	(4,726)	334,225
Land Under Roads	30,165	(26,182)	3,983
Buildings - non-specialised	79,776	(174)	79,602
Buildings - specialised	117,140	(101)	117,039
Roads	552,342	215	552,557
Footpaths	135,841	(368)	135,473
Stormwater drainage	523,856	(386)	523,470
Other open space/recreational assets	111,455	(11)	111,444
<b>Other Assets Without Variation</b>	483,741	-	483,741
<b>Total assets</b>	<b>2,565,723</b>	<b>(39,225)</b>	<b>2,526,498</b>
<b>Total liabilities</b>	<b>158,408</b>	<b>-</b>	<b>158,408</b>
Reserves	965,325	(8,573)	956,752
Accumulated Surplus	1,441,990	(30,652)	1,411,338
<b>Total equity</b>	<b>2,407,315</b>	<b>(39,225)</b>	<b>2,368,090</b>

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

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

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

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

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

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

##### Classification of financial assets

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

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

##### Measurement of equity instruments

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

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

##### Impairment of financial assets

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

\$ '000	Investment revaluation reserve	Accumulated surplus	Total
<b>Opening equity balances as at 1 July 2018</b>	–	1,411,338	1,411,338
Reclassify investments from 'available for sale' to fair value through other comprehensive income – equity	88	–	88
Increase in expected credit losses for trade receivables	–	(110)	(110)
<b>Adjusted Opening equity balances at 1 July 2018 – AASB 9</b>	88	1,411,228	1,411,316

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

The opening balances for the year ended 30 June 2019 have been adjusted for the recognition of the Southern Phones Ordinary and Preference share at fair value through other comprehensive income as disclosed in Note 6(b) and to restate the opening balance of the provision for impairment of receivables as disclosed in Note 7.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Southern Phones Shares	Amortised Cost	FVOCI - equity	-	88	-	88
Receivables	Loans & Receivables	Amortised Cost	27,036	-	(110)	26,926
<b>Total financial assets under AASB 9 at 1 July 2018</b>			27,036	88	(110)	27,014

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 16. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	25,187	26,491
<b>Balance as per the Statement of Cash Flows</b>		<b>25,187</b>	<b>26,491</b>

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

<b>Net operating result from Income Statement</b>		52,112	48,766
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		61,781	60,067
Net losses/(gains) on disposal of assets		6,856	361
Non-cash capital grants and contributions		(7,397)	(18,167)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(141)	(130)
– Investment property		(220)	(5)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		391	567
Unwinding of discount rates on reinstatement provisions		1,850	1,989
Share of net (profits)/losses of associates/joint ventures using the equity method		(291)	(803)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(9,832)	(3,383)
Increase/(decrease) in provision for impairment of receivables		138	(122)
Decrease/(increase) in inventories		(31)	(8)
Decrease/(increase) in other current assets		(1,213)	14
Increase/(decrease) in payables		(4,366)	597
Increase/(decrease) in other accrued expenses payable		1,861	(5,947)
Increase/(decrease) in other liabilities		3,655	425
Increase/(decrease) in provision for employee benefits		6,537	9
Increase/(decrease) in other provisions		1,938	(4,029)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>113,628</b>	<b>80,201</b>

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

Developer contributions 'in kind'		–	1,482
Other dedications		6,403	15,642
Contributed Art Works		246	313
Contributed Bush Fire Assets		748	730
<b>Total non-cash investing and financing activities</b>		<b>7,397</b>	<b>18,167</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 17. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	291	803	2,929	2,638
<b>Total</b>	<b>291</b>	<b>803</b>	<b>2,929</b>	<b>2,638</b>

#### (a) Joint arrangements

##### (i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

##### (a) Net carrying amounts – Council's share

	Nature of relationship	Measurement method	2019	2018
Civic West	Joint venture	Equity	2,060	1,584
Civic Risk	Joint venture	Equity	869	1,054
<b>Total carrying amounts – material joint ventures</b>			<b>2,929</b>	<b>2,638</b>

#### (b) Details

	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	
	2019	2018	2019	2018	2019	2018	2019	2018
Civic West	2,062	1,584	4.4%	3.8%	4.4%	3.8%	9.1%	10.0%
Civic Risk	869	1,054	12.5%	12.4%	12.5%	12.4%	5.9%	6.3%

## Wollongong City Council

Financial Statements 2019

 Notes to the Financial Statements  
for the year ended 30 June 2019

## Note 17. Interests in other entities (continued)

	Civic West		Civic Risk	
	2019	2018	2019	2018
<b>(d) Summarised financial information for joint ventures</b>				
<b>Statement of financial position</b>				
<b>Current assets</b>				
Cash and cash equivalents	2,961	3,022	1,813	1,158
Other current assets	27,370	19,442	7,216	5,759
<b>Non-current assets</b>	<b>36,522</b>	<b>41,740</b>	<b>5,368</b>	<b>5,989</b>
<b>Current liabilities</b>				
Current financial liabilities (excluding trade and other payables and provisions)	6,657	6,111	4,827	2,690
Other current liabilities	740	720	346	299
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	12,116	15,612	2,279	1,448
<b>Net assets</b>	<b>47,340</b>	<b>41,761</b>	<b>6,945</b>	<b>8,469</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	41,761	37,976	8,468	6,490
Profit/(loss) for the period	5,579	5,913	(1,524)	1,978
Other adjustments to equity	–	(2,128)	–	–
<b>Closing net assets</b>	<b>47,340</b>	<b>41,761</b>	<b>6,944</b>	<b>8,468</b>
<b>Council's share of net assets (%)</b>	<b>4.4%</b>	<b>3.8%</b>	<b>12.5%</b>	<b>12.4%</b>
<b>Council's share of net assets (\$)</b>	<b>2,060</b>	<b>1,584</b>	<b>869</b>	<b>1,054</b>
<b>Statement of comprehensive income</b>				
Income	6,295	6,076	11,320	9,425
Interest income	3,672	3,261	447	439
Interest expense	(17)	(17)	–	–
Other expenses	(4,371)	(3,408)	(13,291)	(7,886)
<b>Profit/(loss) from continuing operations</b>	<b>5,579</b>	<b>5,912</b>	<b>(1,524)</b>	<b>1,978</b>
<b>Profit/(loss) for the period</b>	<b>5,579</b>	<b>5,912</b>	<b>(1,524)</b>	<b>1,978</b>
<b>Total comprehensive income</b>	<b>5,579</b>	<b>5,912</b>	<b>(1,524)</b>	<b>1,978</b>
<b>Share of income – Council (%)</b>	<b>8.5%</b>	<b>10.1%</b>	<b>12.1%</b>	<b>10.5%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>476</b>	<b>596</b>	<b>(185)</b>	<b>207</b>
<b>Total comprehensive income – Council (\$)</b>	<b>476</b>	<b>596</b>	<b>(185)</b>	<b>207</b>
<b>Summarised Statement of cash flows</b>				
Cash flows from operating activities	2,439	113	2,904	903
Cash flows from investing activities	(2,500)	1,510	(2,250)	(250)
Cash flows from financing activities	–	(1,537)	–	–
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(61)</b>	<b>86</b>	<b>654</b>	<b>653</b>

**Accounting policy for joint arrangements**

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 17. Interests in other entities (continued)

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 ventures are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for 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	2019 Net profit	2019 Net assets
Illawarra Shoalhaven Joint Organisation	Inter-Governmental Collaboration Joint Venture	111	885

##### Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

Name of entity/operation	Principal activity/type of entity	2019 Net profit	2019 Net assets
Illawarra District Noxious Weed Authority	Administer Noxious Weeds Act Joint Venture	8	802

##### Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

Name of entity/operation	Principal activity/type of entity	2019 Net profit	2019 Net assets
Destination Wollongong	Tourism Development & Promotion Associate	(129)	(72)

##### Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

Name of entity/operation	Principal activity/type of entity	2019 Net profit	2019 Net assets
Illawarra Performing Arts Centre	Theatre & Town Hall Management Associate	50	359

##### Reasons for non-recognition

Council has assessed this operation as not material for recognition in these statements.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 18. Commitments

\$ '000	2019	2018
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##### (a) Capital commitments (exclusive of GST)

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

##### Property, plant and equipment

Buildings	387	2,957
Infrastructure	17,975	3,399
Land	110	–
<b>Total commitments</b>	<b>18,472</b>	<b>6,356</b>

##### These expenditures are payable as follows:

Within the next year	18,289	6,356
Later than one year and not later than 5 years	183	–
<b>Total payable</b>	<b>18,472</b>	<b>6,356</b>

##### Sources for funding of capital commitments:

Unrestricted general funds	6,269	4,881
Section 94 Funds	7,172	–
Future grants and contributions	5,031	1,415
Unexpended grants	–	60
<b>Total sources of funding</b>	<b>18,472</b>	<b>6,356</b>

##### Details of capital commitments

Buildings include Kembla Terraces Roof and Administration building Fire Panel.

Land includes 16 and 18 Otford Road Otford.

Infrastructure includes Unanderra and Towradgi Beach SLSC Carpark, Blackman Parade Culvert, Harry Graham Drive Stabilisation, Bellambi Rockpool and seawall, Porter Street Shareway, Helensburgh Landfill Rehabilitation, Mt Keira Power Supply, Northcliffe Drive extension, Walker Street Helensburgh Water Main protection, Russell Vale retaining wall, Matron Dunster Park Carpark, Thirroul Pool saltwater intake pipes, Bong Bong Road Traffic signals, West Dapto Access Road, Beaton Park Leisure Centre Filter enclosure.

