



WOLLONGONG CITY COUNCIL

FINANCIAL REPORT

YEAR ENDED 30 JUNE 2017

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EXECUTIVE SUMMARY

As General Manager of Wollongong City Council, I present the Annual Financial Statements for 2016-2017. These Statements continue to reflect Council's transformation from an organisation that had underlying long-term financial issues to one that is well placed financially to continue to operate at its existing level well into the future. At the end of the reporting period, Council is strong and stable in the short, medium and longer term.

It is pleasing to report that the Securing our Future Financial Sustainability Program adopted in 2013 was successfully finalised in December 2016, ahead of schedule and with overall targets achieved. Since this review, Council built on the momentum gained under the Program, maintained budget control and significantly improve its financial performance. This is reflected in Council's 2016-2017 results.

The Income Statement reports a net operating surplus for 2016-2017 of \$69.5 million compared to a surplus of \$27.8 million in 2015-2016. Council also outperformed last year in its main indicator of long term financial viability, achieving a net operating result before capital grants and contributions of \$27.5 million surplus, compared to a surplus of \$1.3 million in 2015-2016. The increase is attributable to increased revenue across all categories, with expenditure remaining consistent compared to the prior year. While the reported results do incorporate unique transactions such as the early receipt of the Financial Assistance Grant for 2017-2018 of \$9 million and the recognition of a Carbon Tax Rebate of \$4.2 million there is still a significant improvement on last year taking these factors into account.

At 30 June 2017, Council is the custodian of community assets totalling \$2.53 billion. During 2016-2017, Council completed capital works of \$90.5 million including the construction and acquisition of \$31 million of new assets and \$59.4 million for the renewal of existing assets. The program included expenditure on projects such as West Dapto access strategy and the Fowlers Road bridge, an additional waste cell at Whytes Gully Tip, commencement of the Tramway sea wall and path renewal, improvements to the Bulli SLSC building, Bald Hill amenities block, Stewart Park amenities, Judbooley Parade foreshore retaining wall, road renewals across the Local Government area and many others.

Council continues to build on its robust cash and investments position with holdings of \$168 million at 30 June 2017 [\$154 million in 2015-2016]. \$133 million of Council's cash [\$131 million in 2015-2016] is restricted in its use to specific purposes by external bodies, legislation and Council resolution.

Council's unrestricted current ratio rose slightly from 2.25:1 in 2015-2016 to 2.65:1 in 2016-2017. This ratio, which measures Council's liquidity or ability to satisfy short-term obligations, is above the Local Government Bench mark of greater than 1.5:1. Council's strategy is to better utilise cash and target a lean unrestricted cash ratio, however significant cash assets held for future waste facility requirements are included in this ratio. The measure is expected to increase until payments are required.

Rates and Annual Charges outstanding rose from 4.79% in 2015-2016 to 5.88% in 2016-2017, with the result being distorted by one corporate rate payer not paying on time [\$1.6 million]. Council continues to build on its improved debt recovery processes and aims to fall below the bench mark in the future. The result is slightly below the industry standard of less than 5%.

While Council has continued to undertake advantageous borrowing opportunities for specific works, it remains a relatively low debt user, a financial strength of Council adding flexibility in future financial decision making. The 2016-2017 debt service ratios decreased slightly to 3.18% compared to 3.25% in 2015-2016 as Council commenced repayments of LIRS 3. Performance on this ratio remains positive in comparison to the Local Government benchmark of less than 10% and is within Council's own Financial Strategy of 4%.

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



David Farmer
General Manager
Wollongong City Council

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Financial Commentary 2016-2017

2016-2017 FINANCIAL OVERVIEW

This report provides an overview of Council's 2016-2017 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° 25). 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.

2016-2017 FINANCIAL OVERVIEW

The 2016-2017 financial year results are positive and consistent with the long term direction set by Council in the Securing our Future Program. While the future will be determined by the decisions and delivery of future terms of Council, the current position at the end of the reporting period is one that is described as strong and stable in the short, medium and long term. Overall, Council is well placed for the future with underlying stability and sufficient capacity to manage short and medium-term challenges.

Council's aim continues to be to achieve financial sustainability whilst maintaining current service and infrastructure levels without unplanned increases to rates or disruptive cuts to services. The Securing our Future Financial Sustainability Program adopted in 2013 was finalised by Council at the December 2016 Quarterly Review, having achieved overall targets ahead of schedule and without the need to pursue high impact service adjustments. As a result of the Program, Council has seen significant positive improvements in its financial performance. During 2016-2017, Council has delivered overall improvements in excess of the planned efficiency targets and has achieved a targeted breakeven result for the third time ahead of target. Essential to the result was Council's continuous improvements implemented to meet the requirements outlined in the Securing our Future Program and the 2016-2017 Annual Plan.

The improved operating result for the year, before grants and contributions, provides an opportunity for Council to transfer and manage funds for Future Strategic

Projects. This is consistent with the approach that has been used over the last three financial years, where windfalls and improvements in financial results beyond those planned in the Securing Our Future Program are held centrally to be allocated through Council's planning process.

2016-2017 HIGHLIGHTS

\$2.53B

Total Assets

LY \$2.4B

3.18%

Debt Service Ratio

LY 3.25%

\$31M

Capital Works - New

LY \$23.4M

\$59.4M

Capital Works - Renew

LY \$59.3M

\$69.5M Surplus

Net Operating Result

LY \$23.4M Surplus

\$27.5M Surplus

Net Operating Result Before Capital
Grants & Contributions

LY \$1.3M Surplus

\$29.5M

Contributed Assets Recognised

LY \$4.6M

2.65:1

Unrestricted Current Ratio

LY 2.25:1

\$167.6M

Cash Assets & Investments

LY \$154M

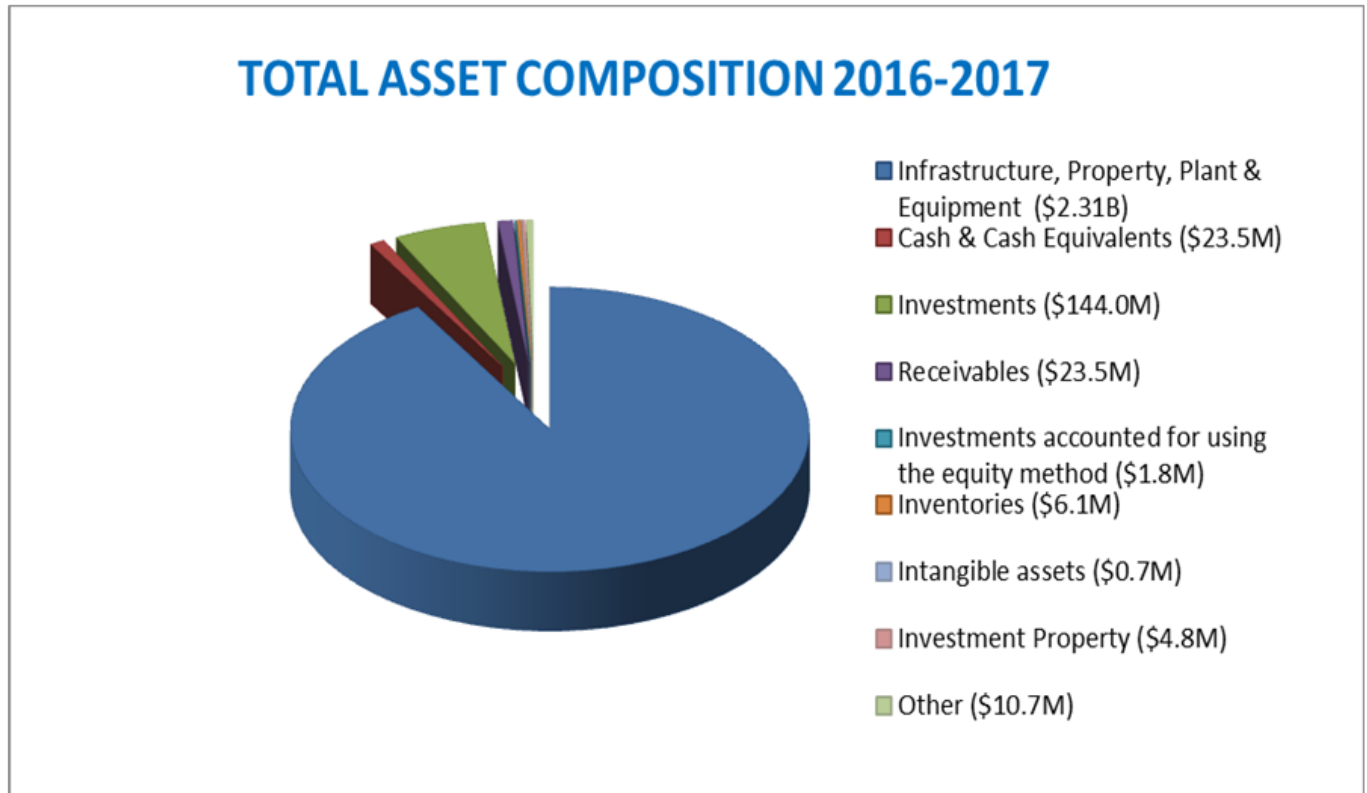
5.88%

Rates, Annual Charges, Interest &
Extra Charges Outstanding

LY 4.79%

ASSETS

Council is the custodian of community assets with a total value of \$2.53B at 30 June 2017. The composition of assets at balance date is shown as follows:



Infrastructure, Property, Plant & Equipment (IPPE)

With a carrying value of \$2.31B, IPPE is Council's most significant asset representing 91% of total asset value. These assets include roads, drains, footpaths, community facilities, recreational facilities, parks and gardens.

During 2016-2017, Council achieved its target and delivered a capital works program of \$90.5M including the construction and purchase of \$31.1M of new assets and renewal of existing assets of \$59.4M. After accounting for annual depreciation expense and contributed assets, the overall value of IPPE increased by \$105M during 2016-2017. Further financial details of IPPE are shown at Note 9.

Cash and Investments

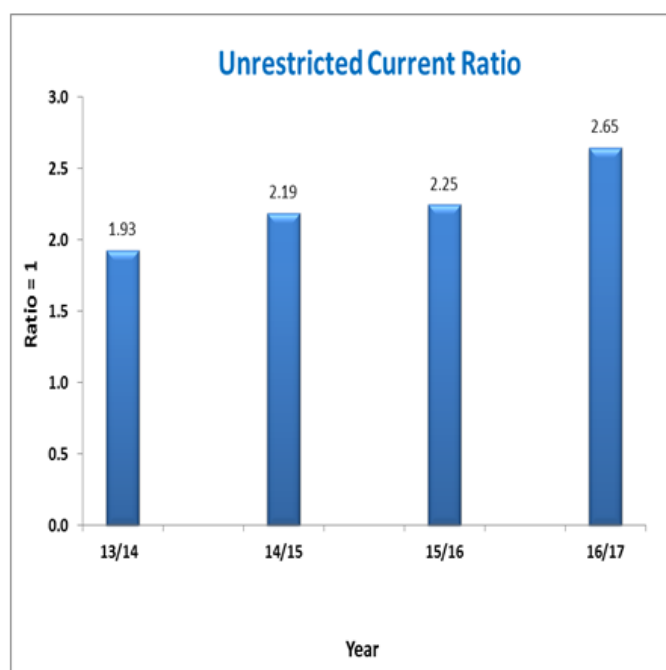
Council continued to build on its robust position in cash and investments with holdings increasing to \$168M at 30 June 2017. Cash and investment positions over recent years are as follows:

CASH, INVESTMENTS & AVAILABLE FUNDS (\$M)

| | YTD Actual 30 June 2014 | YTD Actual 30 June 2015 | YTD Actual 30 June 2016 | YTD Actual 30 June 2017 |
|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| TOTAL CASH & INVESTMENTS | 117.971 | 144.656 | 154.025 | 167.577 |
| Less Restrictions: | | | | |
| External | 62.979 | 77.693 | 75.276 | 75.788 |
| Internal | 26.964 | 41.960 | 55.377 | 57.379 |
| AVAILABLE CASH | 28.028 | 25.003 | 23.372 | 34.410 |
| Adjusted for : | | | | |
| Current payables | (29.360) | (34.039) | (37.432) | (41.620) |
| Receivables | 25.454 | 26.422 | 24.487 | 34.211 |
| AVAILABLE FUNDS | 24.122 | 17.386 | 10.427 | 27.001 |

Cash holdings consistently tracked higher than anticipated throughout the 2016-2017 financial year. While Council's cash and investment position is robust in raw terms, these funds are subject to certain restrictions. Council's true cash position is more accurately depicted by considering available funds, which excludes restricted cash. 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 2017, Council achieved an Available Funds position of \$27M, which is significantly higher than the Financial Strategy target range of \$9.9M-\$15.5M. While the available funds result is distorted by the early payment of the Financial Assistance Grant [\$9M], the target range was exceeded due an improved result compared to budget.