##### (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	335
Later than one year and not later than 5 years	428	661
Later than 5 years	510	612
<b>Total non-cancellable operating lease commitments</b>	<b>1,273</b>	<b>1,608</b>

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

Lease of land for Dapto Ribbonwood Centre and lease of Warrawong Library.

##### Conditions relating to finance and 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

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 19. Contingencies and other assets/liabilities not recognised

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

##### ASSETS NOT RECOGNISED

###### 1. 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 and including 30/6/08.

###### 2. 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.

##### LIABILITIES NOT RECOGNISED

###### 1. Bank Guarantees

Council has provided Bank Guarantees totalling \$610,547 as security over damages for work that may impact a third party.

Council has provided security to Work Cover for outstanding workers compensation claims liability in the form of a bank guarantee to the sum of \$7,711,000.

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

###### 2. 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 \$1.778M for Council in 2018/19. Council's LTFM includes forecast payments of \$1.828M in 2019/20 and \$1.868M in 2020/21. At this stage there has not been any advice regarding any future extension of the top up payment.

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.

###### 3. 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.

###### 4. 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.

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

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

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 Council's intention to spend funds in the manner and timing set out in those 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.

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. Council is currently working with the EPA and specialised consultants to determine the remediation actions required.

##### 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 \$7.4M to \$11.8M depending on the source of capping materials and the final design solution adopted. Council's current provision is approximately \$4.1M. If a shortfall eventuates this will impact the income statement.

##### 7. 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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 20. Financial risk management

##### Risk management

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

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

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

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

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

The risks associated with the instruments held are:

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

##### (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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in price of investments	4,755	4,755	(4,755)	(4,755)
Possible impact of a 1% movement in interest rates	1,072	1,072	(1,072)	(1,072)
<b>2018</b>				
Possible impact of a 10% movement in price of investments	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)

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 20. Financial risk management (continued)**

**(b) Credit risk**

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

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

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.

**Credit risk profile**

**Receivables – rates and annual charges**

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

	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	5,975	1,415	939	2,237	10,566
<b>2018</b>						
Gross carrying amount	–	5,331	1,367	851	1,945	9,494

**Receivables - non-rates and annual charges**

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	23,982	812	173	157	1,407	26,531
Expected loss rate (%)	0.23%	2.09%	2.31%	7.01%	27.71%	1.80%
<b>ECL provision</b>	<b>55</b>	<b>17</b>	<b>4</b>	<b>11</b>	<b>390</b>	<b>477</b>
<b>2018</b>						
Gross carrying amount	15,753	652	328	82	956	17,771
Expected loss rate (%)	0.53%	2.15%	2.44%	7.12%	23.95%	1.91%
<b>ECL provision</b>	<b>83</b>	<b>14</b>	<b>8</b>	<b>6</b>	<b>229</b>	<b>340</b>

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 20. Financial risk management (continued)**

**(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 diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

\$ '000	Weighted average interest rate	Without defined maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	0.00%	3,758	26,175	385	–	30,318	30,391
Loans and advances	1.50%	–	8,814	21,947	–	30,761	25,431
<b>Total financial liabilities</b>		<b>3,758</b>	<b>34,989</b>	<b>22,332</b>	<b>–</b>	<b>61,079</b>	<b>55,822</b>
<b>2018</b>							
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
<b>Total financial liabilities</b>		<b>1,605</b>	<b>34,008</b>	<b>28,148</b>	<b>3,313</b>	<b>67,074</b>	<b>60,209</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 21. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 25/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
<b>REVENUES</b>					
Rates and annual charges	197,686	199,524	1,838	1%	F
User charges and fees	34,967	32,793	(2,174)	(6)%	U
Interest and investment revenue	4,572	5,069	497	11%	F
Interest & investment income is greater due to increased cash holdings for a significant part of the year due to timing of delivery of project and favourable operating performance and positive fair valuation of a number of investment assets.					
Other revenues	10,062	12,125	2,063	21%	F
Other revenues has a positive variance due to additional land sales (\$1.5M), receipt of an insurance claim (\$0.3M) and a license relating to the lease of an easement of land (\$0.2M).					
Operating grants and contributions	19,837	28,856	9,019	45%	F
Operating grants is affected by the early receipt of two instalments of the Financial Assistance Grant relating to the 2019/20 financial year (\$9.4M) and additional grants received during the year, partially offset by the timing of grant payments.					
Capital grants and contributions	53,752	59,656	5,904	11%	F
Capital grants and contributions are impacted by acceleration of the West Dapto Access Strategy (\$11.2M), greater City Wide and City Centre developer contributions (\$4.6M) and additional grants received during the year (\$2.0M). These have been partially offset by lower West Dapto developer contributions (\$9.1M) and lower contributed assets (\$2.8M).					
Fair value increment on investment property	–	220	220	∞	F
Joint ventures and associates – net profits	–	291	291	∞	F
<b>EXPENSES</b>					
Employee benefits and on-costs	112,838	122,445	(9,607)	(9)%	U
Borrowing costs	3,310	3,337	(27)	(1)%	U
Materials and contracts	55,983	57,432	(1,449)	(3)%	U
Depreciation and amortisation	64,508	61,781	2,727	4%	F
Other expenses	37,360	34,571	2,789	7%	F
Net losses from disposal of assets	–	6,856	(6,856)	∞	U
This budget variation is largely a result of disposal of civil assets that have residual values.					

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 21. Material budget variations**

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>STATEMENT OF CASH FLOWS</b>				
<b>Net cash provided from (used in) operating activities</b>	105,909	113,628	7,719	7% <b>F</b>
<b>Net cash provided from (used in) investing activities</b>	(96,372)	(107,217)	(10,845)	11% <b>U</b>
This unfavourable variance has resulted from an increase in the capital program during the financial year with purchase of infrastructure, property, plant and equipment higher than originally anticipated.				
<b>Net cash provided from (used in) financing activities</b>	(7,692)	(7,715)	(23)	0% <b>U</b>

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 22. Fair Value Measurement

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
	6(b)					
		30/06/19	-	-	47,549	47,549
		30/06/19	-	-	56	56
			-	-	47,605	47,605
<b>Investment property</b>						
	11					
		30/06/19	-	-	5,000	5,000
			-	-	5,000	5,000
<b>Infrastructure, property, plant and equipment</b>						
	10					
		30/06/17	-	-	569,999	569,999
		30/06/17	-	-	98,739	98,739
		30/06/17	-	-	147,190	147,190
		30/06/17	-	-	520,636	520,636
		N/A	-	-	22,691	22,691
		N/A	-	-	3,376	3,376
		N/A	-	-	2,097	2,097
		30/06/19	-	-	249,843	249,843
		30/06/16	-	-	337,871	337,871
		30/06/19	-	-	5,684	5,684
		30/06/19	-	-	303,164	303,164
		30/06/19	-	-	7,482	7,482
		30/06/16	-	-	6,331	6,331
		N/A	-	-	4,496	4,496
		30/06/16	-	-	110,423	110,423
		30/06/19	-	-	5,525	5,525
		N/A	-	-	119,950	119,950
		30/06/19	-	-	15,121	15,121
		30/06/16	-	-	34,477	34,477
			-	-	2,565,095	2,565,095

Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 22. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments	6(b)					
- 'Designated at fair value on initial recognition'		30/06/18	-	-	43,162	43,162
- 'Financial assets at fair value through other comprehensive income'			-	-	-	-
<b>Total financial assets</b>			-	-	<b>43,162</b>	<b>43,162</b>
<b>Investment property</b>						
Commercial building	11	30/06/18	-	-	4,780	4,780
<b>Total investment property</b>			-	-	<b>4,780</b>	<b>4,780</b>
<b>Infrastructure, property, plant and equipment</b>						
Roads		30/06/17	-	-	552,557	552,557
Bridges		30/06/17	-	-	98,526	98,526
Footpaths		30/06/17	-	-	135,473	135,473
Stormwater		30/06/17	-	-	523,470	523,470
Plant and equipment		30/06/18	-	-	22,072	22,072
Office equipment		30/06/18	-	-	3,745	3,745
Furniture and fittings		30/06/18	-	-	1,867	1,867
Operational land		30/06/14	-	-	162,892	162,892
Community land		30/06/16	-	-	334,225	334,225
Land under roads		30/06/14	-	-	3,983	3,983
Buildings		30/06/14	-	-	196,641	196,641
Other structures		30/06/16	-	-	6,609	6,609
Swimming pools		30/06/16	-	-	7,285	7,285
Library books		30/06/18	-	-	4,451	4,451
Other open space/recreational assets		30/06/16	-	-	111,444	111,444
Tip asset		30/06/18	-	-	5,724	5,724
Works in progress		30/06/18	-	-	99,074	99,074
Artworks		30/06/17	-	-	12,842	12,842
Other		30/06/16	-	-	34,201	34,201
<b>Total infrastructure, property, plant and equipment</b>			-	-	<b>2,317,081</b>	<b>2,317,081</b>

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

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### 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

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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 22. Fair Value Measurement (continued)

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

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

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.

##### 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.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 22. Fair Value Measurement (continued)

##### 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.

##### 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

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### 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 Ninnos 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.

##### 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**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

**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
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

**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

**Note 22. Fair Value Measurement (continued)**

Asset Category	Valuation Frequency	Description of Process	Valuer*	Responsibility
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.