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

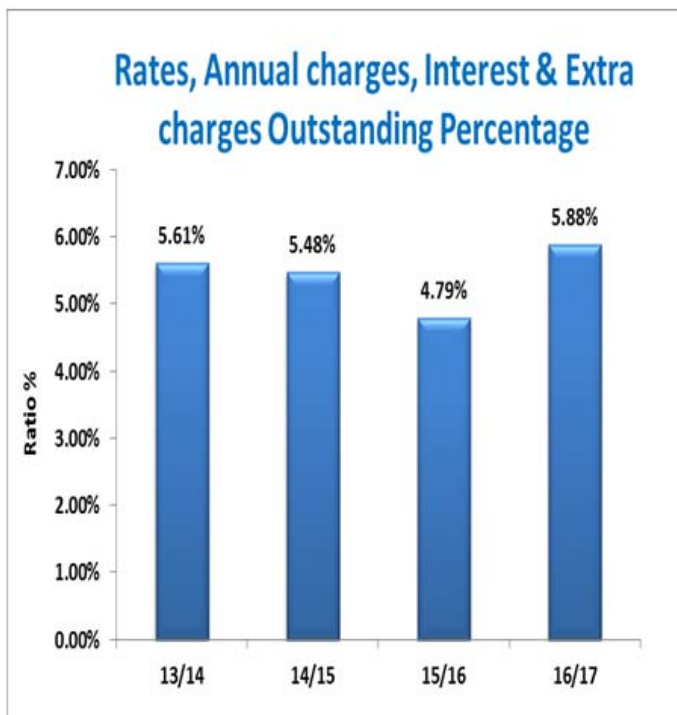
Strategy: Council's strategy is to maximise the use of available funds for asset renewal by targeting a lean Unrestricted Current Ratio. Cash assets held for future waste facility requirements are captured in this ratio. As these amounts are significant, this ratio is expected to increase until payments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

Performance: Council's performance is on par with the Local Government Benchmark

of >1.5:1 and it is reflective of a deliberate strategy to better utilise cash.

Receivables

Receivables are the amount of money that is owed to Council or funds that Council has paid in advance. At 30 June 2017, receivables totalled \$23.5M, an increase of \$2.3M compared to the 2015-2016 reporting period. The fluctuation is related to an increase in Rates and Annual Charges Outstanding and Government Grants and Subsidies. Full details of receivables are provided in Note 7.

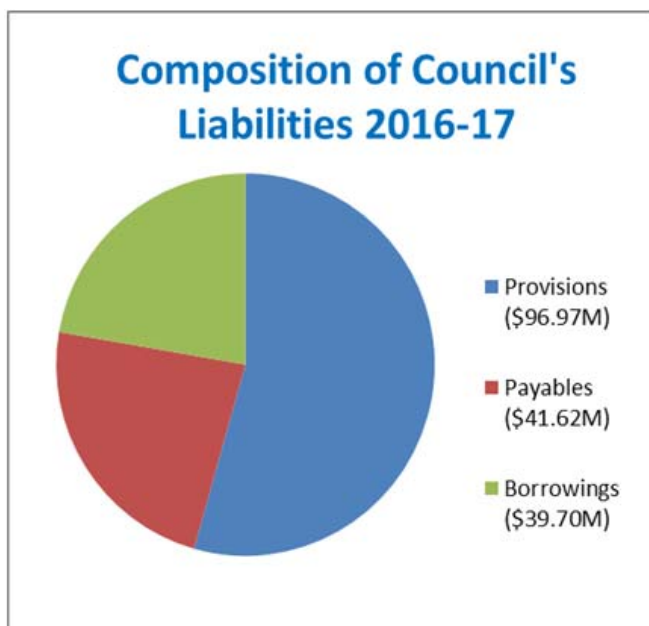


Measures: The impact of uncollected rates and other charges on liquidity and the adequacy of recovery efforts.

Target: Industry standard of <5%.

Performance: Council's Debt Recovery Policy has produced a result slightly below target. Although an improved debt recovery process was implemented in 2013-2014 which is delivering results, performance for 2016-2017 is distorted by one corporate ratepayer not paying on time [\$1.6M]. If received, the result would have been 5.05%. Council will continue to develop recovery strategies for all classes of ratepayers to ensure future collection of outstanding rates is efficient.

LIABILITIES



At 30 June 2017, Council's Total Liabilities were \$178.3M. The composition of Council's Total Liabilities is shown below.

Provisions account for 54.4% of Council's Liabilities with the most significant provisions relating to Employee Leave Entitlements [\$47.9M], Waste Depot Remediation Provision [\$44.2M], Workers' Compensation Provision [\$4.2M] and Self-Insurance [\$0.6M].

Payables account for 23.3% of Council's Liabilities. The most significant payables being goods and services received, capital

expenditure incurred but not yet paid for, and accrued expenditure.

Borrowings account for 22.3% 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 during the previous four financial years.

Provisions

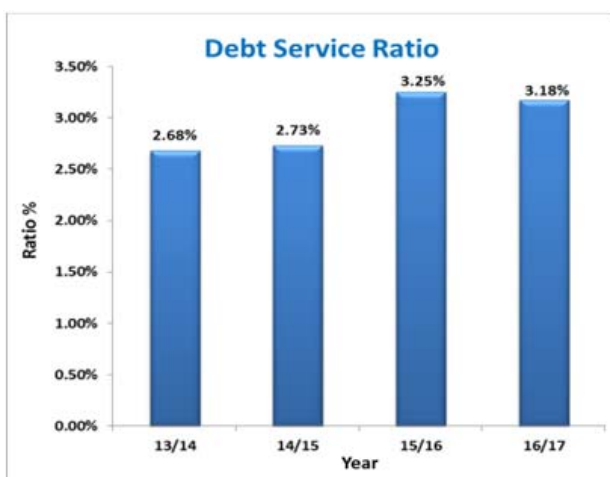
Provisions increased during 2016-2017 by \$2.3M. The increase is mainly attributable to increased valuation for future remediation works at Whytes Gully Waste Facility [\$1.6M] and Employee Leave Entitlements [\$0.4M].

Borrowings

Council continues to remain a relatively low debt user. Advantageous borrowing opportunities have been utilised to accelerate spending on Infrastructure over the last six years. This has enabled Council to deliver specific capital programs in a quicker time frame than would occur without the borrowing.

In 2010, Council secured a \$26M interest free Infrastructure Loan from the NSW State Government for West Dapto Access works. This will continue to be spent over the next financial year and paid back over the next four years.

Council has also taken advantage of subsidised loans offered under the Local Government Infrastructure Renewal Scheme (LIRS), making successful applications over four consecutive years as follows: In 2012-2013 a \$20M subsidised loan was secured that will be used over a five-year period to accelerate the Citywide Footpaths and Shared Path Renewal and Missing Links Construction Program. In 2013-2014 an additional \$4.3M subsidised loan was secured under round two which has been used for the renewal and upgrade of the Berkeley and Corrimal Community Centres and Thirroul Pavilion and Kiosk. During the 2014-2015 year, a further \$15M subsidised loan was secured under round three. This loan is to be repaid over the next seven years at a fixed rate and is to be used for the West Dapto Access Project to construct Fowlers Road to Fairwater Drive. During 2015-2016 Council successfully applied for an additional round three subsidised loan of \$5.5M which was drawn down in 2016-2017.



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 3.18%. 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 has decreased slightly in the 2016-2017 reporting period. This slight decrease in Council's Debt Ratio is mainly attributed to the continuing repayments of previously drawn LIRS loans, offset by the drawing of part two of the LIRS 3 loan of \$5.5M, applied for in 2015-2016 and drawn down in 2016-2017.

Operational Performance - Income & Expenses

Council's financial performance in 2016-2017 is significantly higher than the prior year, achieving a Net Operating Surplus from Continuing Operations of \$69.5M in comparison to a Surplus of \$27.8M in 2015-2016. Council's underlying measure of long term operational performance, the Operational Result before Capital Grants and Contributions, is a surplus of \$27.4M, compared to a surplus of \$1.3M in 2015-2016. The result is also positive compared to budget and consistent with the longer-term direction set in the Securing our Future Program. The increase on the prior year is linked to increased revenue across all categories, with expenditure remaining consistent compared to the prior year.

Income

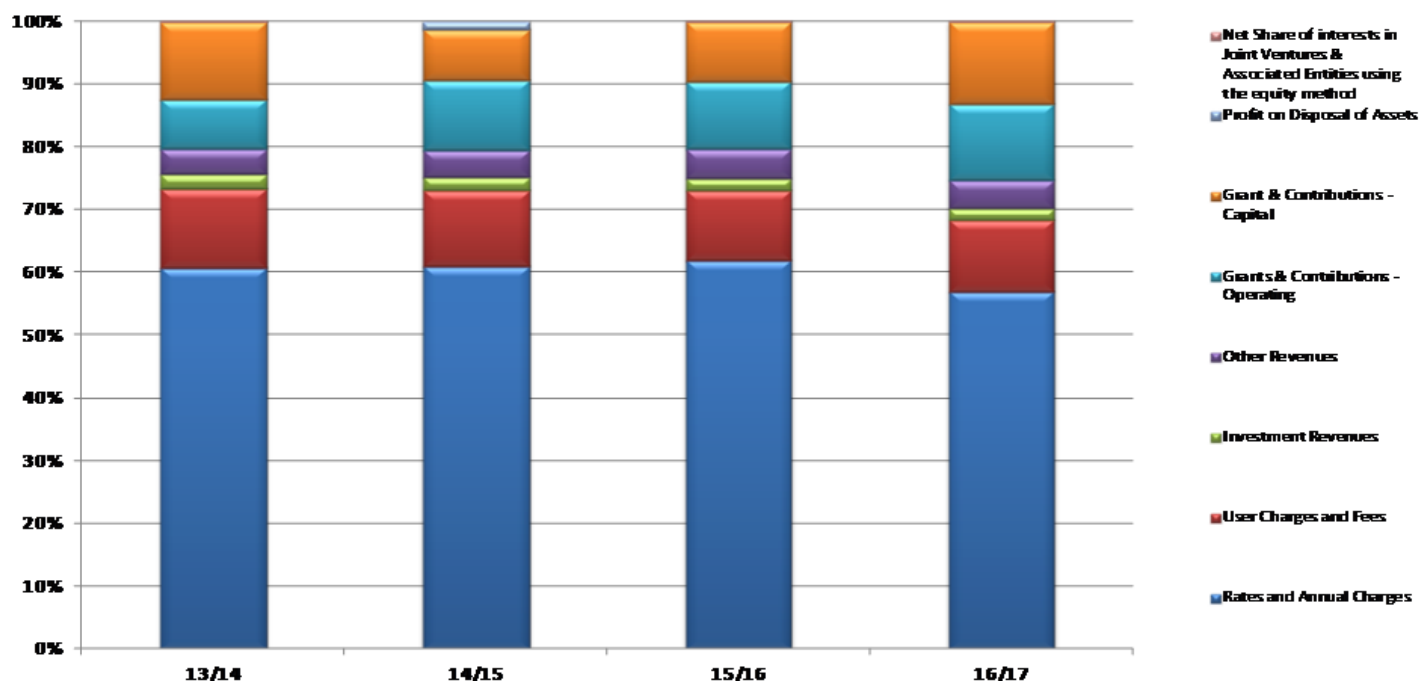
Council's Income from Continuing Operations for 2016-2017 was \$324.5M compared to a prior year result of \$281M. With growth in income across all categories, significant items contributing to the overall increase include:

- The special rate variation contributed to increased rates and annual charges.
- The recognition of the carbon tax rebate [\$4.2M] on cessation of the Carbon Tax Legislation contributed to the increase in other revenues.
- Increased commercial tipping fees contributed to increased user fees and charges.
- The early receipt of the first two instalments of 2017-2018 Federal Assistance Grant [\$9M], contributed to the increase in grants & contributions operating.
- Increased contributed assets from developers [\$24.6M] (not S94), contributed to the increase in grants and contributions capital.