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**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**

for the year ended 30 June 2019

**Note 22. Fair Value Measurement (continued)**

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

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

\$ '000	Financial assets	Investment property	IPP&E	Held for sale assets	Total
<b>2018</b>					
<b>Opening balance</b>	43,428	4,775	2,309,628	6,381	2,364,212
Purchases (GBV)	3,348	-	114,042	-	117,390
Disposals (WDV)	(4,057)	-	(8,447)	(6,381)	(18,885)
Depreciation and impairment	-	-	(59,673)	-	(59,673)
FV gains – other comprehensive income	-	-	5,692	-	5,692
FV gains – Income Statement <sup>1</sup>	443	5	-	-	448
Prior Period Error	-	-	(39,225)	-	(39,225)
Waste remediation reassessment	-	-	(4,863)	-	(4,863)
Transfer to expense	-	-	(73)	-	(73)
<b>Closing balance</b>	<b>43,162</b>	<b>4,780</b>	<b>2,317,081</b>	<b>-</b>	<b>2,365,023</b>
<b>2019</b>					
<b>Opening balance</b>	43,162	4,780	2,317,081	-	2,365,023
Purchases (GBV)	14,299	-	123,229	-	137,528
Disposals (WDV)	(10,021)	-	(8,775)	-	(18,796)
Depreciation and impairment	-	-	(61,549)	-	(61,549)
FV gains – other comprehensive income	-	-	196,818	-	196,818
FV gains – Income Statement <sup>1</sup>	165	220	-	-	385
Prior Period Error	-	-	-	-	-
Waste remediation reassessment	-	-	(58)	-	(58)
Transfer to expense	-	-	(1,651)	-	(1,651)
<b>Closing balance</b>	<b>47,605</b>	<b>5,000</b>	<b>2,565,095</b>	<b>-</b>	<b>2,617,700</b>

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 23. Related Party Transactions

(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:

	2019	2018
<b>Compensation:</b>		
Short-term benefits	2,239	2,176
Termination benefits	42	-
<b>Total</b>	<b>2,281</b>	<b>2,176</b>

(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

\$'000s	Value of transactions during the year	Outstanding balance	Terms and conditions
<b>2019</b>			
<b>Associate</b>			
Marketing, events, business and investment in LGA	1,419	-	Amounts provided under a funding agreement.
Event sponsorship & support	71	-	Based on specific events.
LGA Major Events	10	-	Amounts provided under a funding agreement.
Partner program	6	-	
Merchandise	1	-	
<b>Associate</b>			
Performing Arts Centre Management	1,006	-	Amounts provided under a funding agreement.
Town Hall management	388	-	Amounts provided under a funding agreement.
Community Subsidy	20	-	Amounts provided under a funding agreement.
Venue Hire	11	-	
Asset Maintenance	9	-	
Catering	2	-	

Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Related Party Transactions (continued)

\$'000s	Value of transactions during the year	Outstanding balance	Terms and conditions
<b>2018</b>			
<b>Associate</b>			
Marketing, events, business and investment in LGA	1,376	-	Amounts provided under a funding agreement.
Subsidised office space	146	-	Amounts provided under a funding agreement.
Event sponsorship & support	91	-	<b>Based on specific events.</b>
LGA Major Events	20	-	Amounts provided under a funding agreement.
Feasibility study	8	-	
Visitor guide	4	-	
Partner program	3	-	
Contribution to Green Bus Service Extension	3	-	
Commission on accommodation bookings	1	-	
<b>Associate</b>			
Performing Arts Centre Management	690	-	Amounts provided under a funding agreement.
Town Hall management	375	-	Amounts provided under a funding agreement.
Community Subsidy	23	-	Amounts provided under a funding agreement.
Venue hire	11	-	
Ticket purchase	9	-	
Town Hall – evacuation users	6	-	
Student Transportation	1	-	

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 24. Events occurring after the reporting date

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

#### Note 25. Statement of developer contributions

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

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

#### Summary of contributions and levies

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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	4,088	2,460	-	146	-	-	6,694	-
Roads	(7,751)	13,247	-	(106)	(6,037)	-	(647)	-
Open space	5,360	1,737	-	174	-	-	7,271	-
Community facilities	1,116	71	-	33	-	-	1,220	-
Administration	(1,177)	302	-	-	(301)	-	(1,176)	-
Public transport	577	31	-	17	-	-	625	-
<b>S7.11 contributions – under a plan</b>	<b>2,213</b>	<b>17,848</b>	<b>-</b>	<b>264</b>	<b>(6,338)</b>	<b>-</b>	<b>13,987</b>	<b>-</b>
<b>S7.12 levies – under a plan</b>	<b>16,266</b>	<b>5,805</b>	<b>-</b>	<b>562</b>	<b>(352)</b>	<b>-</b>	<b>22,281</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>18,479</b>	<b>23,653</b>	<b>-</b>	<b>826</b>	<b>(6,690)</b>	<b>-</b>	<b>36,268</b>	<b>-</b>
S7.11 not under plans	337	-	-	10	-	-	347	-
S7.4 planning agreements	145	-	-	8	-	-	153	-
<b>Total contributions</b>	<b>18,961</b>	<b>23,653</b>	<b>-</b>	<b>844</b>	<b>(6,690)</b>	<b>-</b>	<b>36,768</b>	<b>-</b>

continued on next page ...

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## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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					
<b>S7.11 Contributions – under a plan</b>								
<b>CONTRIBUTION PLAN – WEST DAPTO</b>								
Drainage	4,088	2,460	-	146	-	-	6,694	-
Roads	(7,751)	13,247	-	(106)	(6,037)	-	(647)	-
Open space	5,360	1,737	-	174	-	-	7,271	-
Community facilities	1,116	71	-	33	-	-	1,220	-
Administration	(1,177)	302	-	-	(301)	-	(1,176)	-
Public transport	577	31	-	17	-	-	625	-
<b>Total</b>	<b>2,213</b>	<b>17,848</b>	<b>-</b>	<b>264</b>	<b>(6,338)</b>	<b>-</b>	<b>13,987</b>	<b>-</b>
<b>S7.12 Levies – under a plan</b>								
<b>CONTRIBUTION PLAN – WOLLONGONG <sup>A, B</sup></b>								
City Wide	16,818	4,082	-	546	(352)	-	21,094	-
City Centre	(552)	1,723	-	16	-	-	1,187	-
<b>Total</b>	<b>16,266</b>	<b>5,805</b>	<b>-</b>	<b>562</b>	<b>(352)</b>	<b>-</b>	<b>22,281</b>	<b>-</b>

(A) The Wollongong City-Wide Development Contributions 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 Wollongong City-Wide Development 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 Development Contribution plans. These are transferred and applied towards items within the Section 7.12 Plan works schedule as the Section 7.12 Plan is the replacement for the plans repealed in June 2006.

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements

for the year ended 30 June 2019

#### Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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					
<b>S7.11 Contributions – not under a plan</b>								
<b>CONTRIBUTION PLAN – CALDERWOOD <sup>A, B, C</sup></b>								
Roads	337	-	-	10	-	-	347	-
<b>Total</b>	<b>337</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>347</b>	<b>-</b>

(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 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

##### S7.4 planning agreements

Roads	145	-	-	8	-	-	153	-
<b>Total</b>	<b>145</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>153</b>	<b>-</b>

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### 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 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(1,340)	(0.48)%	2.76%	10.74%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	278,226				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	247,336	73.20%	77.06%	74.75%	>60.00%
Total continuing operating revenue <sup>1</sup>	337,882				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>3</sup>	126,001	2.70x	2.93x	2.65x	>1.50x
Current liabilities less specific purpose liabilities <sup>4</sup>	46,629				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	63,778	5.77x	6.30x	8.51x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,052				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	10,566	5.09%	4.66%	5.88%	<10.00%
Rates, annual and extra charges collectible	207,770				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	107,217	5.45 mths	5.83 mths	6.90 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	19,663				

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

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

(3) Refer to Notes 6-8 inclusive. Excludes any real estate and land for resale not expected to be sold in next 12 months.

(4) Refer to Notes 13 and 14. Excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Wollongong City Council

Financial Statements 2019

Notes to the Financial Statements  
 for the year ended 30 June 2019

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

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio (0.48)%

The 2019 result has been unfavourably impacted by a number of unusual factors that include the change in discount factors applicable to employee leave entitlements (\$5.2M), valuation of workers compensation liability to recognise impact of external valuation trends on Council's active claims (\$2.0M) and the reclassification of capital expenditure for current and prior years (\$2.3M). Without these abnormal variations, this indicator would be 2.9%.

Benchmark: — > 0.00%

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

Ratio achieves benchmark  
 Ratio is outside benchmark

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 73.20%

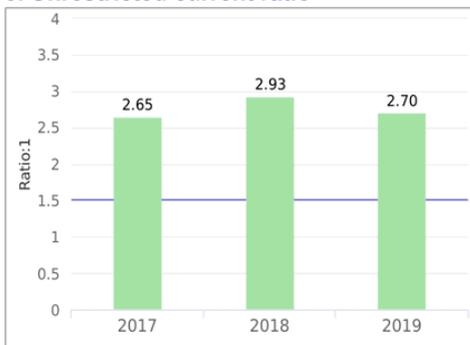
This result is consistent with previous reporting periods. It is noted that total revenue includes non-cash contributed assets which fluctuate from year to year and impact the result.

Benchmark: — > 60.00%

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

Ratio achieves benchmark  
 Ratio is outside benchmark

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 2.70x

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 unrestricted ratio. As the requirements to hold funds for waste facility rehabilitation is significant the measure is expected to increase until payments are required.