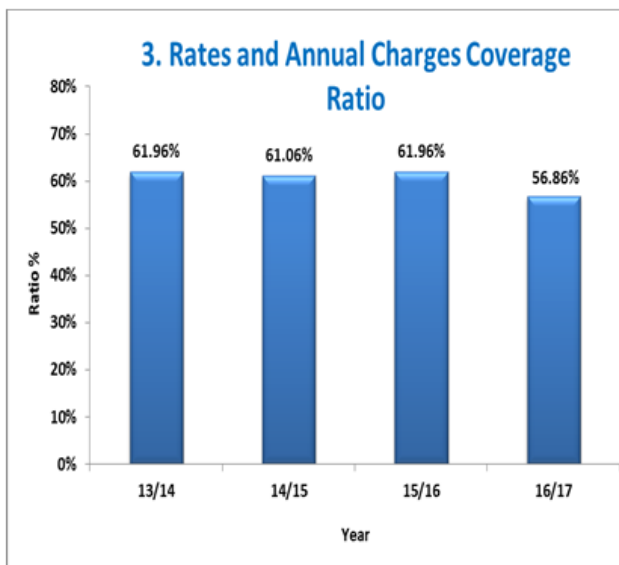
The composition of Council's revenue remained fairly consistent compared to previous years as depicted in the table below. Exceptions include Rates and Annual Charges which decreased in its portion of total income from continuing operations [from 62% to 57%] in favour of Grants and Contributions Capital which increased [from 9% to 13%] its portion of total income from continuing operations. It is noted that Council does not control the flow of asset dedications by developers and contributions vary from year to year.

REVENUE SOURCES

| INCOME FROM CONTINUING OPERATIONS | Year ended 30/06/2014 | | Year ended 30/06/2015 | | Year ended 30/06/2016 | | Year ended 30/06/2017 | |
|--|--------------------------|-------------|--------------------------|-------------|--------------------------|-------------|--------------------------|-------------|
| | \$'000 | % | \$'000 | % | \$'000 | % | \$'000 | % |
| Rates & Annual Charges | 155,509 | 61% | 166,849 | 61% | 174,149 | 62% | 184,530 | 57% |
| User Charges & Fees | 32,250 | 13% | 32,851 | 12% | 31,252 | 11% | 37,491 | 12% |
| Interest & Investment Revenues | 5,937 | 2% | 5,689 | 2% | 5,597 | 2% | 5,909 | 2% |
| Other Revenues | 10,153 | 4% | 11,965 | 4% | 12,891 | 5% | 14,418 | 4% |
| Grants & Contributions - Operating | 20,463 | 8% | 30,319 | 11% | 30,461 | 11% | 39,639 | 12% |
| Grants & Contributions - Capital | 31,361 | 12% | 22,033 | 8% | 26,548 | 9% | 42,022 | 13% |
| Profit on Disposal of Assets | 0 | 0% | 3,533 | 1% | 0 | 0% | 0 | 0% |
| Net Share of interests in Joint Ventures & Associated Entities using the equity method | 198 | 0% | 0 | 0% | 150 | 0% | 525 | 0% |
| Total Income from Continuing Operations | 255,871 | 100% | 273,239 | 100% | 281,048 | 100% | 324,534 | 100% |



Income from Rates and Annual Charges, Council's largest revenue stream, totalled \$184.5M in 2016-2017, an increase of \$10.4M on the prior year. The increase is due to a special rates variation approved by the Independent Pricing and Regulatory Tribunal. 2016-2017 is the third and final year of increase under the variation.



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

Performance in this ratio indicates a lower level of dependence on rates and annual charges revenue this year. The decrease is mainly attributable to an increase in Capital Grant & Contribution income throughout the year flowing from an increase in Dedications (other than S94) and Developer Contributions (Planning Agreements and Calderwood). As Council does not control the flow of developer

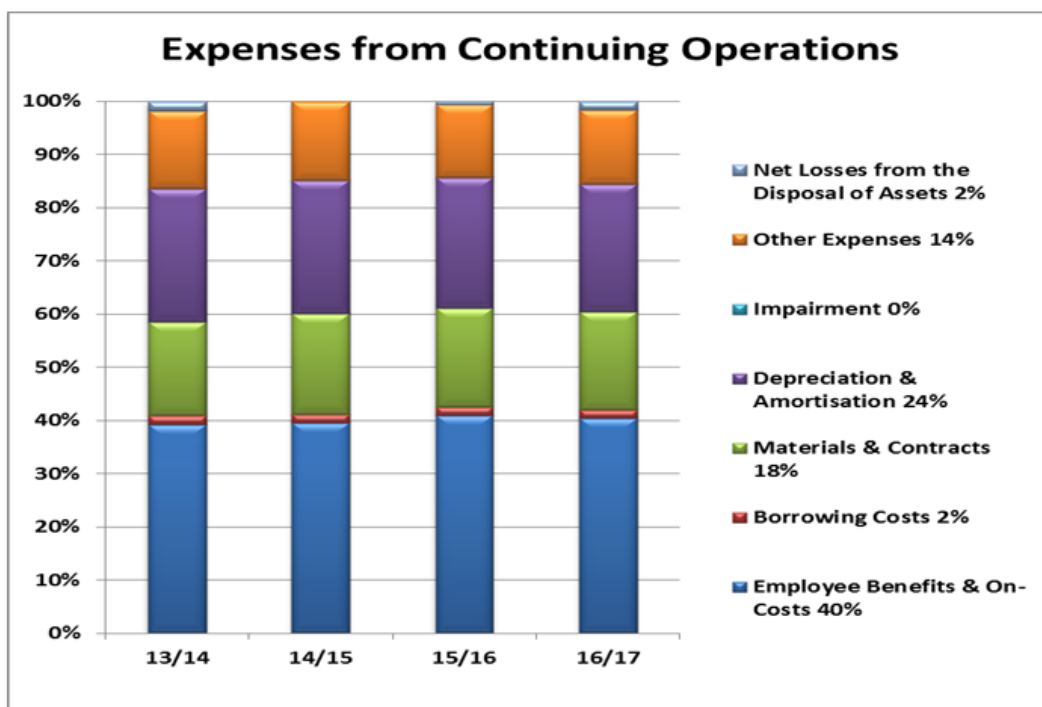
contributions this ratio is subject to some fluctuation in following years.