Benchmark: — > 1.50x

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

Ratio achieves benchmark  
 Ratio is outside benchmark

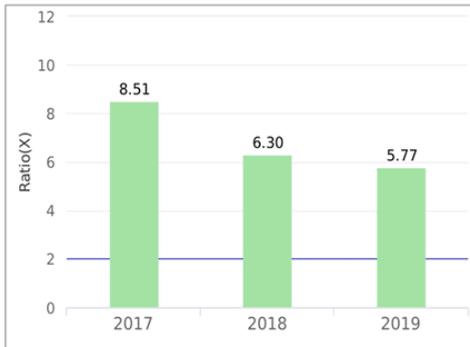
**Wollongong City Council**

Financial Statements 2019

**Notes to the Financial Statements**  
for the year ended 30 June 2019

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

**4. Debt service cover ratio**



**Purpose of debt service cover ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 5.77x

The result indicates that Council can adequately service its outstanding debt.

Benchmark: — > 2.00x

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

- Ratio achieves benchmark
- Ratio is outside benchmark

**5. Rates, annual charges, interest and extra charges outstanding percentage**



**Purpose of rates, annual charges, interest and extra charges outstanding**

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

**Commentary on 2018/19 result**

2018/19 ratio 5.09%

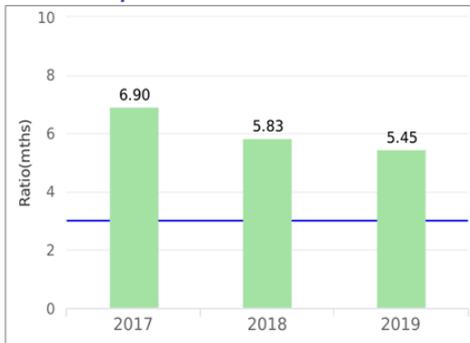
Although Council continue to improve the recovery processes for all rate payers, there has been an increase in debt owed to Council by pensioners that Council policy allows.

Benchmark: — < 10.00%

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

- Ratio achieves benchmark
- Ratio is outside benchmark

**6. Cash expense cover ratio**



**Purpose of cash expense cover ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 5.45 mths

The result of this measure reflects a high level of liquidity in Council's investment portfolio at the end of 2018/19.

Benchmark: — > 3.00mths

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

- Ratio achieves benchmark
- Ratio is outside benchmark

## Wollongong City Council

Financial Statements 2019

### Notes to the Financial Statements for the year ended 30 June 2019

#### Note 28. Council information and contact details

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**Principal place of business:**

41 Burelli Street  
Wollongong NSW 2500

**Contact details**

**Mailing Address:**

Locked Bag 8821  
Wollongong NSW 2500

**Telephone:** (02) 4227 7111

**Facsimile:** (02) 4227 7277

**Opening hours:**

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

**Internet:** [www.wollongong.nsw.gov.au](http://www.wollongong.nsw.gov.au)

**Email:** [council@wollongong.nsw.gov.au](mailto:council@wollongong.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Greg Doyle

**RESPONSIBLE ACCOUNTING OFFICER**

Brian Jenkins

**PUBLIC OFFICER**

Todd Hopwood

**AUDITORS**

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

**Elected members**

**LORD MAYOR**

Gordon Bradbery

**COUNCILLORS**

**Ward 1**

Leigh Colacino  
Mithra Cox  
Janice Kershaw  
Jenelle Rimmer

**Ward 2**

Cath Blakey  
David Brown  
Tania Brown  
John Dorahy

**Ward 3**

Dom Figliomeni  
Vicky King  
Ann Martin  
Cameron Walters

**Other information**

**ABN:** 63 139 525 939

## Wollongong City Council

Financial Statements 2019

### General Purpose Financial Statements for the year ended 30 June 2019

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#### Independent Auditor's Report

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

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## Wollongong City Council

Financial Statements 2019

### General Purpose Financial Statements for the year ended 30 June 2019

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#### Independent Auditor's Report

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

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# Wollongong City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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## Wollongong City Council

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements for the year ended 30 June 2019

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#### Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, 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).

## Wollongong City Council

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements for the year ended 30 June 2019

#### 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,

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, 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 23 September 2019.

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Gordon Bradbery  
Lord Mayor  
23 September 2019

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David Brown  
Deputy Lord Mayor  
23 September 2019

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Greg Doyle  
General Manager  
23 September 2019

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Brian Jenkins  
Responsible Accounting Officer  
23 September 2019

**Wollongong City Council**

Special Purpose Financial Statements 2019

**Income Statement – Waste Disposal**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	27,821	28,716
Other income	516	516
<b>Total income from continuing operations</b>	<b>28,337</b>	<b>29,232</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,905	1,755
Borrowing costs	1,849	1,989
Materials and contracts	2,466	1,533
Depreciation, amortisation and impairment	1,221	1,265
Calculated taxation equivalents	529	393
EPA levy	11,764	15,369
Other expenses	1,903	1,890
<b>Total expenses from continuing operations</b>	<b>21,637</b>	<b>24,194</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>6,700</b>	<b>5,038</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>6,700</b>	<b>5,038</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>6,700</b>	<b>5,038</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,843)	(1,385)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,857</b>	<b>3,653</b>
<b>Plus accumulated surplus</b>	<b>45,500</b>	<b>40,069</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	529	393
– Corporate taxation equivalent	1,843	1,385
<b>Closing accumulated surplus</b>	<b>52,729</b>	<b>45,500</b>
<b>Return on capital %</b>	<b>21.6%</b>	<b>19.2%</b>

**Wollongong City Council**

Special Purpose Financial Statements 2019

**Income Statement – Tourist parks**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	7,153	6,975
Other income	144	128
<b>Total income from continuing operations</b>	<b>7,297</b>	<b>7,103</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,813	2,639
Materials and contracts	1,157	958
Depreciation, amortisation and impairment	1,095	967
Loss on sale of assets	53	28
Calculated taxation equivalents	535	522
Other expenses	1,192	1,169
<b>Total expenses from continuing operations</b>	<b>6,845</b>	<b>6,283</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>452</b>	<b>820</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>452</b>	<b>820</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>452</b>	<b>820</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(124)	(226)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>328</b>	<b>594</b>
<b>Plus accumulated surplus</b>	<b>12,018</b>	<b>10,676</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	535	522
– Corporate taxation equivalent	124	226
<b>Closing accumulated surplus</b>	<b>13,005</b>	<b>12,018</b>
<b>Return on capital %</b>	<b>1.7%</b>	<b>3.4%</b>

## Wollongong City Council

Special Purpose Financial Statements 2019

### Income Statement – Health & Fitness for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	2,896	2,628
Grants and contributions provided for non-capital purposes	–	16
Other income	95	96
<b>Total income from continuing operations</b>	<u>2,991</u>	<u>2,740</u>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,521	2,353
Materials and contracts	332	396
Depreciation, amortisation and impairment	54	54
Loss on sale of assets	–	1
Calculated taxation equivalents	176	174
Other expenses	977	995
<b>Total expenses from continuing operations</b>	<u>4,060</u>	<u>3,973</u>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<u>(1,069)</u>	<u>(1,233)</u>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<u>(1,069)</u>	<u>(1,233)</u>
<b>Surplus (deficit) from all operations before tax</b>	<u>(1,069)</u>	<u>(1,233)</u>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<u>(1,069)</u>	<u>(1,233)</u>
<b>Plus accumulated surplus</b>	(12,055)	(10,996)
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	176	174
<b>Closing accumulated surplus</b>	<u>(12,948)</u>	<u>(12,055)</u>
<b>Return on capital %</b>	(24.3)%	(29.2)%
<b>Subsidy from Council</b>	1,127	1,344

**Wollongong City Council**

Special Purpose Financial Statements 2019

**Income Statement – Crematorium & Cemeteries**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	1,550	2,296
Other income	9	11
<b>Total income from continuing operations</b>	<u>1,559</u>	<u>2,307</u>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,431	1,468
Materials and contracts	269	320
Depreciation, amortisation and impairment	9	10
Loss on sale of assets	7	-
Calculated taxation equivalents	173	133
Other expenses	560	561
<b>Total expenses from continuing operations</b>	<u>2,449</u>	<u>2,492</u>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<u>(890)</u>	<u>(185)</u>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<u>(890)</u>	<u>(185)</u>
<b>Surplus (deficit) from all operations before tax</b>	<u>(890)</u>	<u>(185)</u>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<u>(890)</u>	<u>(185)</u>
<b>Plus accumulated surplus</b>	(827)	(775)
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	173	133
<b>Closing accumulated surplus</b>	<u>(1,544)</u>	<u>(827)</u>
<b>Return on capital %</b>	(13.6)%	(3.7)%
<b>Subsidy from Council</b>	976	317

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**Wollongong City Council**

Special Purpose Financial Statements 2019

**Statement of Financial Position – Waste Disposal**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	–	2,165
<b>Total current assets</b>	<b>–</b>	<b>2,165</b>
<b>Non-current assets</b>		
Receivables	70,160	53,277
Infrastructure, property, plant and equipment	39,543	36,680
<b>Total non-current assets</b>	<b>109,703</b>	<b>89,957</b>
<b>TOTAL ASSETS</b>	<b>109,703</b>	<b>92,122</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	638	–
<b>Total current liabilities</b>	<b>638</b>	<b>–</b>
<b>Non-current liabilities</b>		
Provisions	42,939	36,994
<b>Total non-current liabilities</b>	<b>42,939</b>	<b>36,994</b>
<b>TOTAL LIABILITIES</b>	<b>43,577</b>	<b>36,994</b>
<b>NET ASSETS</b>	<b>66,126</b>	<b>55,128</b>
<b>EQUITY</b>		
Accumulated surplus	52,729	45,500
Revaluation reserves	13,397	9,628
<b>TOTAL EQUITY</b>	<b>66,126</b>	<b>55,128</b>