Other revenue streams remained consistent with 2016.

Expenses

Expenses from Continuing Operations for 2016-2017 totalled \$255.1M, consistent with prior year expenditure of \$253.2M. In terms of composition, the proportion of each expenditure category against total expenses from continuing operations also remained consistent compared to prior years. This demonstrates Council's planned and controlled approach towards operations and ability to keep costs to expected levels.

Material budget variations from the 2016-2017 financial year for income and expenditure items are detailed in Note 16 of the statements.



Wollongong City Council

Historical Financial Data

Income Statement

| | | Actual 2013/14 \$'000 | Actual 2014/15 \$'000 | Actual 2015/16 \$'000 | Actual 2016/17 \$'000 |
|--|-------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Notes | | | | |
| Income from Continuing Operations | | | | | |
| Revenue: | | | | | |
| Rates & Annual Charges | 3a | 155,509 | 166,849 | 174,149 | 184,530 |
| User Charges & Fees | 3b | 32,250 | 32,851 | 31,252 | 37,491 |
| Interest and Investment Revenue | 3c | 5,937 | 5,689 | 5,597 | 5,909 |
| Other Revenues | 3d | 10,153 | 11,965 | 12,891 | 14,418 |
| Grants & Contributions provided for Operating Purposes | 3e,f | 20,463 | 30,319 | 30,461 | 39,639 |
| Grants & Contributions provided for Capital Purposes | 3e,f | 31,361 | 22,033 | 26,548 | 42,022 |
| Other Income: | | | | | |
| Net Gains from the Disposal of Assets | 5 | - | 3,533 | - | - |
| Profit from interests in Joint Ventures & Associates | 19 | - | - | - | - |
| Entities using the equity method | | 198 | - | 150 | 525 |
| Total Income from Continuing Operations | | 255,871 | 273,239 | 281,048 | 324,534 |
| Expenses from Continuing Operations | | | | | |
| Employee Benefits & On-Costs | | | | | |
| Employee Benefits & On-Costs | 4a | 95,792 | 95,399 | 103,547 | 103,139 |
| Borrowing Costs | 4b | 3,989 | 4,037 | 4,223 | 4,071 |
| Materials & Contracts | 4c | 42,685 | 45,647 | 47,144 | 47,032 |
| Depreciation & Amortisation | 4d | 61,203 | 60,763 | 61,882 | 61,271 |
| Impairment | 4d | - | - | 6 | - |
| Other Expenses | 4e | 35,846 | 35,777 | 34,782 | 35,594 |
| Net Losses from the Disposal of Assets | 5 | 4,245 | - | 1,627 | 3,960 |
| Loss from interests in Joint Ventures & Associates | 19 | - | 22 | - | - |
| Total Expenses from Continuing Operations | | 243,760 | 241,645 | 253,211 | 255,067 |
| Operating Result from Continuing Operations | | 12,111 | 31,594 | 27,837 | 69,467 |
| NET OPERATING RESULT FOR THE YEAR | | 12,111 | 31,594 | 27,837 | 69,467 |
| Less: | | | | | |
| Grants & Contributions provided for Capital Purposes | 3e,f | 31,361 | 22,033 | 26,548 | 42,022 |
| Net Operating Result for the year before Grants and Contributions provided for Capital Purposes | | (19,250) | 9,561 | 1,289 | 27,445 |

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 2013/14 \$'000 | Actual 2014/15 \$'000 | Actual 2015/16 \$'000 | Actual 2016/17 \$'000 |
|---|-------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash & cash equivalents | 6a | 33,299 | 33,580 | 17,747 | 23,534 |
| Investments | 6b | 63,672 | 102,076 | 126,193 | 119,458 |
| Receivables | 7 | 23,808 | 22,109 | 21,280 | 23,531 |
| Inventories | 8 | 6,037 | 6,040 | 6,027 | 6,089 |
| Other | 8 | 1,646 | 4,313 | 3,207 | 10,680 |
| Assets held for sale (previously non-current) | 22 | 1,700 | - | - | 6,381 |
| Total current assets | | 130,162 | 168,118 | 174,454 | 189,673 |
| Non-current assets | | | | | |
| Cash assets | 6a | - | - | - | - |
| Investments | 6b | 21,000 | 9,000 | 10,085 | 24,585 |
| Receivables | 7 | - | - | - | - |
| Inventories | 8 | - | - | - | - |
| Infrastructure, property, plant & equipment | 9 | 2,207,842 | 2,250,472 | 2,270,419 | 2,314,277 |
| Investments accounted for using the equity method | 19 | 1,181 | 1,160 | 1,310 | 1,835 |
| Investment property | 14 | 2,750 | 2,750 | 4,775 | 4,775 |
| Intangible assets | 25 | 930 | 1,220 | 1,043 | 653 |
| Non-current assets classified as 'held for sale' | 22 | - | - | - | - |
| Other | 8 | - | - | - | - |
| Total non-current assets | | 2,233,703 | 2,264,602 | 2,287,632 | 2,346,125 |
| TOTAL ASSETS | | 2,363,865 | 2,432,720 | 2,462,086 | 2,535,798 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Payables | 10 | 29,360 | 34,039 | 34,238 | 38,660 |
| Income received in advance | 10 | - | 6,369 | 3,194 | 2,957 |
| Interest bearing liabilities | 10 | 3,908 | 47,487 | 6,690 | 7,513 |
| Provisions | 10 | 42,651 | - | 50,683 | 48,853 |
| Total current liabilities | | 75,919 | 87,895 | 94,805 | 97,983 |
| Non-current liabilities | | | | | |
| Payables | 10 | 4,034 | - | - | - |
| Interest bearing liabilities | 10 | 31,459 | 39,758 | 33,940 | 32,188 |
| Provisions | 10 | 45,183 | 42,554 | 44,031 | 48,121 |
| Total non-current liabilities | | 80,676 | 82,312 | 77,971 | 80,309 |
| TOTAL LIABILITIES | | 156,595 | 170,207 | 172,776 | 178,292 |
| NET ASSETS | | \$ 2,207,270 | 2,262,513 | 2,289,310 | 2,357,506 |
| EQUITY | | | | | |
| Retained earnings | 20 | 1,193,467 | 1,251,040 | 1,302,643 | 1,382,771 |
| Revaluation reserves | 20 | 1,013,803 | 1,011,473 | 986,667 | 974,735 |
| Council Equity Interest | | 2,207,270 | 2,262,513 | 2,289,310 | 2,357,506 |
| Minority Equity Interest | 19 | - | - | - | - |
| TOTAL EQUITY | | \$ 2,207,270 | 2,262,513 | 2,289,310 | 2,357,506 |