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**Wollongong City Council**

Special Purpose Financial Statements 2019

**Statement of Financial Position – Tourist parks**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Receivables	4,127	3,663
Infrastructure, property, plant and equipment	26,480	24,210
<b>Total non-current assets</b>	<b>30,607</b>	<b>27,873</b>
<b>TOTAL ASSETS</b>	<b>30,607</b>	<b>27,873</b>
<b>NET ASSETS</b>	<b>30,607</b>	<b>27,873</b>
<b>EQUITY</b>		
Accumulated surplus	13,005	12,018
Revaluation reserves	17,602	15,855
<b>TOTAL EQUITY</b>	<b>30,607</b>	<b>27,873</b>

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**Wollongong City Council**

Special Purpose Financial Statements 2019

**Statement of Financial Position – Health & Fitness**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	4,398	4,224
<b>Total non-current assets</b>	<b>4,398</b>	<b>4,224</b>
<b>TOTAL ASSETS</b>	<b>4,398</b>	<b>4,224</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Payables	13,901	13,063
<b>Total non-current liabilities</b>	<b>13,901</b>	<b>13,063</b>
<b>TOTAL LIABILITIES</b>	<b>13,901</b>	<b>13,063</b>
<b>NET ASSETS</b>	<b>(9,503)</b>	<b>(8,839)</b>
<b>EQUITY</b>		
Accumulated surplus	(12,946)	(12,055)
Revaluation reserves	3,443	3,216
<b>TOTAL EQUITY</b>	<b>(9,503)</b>	<b>(8,839)</b>

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**Wollongong City Council**

Special Purpose Financial Statements 2019

**Statement of Financial Position – Crematorium & Cemeteries**  
for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	6,534	5,021
<b>Total non-current assets</b>	<b>6,534</b>	<b>5,021</b>
<b>TOTAL ASSETS</b>	<b>6,534</b>	<b>5,021</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Payables	4,585	3,494
<b>Total non-current liabilities</b>	<b>4,585</b>	<b>3,494</b>
<b>TOTAL LIABILITIES</b>	<b>4,585</b>	<b>3,494</b>
<b>NET ASSETS</b>	<b>1,949</b>	<b>1,527</b>
<b>EQUITY</b>		
Accumulated surplus	(1,535)	(827)
Revaluation reserves	3,484	2,354
<b>TOTAL EQUITY</b>	<b>1,949</b>	<b>1,527</b>

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## Wollongong City Council

Special Purpose Financial Statements 2019

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy 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.
- d. **Crematorium & Cemeteries:** Provision of quality crematorium, cemetery & memorial facilities & services

##### Category 2

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

Nil

## Wollongong City Council

Special Purpose Financial Statements 2019

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

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

##### Monetary amounts

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

##### (i) Taxation equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,321,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,321,000 a premium marginal rate of 2.0% applies.

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

##### Income tax

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

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

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

Income tax is only applied where a gain/ (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.

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

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

## Wollongong City Council

Special Purpose Financial Statements 2019

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

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

##### (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:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

##### (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

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements for the year ended 30 June 2019

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

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# Wollongong City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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## Wollongong City Council

Special Schedules 2019

### Special Schedules

for the year ended 30 June 2019

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Report on Infrastructure Assets - Values	4

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Wollongong City Council

Special Schedules 2019

Permissible income for general rates  
for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	165,477	160,469
Plus or minus adjustments <sup>2</sup>	b	730	854
<b>Notional general income</b>	c = a + b	<b>166,207</b>	<b>161,323</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = c x e	4,488	3,710
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>170,695</b>	<b>165,033</b>
Plus (or minus) last year's carry forward total	l	4	190
Less valuation objections claimed in the previous year	m	(396)	(138)
<b>Sub-total</b>	n = (l + m)	<b>(392)</b>	<b>52</b>
<b>Total permissible income</b>	o = k + n	<b>170,303</b>	<b>165,085</b>
Less notional general income yield	p	170,562	165,477
<b>Catch-up or (excess) result</b>	q = o - p	<b>(259)</b>	<b>(392)</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	265	396
Less unused catch-up <sup>5</sup>	s	(4)	-
<b>Carry forward to next year <sup>6</sup></b>	t = q + r - s	<b>2</b>	<b>4</b>

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

## Wollongong City Council

Special Schedules 2019

### Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring assets to agreed level of service set by Council					1	2	3	4	5
<b>Buildings</b>	Buildings	5,152	6,926	21,298	20,833	303,164	540,019	3.0%	17.1%	78.7%	0.7%	0.6%
	<b>Sub-total</b>	<b>5,152</b>	<b>6,926</b>	<b>21,298</b>	<b>20,833</b>	<b>303,164</b>	<b>540,019</b>	<b>3.0%</b>	<b>17.1%</b>	<b>78.7%</b>	<b>0.7%</b>	<b>0.6%</b>
<b>Other structures</b>	Other structures	963	1,284	551	539	7,482	13,971	4.6%	18.2%	68.0%	2.4%	6.8%
	<b>Sub-total</b>	<b>963</b>	<b>1,284</b>	<b>551</b>	<b>539</b>	<b>7,482</b>	<b>13,971</b>	<b>4.6%</b>	<b>18.2%</b>	<b>68.0%</b>	<b>2.4%</b>	<b>6.8%</b>
<b>Roads</b>	Sealed roads	67,173	89,737	16,943	16,317	569,999	1,426,090	6.7%	10.5%	74.5%	1.4%	7.0%
	Bridges	902	1,203	1,810	1,743	98,739	152,318	12.7%	36.5%	50.0%	0.2%	0.5%
	Footpaths	3,078	6,155	3,465	3,337	147,190	291,660	15.2%	19.7%	63.0%	1.3%	0.8%
	<b>Sub-total</b>	<b>71,153</b>	<b>97,095</b>	<b>22,218</b>	<b>21,397</b>	<b>815,928</b>	<b>1,870,068</b>	<b>8.5%</b>	<b>14.0%</b>	<b>70.7%</b>	<b>1.3%</b>	<b>5.5%</b>
<b>Stormwater drainage</b>	Stormwater drainage	76	101	2,568	2,596	520,636	937,830	4.2%	13.1%	82.6%	0.0%	0.1%
	<b>Sub-total</b>	<b>76</b>	<b>101</b>	<b>2,568</b>	<b>2,596</b>	<b>520,636</b>	<b>937,830</b>	<b>4.2%</b>	<b>13.1%</b>	<b>82.6%</b>	<b>0.0%</b>	<b>0.1%</b>
<b>Open space / recreational assets</b>	Swimming pools & Open Space/Recreation	6,936	10,377	25,305	26,816	116,754	187,847	2.9%	12.4%	71.8%	6.6%	6.4%
	<b>Sub-total</b>	<b>6,936</b>	<b>10,377</b>	<b>25,305</b>	<b>26,816</b>	<b>116,754</b>	<b>187,847</b>	<b>2.9%</b>	<b>12.4%</b>	<b>71.8%</b>	<b>6.6%</b>	<b>6.4%</b>
<b>TOTAL - ALL ASSETS</b>		<b>84,280</b>	<b>115,783</b>	<b>71,940</b>	<b>72,181</b>	<b>1,763,964</b>	<b>3,549,735</b>	<b>6.2%</b>	<b>14.2%</b>	<b>75.1%</b>	<b>1.1%</b>	<b>3.4%</b>

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

#### 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 functional state for community use'. During the 2016/17 financial year this process was completely reviewed to ensure inclusion of all labour and materials on all 'asset operation' tasks.

## Wollongong City Council

Special Schedules 2019

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

as at 30 June 2019

(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, energy supply etc. It does not include operational overheads (e.g. 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 Councils assets. That is calculated as the cost of bringing 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 Saving 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

#### Condition of Public Assets

In assessing the condition of Public Assets, Council has considered the existing condition and function of each asset. The results shown for the condition 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 Definitions #

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

## Wollongong City Council

Special Schedules 2019

### Report on Infrastructure Assets (continued) as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	49,733	93.63%	104.26%	104.90%	>=100.00%
Depreciation, amortisation and impairment	53,114				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	84,280	4.78%	5.51%	5.72%	<2.00%
Net carrying amount of infrastructure assets	1,763,964				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	72,181	100.34%	98.54%	98.07%	>100.00%
Required asset maintenance	71,940				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	115,783	3.26%	3.47%	3.68%	
Gross replacement cost	3,549,735				

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

(1) Excludes Work In Progress (WIP)

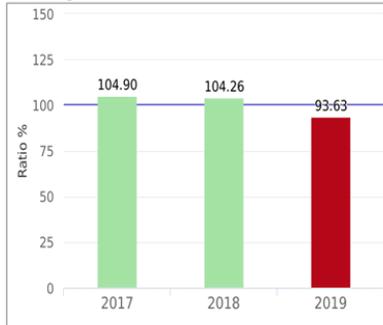
(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Wollongong City Council

Special Schedules 2019

Report on Infrastructure Assets (continued)  
as at 30 June 2019

Buildings and infrastructure renewals ratio <sup>1</sup>



Infrastructure renewals ratio	Commentary on result
18/19 ratio 93.63%	Council expended a record \$115M on Capital works during 2018/19. A significant proportion of works being new infrastructure initiatives associated with supporting major sub-division development works. As a result, Council spent slightly less on renewal projects than the previous year (\$49.7M down from \$53.9M last year), while the revaluing of building assets resulted in increased depreciation (from \$51.7M last year up to \$53.1M).