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

Wollongong City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Wollongong City Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Wollongong City Council.
- (ii) Wollongong City Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 10 October 2017. Council has the power to amend and reissue these financial statements.
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Wollongong City Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

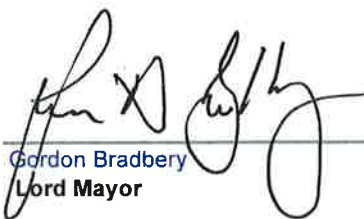


- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the 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 9 October 2017.


Gordon Bradbery
Lord Mayor
David Brown
Deputy Lord Mayor
David Farmer
General manager
Brian Jenkins
Responsible accounting officer

Wollongong City Council

Income Statement

for the year ended 30 June 2017

| Budget ¹ 2017 \$ '000 | | Notes | Actual 2017 | Actual 2016 |
|--|--|-------|----------------|----------------|
| Income from continuing operations | | | | |
| Revenue: | | | | |
| 184,034 | Rates and annual charges | 3a | 184,530 | 174,149 |
| 33,594 | User charges and fees | 3b | 37,491 | 31,252 |
| 4,253 | Interest and investment revenue | 3c | 5,909 | 5,597 |
| 10,205 | Other revenues | 3d | 14,418 | 12,891 |
| 29,961 | Grants and contributions provided for operating purposes | 3e,f | 39,639 | 30,461 |
| 32,947 | Grants and contributions provided for capital purposes | 3e,f | 42,022 | 26,548 |
| Other income: | | | | |
| — | Net share of interests in joint ventures and associates using the equity method | 19 | 525 | 150 |
| 294,994 | Total income from continuing operations | | 324,534 | 281,048 |
| Expenses from continuing operations | | | | |
| 105,609 | Employee benefits and on-costs | 4a | 103,139 | 103,547 |
| 4,131 | Borrowing costs | 4b | 4,071 | 4,223 |
| 51,736 | Materials and contracts | 4c | 47,032 | 47,144 |
| 64,840 | Depreciation and amortisation | 4d | 61,271 | 61,824 |
| — | Impairment | 4d | — | 6 |
| 35,763 | Other expenses | 4e | 35,594 | 34,782 |
| — | Net losses from the disposal of assets | 5 | 3,960 | 1,681 |
| 262,079 | Total expenses from continuing operations | | 255,067 | 253,207 |
| 32,915 | Operating result from continuing operations | | 69,467 | 27,841 |
| Discontinued operations | | | | |
| — | Net profit/(loss) from discontinued operations | 24 | — | — |
| 32,915 | Net operating result for the year | | 69,467 | 27,841 |
| 32,915 | Net operating result attributable to Council | | 69,467 | 27,841 |
| — | Net operating result attributable to non-controlling interests | | — | — |
| (32) | Net operating result for the year before grants and contributions provided for capital purposes | | 27,445 | 1,293 |

¹ Original budget as approved by Council – refer Note 16

Wollongong City Council

Statement of Comprehensive Income for the year ended 30 June 2017

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|----------|----------------|----------------|
| Net operating result for the year (as per Income Statement) | | 69,467 | 27,841 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of I,PP&E | 20b (ii) | (511) | (26,166) |
| Adjustment to correct prior period errors | | – | 19,768 |
| Impairment (loss) reversal relating to I,PP&E | 20b (ii) | (760) | – |
| Total items which will not be reclassified subsequently to the operating result | | (1,271) | (6,398) |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met | | | |
| Nil | | | |
| Total other comprehensive income for the year | | (1,271) | (6,398) |
| Total comprehensive income for the year | | 68,196 | 21,443 |
| Total comprehensive income attributable to Council | | 68,196 | 21,443 |
| Total comprehensive income attributable to non-controlling interests | | – | – |