Benchmark: —  $\geq 100.00\%$

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

Asset maintenance ratio



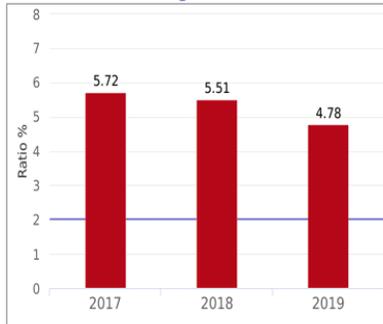
Asset maintenance ratio	Commentary on result
18/19 ratio 100.34%	As at 2015/16 the ratio now requires the inclusion of 'operating expenses required to keep the asset in a functional state for community use...'. Council has reviewed 500 cost centres and all supporting natural accounts to improve the detail of this result. Operational required costs have been set to equal the operational actual costs. The increase to above 100% is primarily due to increased maintenance of Buildings and Facilities.

Benchmark: —  $> 100.00\%$

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

Infrastructure backlog ratio <sup>1</sup>



Infrastructure backlog ratio	Commentary on result
18/19 ratio 4.78%	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 written down value at condition 2, with the exception of path assets to condition 3. Council's 'Securing our Future' financial review confirmed condition 3 for paths through public consultation.

Benchmark: —  $< 2.00\%$

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	Commentary on result
18/19 ratio 3.26%	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.

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.

(1) Excludes Work In Progress (WIP)

## Wollongong City Council

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements for the year ended 30 June 2019

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

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

- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial Reporting*,

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, 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 23 September 2019.

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Gordon Bradbery  
Lord Mayor  
23 September 2019

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David Brown  
Deputy Lord Mayor  
23 September 2019

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Greg Doyle  
General Manager  
23 September 2019

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Brian Jenkins  
Responsible Accounting Officer  
23 September 2019



## EXECUTIVE SUMMARY

As General Manager of Wollongong City Council, I present the Annual Financial Statements for 2018-2019. These statements continue to reflect Council's transformation in recent years to an organisation which is financially stable having the capacity to manage short, medium and longer term challenges.

The Income Statement shows a net operating surplus of \$52.1 million compared to a surplus of \$48.8 million in 2017-2018. The net operating result before capital grants and contributions was a deficit of \$7.5 million. While this result compares to a surplus of \$8.1 million in 2017-2018, the result was impacted by a large number of valuation adjustments primarily related to external economic conditions on long term accounting estimates. We are confident that our underlying financial performance is on track and remains sustainable.

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 2019 was \$2.78 billion. During 2018-2019, Council completed capital works of \$115.8 million including the construction and acquisition of \$64.0 million of new assets and \$51.8 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, new waste cells at Whytes Gully, our first synthetic football field at Ian McLennan Park, additional sections of the Grand Pacific Walk, Stanwell Park Beach Kiosk, power supply to Mt Keira, Wombarra Rock Pool Refurbishment, 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 \$155 million at 30 June 2019 [\$158 million in 2017-2018]. \$139 million of Council's cash [\$142 million in 2017-2018] is restricted in its use to specific purposes by external bodies, legislation and Council resolution.

Council's unrestricted current ratio decreased from 2.93:1 in 2017-2018 to 2.70:1 in 2018-2019. This ratio, which measures Council's liquidity and ability to satisfy short-term obligations, is above the Local Government Benchmark 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 remain above the benchmark until payments are required.

Rates and Annual Charges outstanding increased from 4.66% in 2017-2018 to 5.09% in 2018-2019. Although Council continue to improve the recovery processes for all rate payers, there has been an increase in debt owed to Council by pensioners that Council policy allows.

Council continues to have relatively low levels of borrowing and did not undertake any additional borrowings in 2018-19. 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 adds flexibility in making financial decisions for the future. The 2018-2019 debt service ratio decreased slightly to 3.28% compared to 3.34% in 2017-2018. This change is the result of increased income from continuing operations 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.



Greg Doyle  
General Manager  
Wollongong City Council



## 2018-2019 FINANCIAL OVERVIEW

This report provides an overview of Council's 2018-2019 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<sup>o</sup> 27). 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.

The 2018-2019 Financial Statements shows a positive Net Operating Result of \$52.1M. This result includes grants and contributions for capital purposes which increases the asset base of Council however is not considered to truly reflect the underlying operating performance of the organisation.

The Net Operating Result before Grants and Contributions for Capital Purposes was a deficit of \$7.5M which is below Council's targeted position of a small surplus result. The 2018-2019 result has been impacted by a number of significant one off non-cash adjustments related to valuation of employee leave and workers compensation provisions, loss on disposal of assets (assets renewed that had remaining book value, not sold), and reclassification of prior year capital works-in-progress (WIP) to operational expense. These adjustments alone were reported in Council's June Quarterly Review to have negatively impacted the result by \$15.7M. These variations do not change the underlying capacity of the organisation over a period of time, and while there are also some positive one off items reported, Council considers our underlying financial performance to be on track to meet financial strategies and targets in the short, medium and long term.

## 2018-2019 HIGHLIGHTS

**\$2.78B**  
Total Assets

LY \$2.57B

**3.28%**  
Debt Service Ratio

LY 3.34%

**\$64.0M**  
Capital Works - New

LY \$39.4M

**\$51.8M**  
Capital Works - Renew

LY \$56.4M

**\$52.1M Surplus**  
Net Operating Result

LY \$48.8M Surplus

**\$7.5M Deficit**  
Net Operating Result Before Capital  
Grants & Contributions

LY \$8.1M Surplus

**\$7.4M**  
Contributed Assets Recognised

LY \$18.2M

**2.70:1**  
Unrestricted Current Ratio

LY 2.79:1

**\$154.8M**  
Cash Assets & Investments

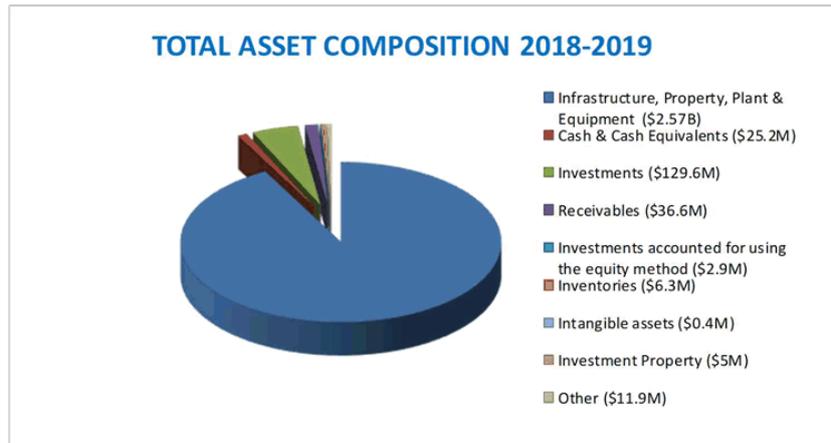
LY \$157.8M

**5.09%**  
Rates, Annual Charges, Interest &  
Extra Charges Outstanding

LY 4.66%

## ASSETS

Council is the custodian of community assets with a total value of \$2.78B at 30 June 2019. The composition of assets at balance date is shown as follows:



### Infrastructure, Property, Plant & Equipment (IPPE)

With a carrying value of \$2.57B 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 2018-2019, Council achieved its target and delivered a capital works program of \$115.8M including the construction and purchase of \$64.0M of new assets and renewal of existing assets of \$51.8M. After accounting for annual depreciation expense, the overall value of IPPE increased by \$309.6M during 2018-2019. This is mainly the result of revaluations to operational land and buildings. Further financial details of IPPE are shown at Note 10.

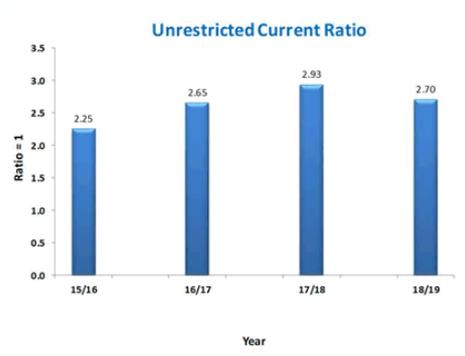
### Cash and Investments

Council maintained robust levels of cash and investments, with holdings of \$155M at 30 June 2019. Cash and investment positions over recent years are as follows:

CASH, INVESTMENTS & AVAILABLE FUNDS (\$M)				
	YTD Actual 30 June 2016	YTD Actual 30 June 2017	YTD Actual 30 June 2018	YTD Actual 30 June 2019
<b>TOTAL CASH &amp; INVESTMENTS</b>	154.025	167.577	157.768	154.822
Less Restrictions:				
External	75.276	75.788	74.192	77.657
Internal	55.377	57.379	68.129	61.203
<b>AVAILABLE CASH</b>	23.372	34.410	15.447	15.962
Adjusted for :				
Current payables	(37.432)	(41.617)	(30.010)	(35.020)
Receivables	24.487	34.211	37.702	48.499
<b>AVAILABLE FUNDS</b>	10.427	27.004	23.139	29.441

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 2019, Council achieved an available funds position of \$29.4M, which is significantly higher than the Financial Strategy target range of 3.5% to 5.5% of operational revenue (pre-capital). The result at balance date was uplifted by the early receipt of the first two instalments of the Financial Assistance Grant for 2019-2020 totalling \$9.4M.



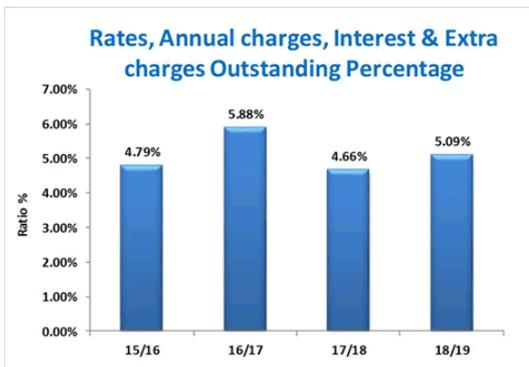
**Measures:** Cash/Liquidity Position or Council's ability to satisfy obligations in the short term from its unrestricted activities.

**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 exceed the benchmark until payments are required.

**Performance:** Council's performance is above the Local Government Benchmark of >1.5:1 and is consistent with prior years.

### Receivables

Receivables are the amount of money that is owed to Council or funds that Council has paid in advance. At 30 June 2019, receivables totalled \$36.6M, an increase of \$9.6M compared to the 2017-2018 reporting period. The fluctuation is related to an increase in Government Grants and Subsidies receivable. Full details of receivables are provided in Note 7.



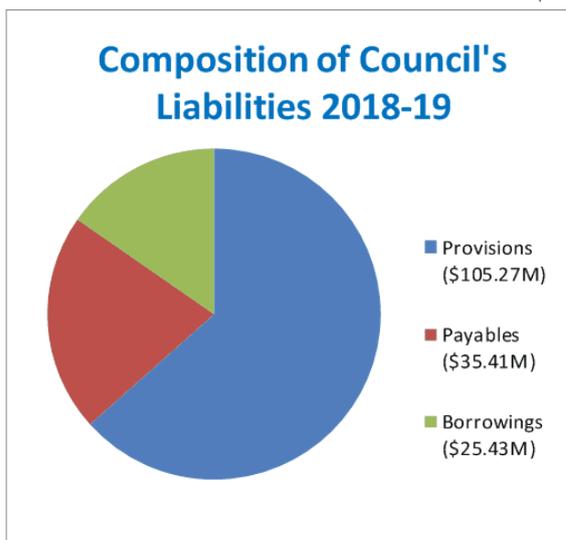
**Measures:** The impact of uncollected rates and other charges on liquidity and the adequacy of recovery efforts.

**Target:** Industry standard of <5%.

**Performance:** Council's Debt Recovery Policy has produced a result which exceeds target and performance in recent years. Although Council continues to improve the debt recovery processes for all rate payers, there has been an increase in debt owed to Council by pensioners that Council policy allows.

### LIABILITIES

At 30 June 2019 Council's Total Liabilities were \$166.1M. The composition of Council's Total Liabilities is shown below.



**Provisions:** Account for 63.4% of Council's Liabilities with the most significant provisions relating to Employee Leave Entitlements [\$54.5M], Waste Depot Remediation Provision [\$42.9M], Workers' Compensation Provision [\$7.1M] and Self-Insurance [\$0.7M].

**Payables:** Account for 21.3% 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 15.3% 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

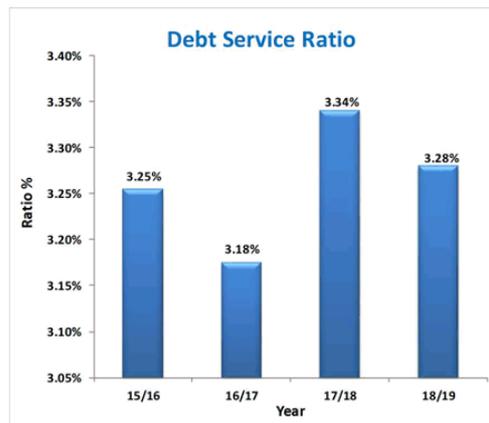
Provisions increased during 2018-2019 by \$10.3M. The increase is mainly attributable to the revaluation of employee leave entitlements [\$5.2M] and the reassessment of prior year workers' compensation claims to reflect broader community valuation trends [\$2.0M]. Although the provisions are revalued each financial year, these changes are the result of external economic conditions through the application of discount rates to reflect the value of the provisions as at 30 June 2019.

## Borrowings

Council continues to remain a relatively low debt user. In 2018-2019 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 two 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 3.28%. 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 decreased slightly in the 2018-2019 reporting period. This is due to an increase in Council's income from continuing operations.

## Operational Performance - Income & Expenses

Council achieved a Net Operating Surplus from Continuing Operations of \$52.1M in 2018-2019 in comparison to a Surplus of \$48.8M in 2017-2018. Council's underlying measure of long term operational performance, the Operational Result before Capital Grants and Contributions, is a deficit of \$7.5M, compared to a surplus of \$8.1M in 2017-2018. The 2018-2019 result has been impacted by a number of large valuation transactions primarily related to the accounting treatment of employee liabilities.

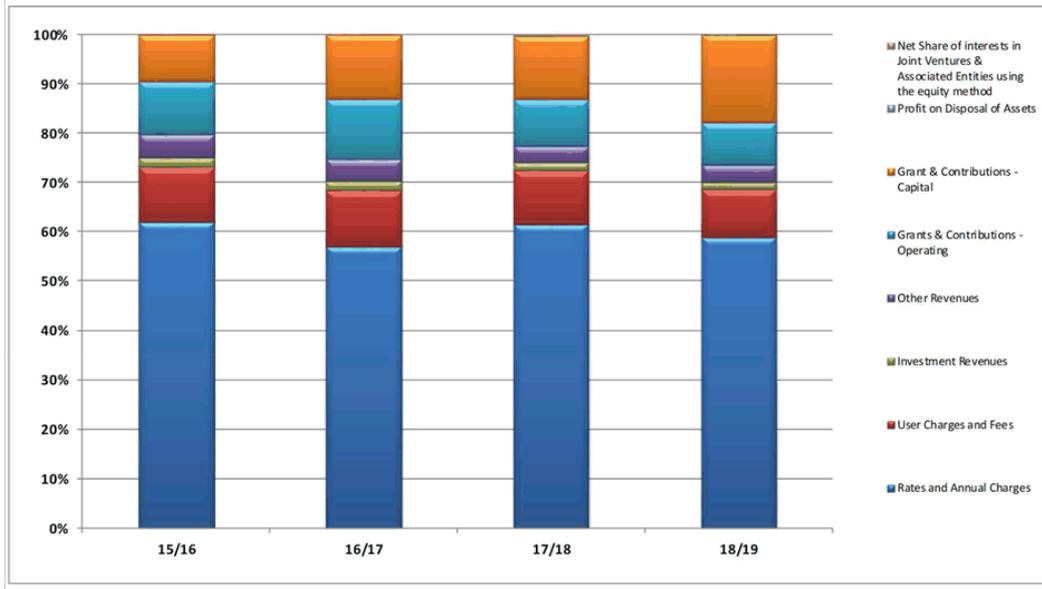
## Income

Council's Income from Continuing Operations for 2018-2019 was \$338.5M compared to a prior year result of \$314.8M. This increase is mainly attributed to an increase in Capital Grants and Contributions [\$19.0M] due to an increase in developer contributions and capital grants funding for transport infrastructure associated with the West Dapto Urban Release Area, partially offset by lower levels of subdivision dedications.

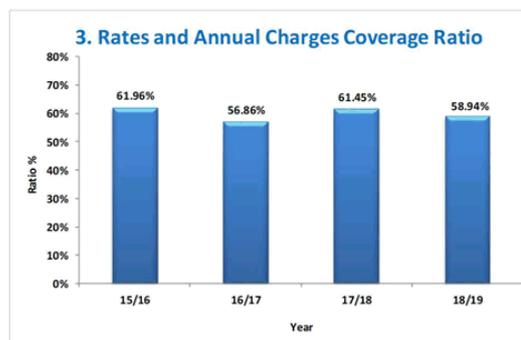
The composition of Council's revenue remained reasonably consistent compared to previous years as depicted in the table below. Exceptions include Grants and Contributions Capital which increased in its portion of total income from continuing operations [from 13% to 18%]. It is noted that Council does not control the flow of asset dedications by developers and contributions vary from year to year.

REVENUE SOURCES

INCOME FROM CONTINUING OPERATIONS	Year ended 30/06/2016		Year ended 30/06/2017		Year ended 30/06/2018		Year ended 30/06/2019	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Rates & Annual Charges	174,149	62%	184,530	57%	193,419	61%	199,524	59%
User Charges & Fees	31,252	11%	37,491	12%	34,805	11%	32,793	10%
Interest & Investment Revenues	5,597	2%	5,909	2%	5,162	2%	5,069	1%
Other Revenues	12,891	5%	14,418	4%	10,551	3%	12,125	4%
Grants & Contributions - Operating	30,461	11%	39,639	12%	29,384	9%	28,856	9%
Grants & Contributions - Capital	26,548	9%	42,022	13%	40,637	13%	59,656	18%
Profit on Disposal of Assets	0	0%	0	0%	5	0%	220	0%
Net Share of interests in Joint Ventures & Associated Entities using the equity method	150	0%	525	0%	803	0%	293	0%
<b>Total Income from Continuing Operations</b>	<b>281,048</b>	<b>100%</b>	<b>324,534</b>	<b>100%</b>	<b>314,766</b>	<b>100%</b>	<b>338,536</b>	<b>100%</b>



Income from Rates and Annual Charges, Council's largest revenue stream, totalled \$199.5M in 2018-2019, an increase of \$6.1M on the prior year. The increase is due to indexation and additional income from the finalisation of objections to land values from previous financial years.



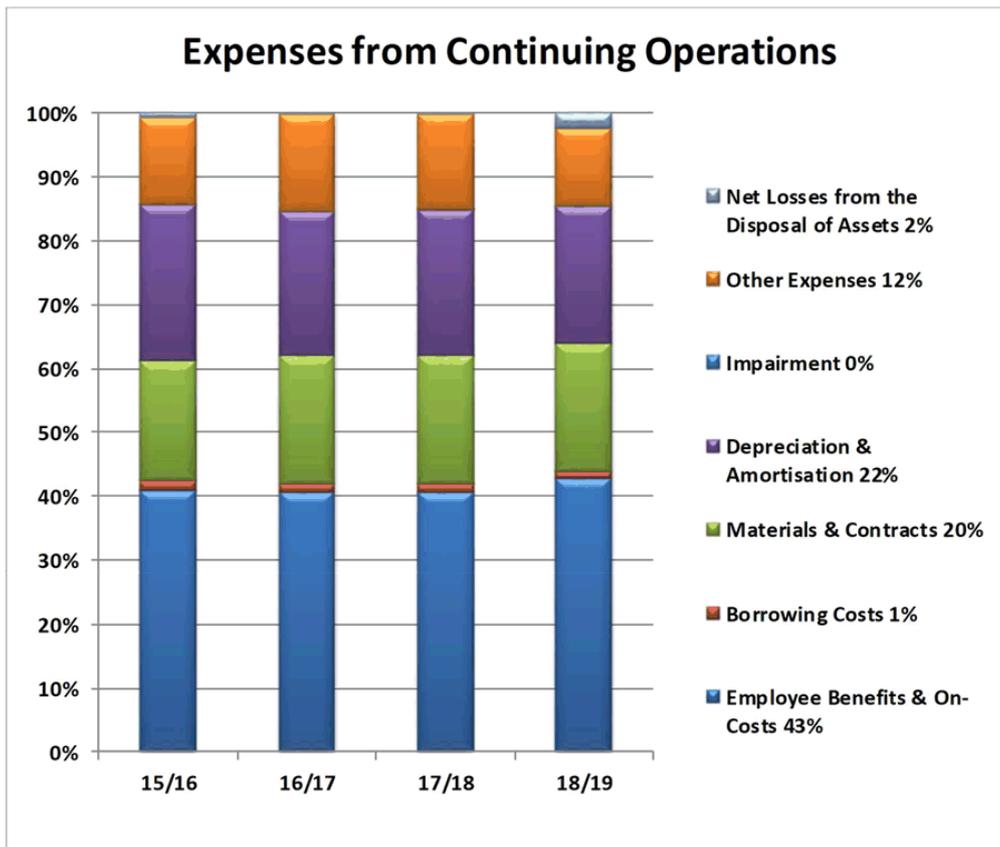
**Measures:** The degree of Council's dependence upon revenue from rates and annual charges and the security of Council's income.

**Performance:** This ratio indicates a decreased 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 2016-2017 result and was skewed by an increase in the flow of developer contributions. As predicted, this ratio is subject to some fluctuation, and the current year performance is as expected.

### Expenses

Expenses from Continuing Operations for 2018-2019 totalled \$286.4M, an increase on prior year expenditure of \$20.4M. This increase can be predominately explained by Employee Costs rising from \$107.8M in 2017-2018 to \$122.4M in 2018-2019. This is partly due to the impact of the revaluation of employee leave entitlements [\$5.2M] and the reassessment of prior year workers' compensation claims to reflect broader community valuation trends [\$2.0M]. The increase in expenses has also been impacted by an increase in Loss on Disposal of Assets from \$0.4M in 2017-2018 to \$6.9M in 2018-2019.

In terms of composition, the proportion of each expenditure category against total expenses from continuing operations has remained consistent compared to prior years with the exception of net losses from the disposal of assets. Material budget variations from the 2018-2019 year for income and expenditure items are detailed in Note 21 of the statements.



## Wollongong City Council

### Historical Financial Data

#### Income Statement

		Actual 2015/16 \$'000	Actual 2016/17 \$'000	Actual 2017/18 \$'000	Actual 2018/19 \$'000
	Notes				
<b>Income from Continuing Operations</b>					
<b>Revenue:</b>					
Rates & Annual Charges	3a	174,149	184,530	193,429	199,524
User Charges & Fees	3b	31,252	37,491	34,805	32,793
Interest and Investment Revenue	3c	5,597	5,909	5,162	5,069
Other Revenues	3d	12,891	14,418	10,551	12,125
Grants & Contributions provided for Operating Purposes	3e,f	30,461	39,639	29,384	28,856
Grants & Contributions provided for Capital Purposes	3e,f	26,548	42,022	40,637	59,656
<b>Other Income:</b>					
Net Gains from the Disposal of Assets	5	-	-	-	-
Fair Value Increment on Investment Property	11	-	-	5	220
Profit from interests in Joint Ventures & Associates		-	-	-	-
Entities using the equity method	17	150	525	803	293
<b>Total Income from Continuing Operations</b>		<b>281,048</b>	<b>324,534</b>	<b>314,776</b>	<b>338,536</b>
<b>Expenses from Continuing Operations</b>					
<b>Employee Benefits &amp; On-Costs</b>					
Employee Benefits & On-Costs	4a	103,547	103,139	107,843	122,445
Borrowing Costs	4b	4,223	4,071	3,819	3,337
Materials & Contracts	4c	47,144	47,032	53,709	57,432
Depreciation & Amortisation	4d	61,882	61,271	60,067	61,781
Impairment	4d	6	-	-	-
Other Expenses	4e	34,782	35,594	40,211	34,571
Net Losses from the Disposal of Assets	5	1,627	3,960	361	6,856
Loss from interests in Joint Ventures & Associates	19	-	-	-	-
<b>Total Expenses from Continuing Operations</b>		<b>253,211</b>	<b>255,067</b>	<b>266,010</b>	<b>286,422</b>
<b>Operating Result from Continuing Operations</b>		<b>27,837</b>	<b>69,467</b>	<b>48,766</b>	<b>52,114</b>
<b>NET OPERATING RESULT FOR THE YEAR</b>		<b>27,837</b>	<b>69,467</b>	<b>48,766</b>	<b>52,114</b>
<b>Less:</b>					
Grants & Contributions provided for Capital Purposes	3e,f	26,548	42,022	40,637	59,656
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>1,289</b>	<b>27,445</b>	<b>8,129</b>	<b>(7,542)</b>

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 2015/16 \$'000	Actual 2016/17 \$'000	Actual 2017/18 \$'000	Actual 2018/19 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash & cash equivalents	6a	17,747	23,534	26,491	25,187
Investments	6b	126,193	119,458	109,162	114,579
Receivables	7	21,280	23,531	27,036	36,620
Inventories	8	6,027	298	306	337
Other	8	3,207	10,680	10,666	11,879
Assets held for sale (previously non-current)	9	-	6,381	-	-
<b>Total current assets</b>		<b>174,454</b>	<b>183,882</b>	<b>173,661</b>	<b>188,602</b>
<b>Non-current assets</b>					
Cash assets	6a	-	-	-	-
Investments	6b	10,085	24,585	22,115	15,056
Receivables	7	-	-	-	-
Inventories	8	-	5,791	5,835	5,948
Infrastructure, property, plant & equipment	10	2,270,419	2,309,628	2,317,081	2,565,095
Investments accounted for using the equity method	17	1,310	1,835	2,638	2,929
Investment property	11	4,775	4,775	4,780	5,000
Intangible assets	12	1,043	653	388	440
Non-current assets classified as 'held for sale'		-	-	-	-
Other		-	-	-	-
<b>Total non-current assets</b>		<b>2,287,632</b>	<b>2,347,267</b>	<b>2,352,837</b>	<b>2,594,468</b>
<b>TOTAL ASSETS</b>		<b>2,462,086</b>	<b>2,531,149</b>	<b>2,526,498</b>	<b>2,783,070</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	13	34,238	38,660	26,754	30,006
Income received in advance	13	3,194	2,957	3,256	5,014
Interest bearing liabilities	13	6,690	7,513	7,716	7,934
Provisions	14	50,683	48,853	50,377	58,214
<b>Total current liabilities</b>		<b>94,805</b>	<b>97,983</b>	<b>88,103</b>	<b>101,168</b>
<b>Non-current liabilities</b>					
Payables	13	-	-	700	385
Interest bearing liabilities	13	33,940	32,188	25,039	17,497
Provisions	14	44,031	48,121	44,566	47,054
<b>Total non-current liabilities</b>		<b>77,971</b>	<b>80,309</b>	<b>70,305</b>	<b>64,936</b>
<b>TOTAL LIABILITIES</b>		<b>172,776</b>	<b>178,292</b>	<b>158,408</b>	<b>166,104</b>
<b>NET ASSETS</b>		<b>\$ 2,289,310</b>	<b>2,352,857</b>	<b>2,368,090</b>	<b>2,616,966</b>
<b>EQUITY</b>					
Retained earnings	15	1,302,643	1,389,905	1,411,338	1,463,845
Revaluation reserves	15	986,667	962,952	956,752	1,153,065
	15	-	-	-	56
<b>Council Equity Interest</b>		<b>2,289,310</b>	<b>2,352,857</b>	<b>2,368,090</b>	<b>2,616,966</b>
Minority Equity Interest		-	-	-	-
<b>TOTAL EQUITY</b>		<b>\$ 2,289,310</b>	<b>2,352,857</b>	<b>2,368,090</b>	<b>2,616,966</b>

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**