Wollongong City Council

Statement of Financial Position as at 30 June 2017

| \$ '000 | Notes | Actual 2017 | Actual 2016 | Actual 2015 |
|---|-------|------------------|------------------|------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 6a | 23,534 | 17,747 | 33,580 |
| Investments | 6b | 119,458 | 126,193 | 102,076 |
| Receivables | 7 | 23,531 | 21,280 | 22,109 |
| Inventories | 8 | 6,089 | 6,027 | 6,040 |
| Other | 8 | 10,680 | 3,207 | 4,313 |
| Non-current assets classified as 'held for sale' | 22 | 6,381 | — | — |
| Total current assets | | 189,673 | 174,454 | 168,118 |
| Non-current assets | | | | |
| Investments | 6b | 24,585 | 10,085 | 9,000 |
| Infrastructure, property, plant and equipment | 9 | 2,314,277 | 2,270,419 | 2,250,472 |
| Investments accounted for using the equity method | 19 | 1,835 | 1,310 | 1,160 |
| Investment property | 14 | 4,775 | 4,775 | 2,750 |
| Intangible assets | 25 | 653 | 1,043 | 1,220 |
| Total non-current assets | | 2,346,125 | 2,287,632 | 2,264,602 |
| TOTAL ASSETS | | 2,535,798 | 2,462,086 | 2,432,720 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | 10 | 38,660 | 34,238 | 31,167 |
| Income received in advance | 10 | 2,957 | 3,194 | 2,872 |
| Borrowings | 10 | 7,513 | 6,690 | 6,369 |
| Provisions | 10 | 48,853 | 50,683 | 47,487 |
| Total current liabilities | | 97,983 | 94,805 | 87,895 |
| Non-current liabilities | | | | |
| Borrowings | 10 | 32,188 | 33,940 | 39,758 |
| Provisions | 10 | 48,121 | 44,031 | 42,554 |
| Total non-current liabilities | | 80,309 | 77,971 | 82,312 |
| TOTAL LIABILITIES | | 178,292 | 172,776 | 170,207 |
| Net assets | | 2,357,506 | 2,289,310 | 2,262,513 |
| EQUITY | | | | |
| Retained earnings | 20 | 1,382,771 | 1,302,643 | 1,251,040 |
| Revaluation reserves | 20 | 974,735 | 986,667 | 1,011,473 |
| Council equity interest | | 2,357,506 | 2,289,310 | 2,262,513 |
| Non-controlling equity interests | | — | — | — |
| Total equity | | 2,357,506 | 2,289,310 | 2,262,513 |

Wollongong City Council

Statement of Changes in Equity

for the year ended 30 June 2017

| \$ '000 | Notes | 2017 | | | | 2016 | | | |
|--|----------|-------------------|-------------------------------------|------------------|------------------|-------------------|-------------------------------------|------------------|------------------|
| | | Retained earnings | Revaluation reserves (Refer 20b) | Council interest | Total equity | Retained earnings | Revaluation reserves (Refer 20b) | Council interest | Total equity |
| Opening balance (as per last year's audited accounts) | | 1,299,525 | 986,667 | 2,286,192 | 2,286,192 | 1,252,318 | 1,012,431 | 2,264,749 | 2,264,749 |
| a. Correction of prior period errors | 20 (c) | 3,118 | — | 3,118 | 3,118 | 3,118 | — | 3,118 | 3,118 |
| b. Changes in accounting policies (prior year effects) | 20 (d) | — | — | — | — | — | — | — | — |
| Revised opening balance | | 1,302,643 | 986,667 | 2,289,310 | 2,289,310 | 1,255,436 | 1,012,431 | 2,267,867 | 2,267,867 |
| c. Net operating result for the year | | 69,467 | — | 69,467 | 69,467 | 27,841 | — | 27,841 | 27,841 |
| d. Other comprehensive income | | | | | | | | | |
| – Revaluations: IPP&E asset revaluation rsve | 20b (ii) | — | (511) | (511) | (511) | — | (26,166) | (26,166) | (26,166) |
| – Impairment (loss) reversal relating to I,PP&E | 20b (ii) | — | (760) | (760) | (760) | — | — | — | — |
| – Adjustment to correct prior period errors | 20 (c) | — | — | — | — | 19,768 | — | 19,768 | 19,768 |
| Other comprehensive income | | — | (1,271) | (1,271) | (1,271) | 19,768 | (26,166) | (6,398) | (6,398) |
| Total comprehensive income (c&d) | | 69,467 | (1,271) | 68,196 | 68,196 | 47,609 | (26,166) | 21,443 | 21,443 |
| e. Distributions to/(contributions from) non-controlling interests | | — | — | — | — | — | — | — | — |
| f. Transfers between equity | 20b (ii) | 10,661 | (10,661) | — | — | (402) | 402 | — | — |
| Equity – balance at end of the reporting period | | 1,382,771 | 974,735 | 2,357,506 | 2,357,506 | 1,302,643 | 986,667 | 2,289,310 | 2,289,310 |

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

Wollongong City Council

Statement of Cash Flows
for the year ended 30 June 2017

| Budget 2017 | \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|--|-------|-----------------|------------------|
| Cash flows from operating activities | | | | |
| Receipts: | | | | |
| 182,531 | Rates and annual charges | | 182,005 | 174,893 |
| 33,594 | User charges and fees | | 39,819 | 33,314 |
| 4,253 | Investment and interest revenue received | | 5,464 | 5,633 |
| 62,908 | Grants and contributions | | 57,871 | 55,323 |
| – | Bonds, deposits and retention amounts received | | 775 | 2,787 |
| 9,915 | Other | | 24,784 | 19,351 |
| Payments: | | | | |
| (104,116) | Employee benefits and on-costs | | (102,860) | (100,072) |
| (86,660) | Materials and contracts | | (60,479) | (56,091) |
| (1,507) | Borrowing costs | | (1,447) | (1,547) |
| – | Bonds, deposits and retention amounts refunded | | (1,162) | (2,409) |
| (2,277) | Other | | (43,138) | (34,979) |
| 98,641 | Net cash provided (or used in) operating activities | 11b | 101,631 | 96,203 |
| Cash flows from investing activities | | | | |
| Receipts: | | | | |
| 853 | Sale of investment securities | | 69,530 | 78,054 |
| 1,743 | Sale of infrastructure, property, plant and equipment | | 3,239 | 919 |
| Payments: | | | | |
| – | Purchase of investment securities | | (76,641) | (103,173) |
| (101,627) | Purchase of infrastructure, property, plant and equipment | | (90,256) | (81,467) |
| – | Purchase of real estate assets | | (57) | – |
| (99,031) | Net cash provided (or used in) investing activities | | (94,185) | (105,667) |
| Cash flows from financing activities | | | | |
| Receipts: | | | | |
| – | Proceeds from borrowings and advances | | 5,500 | – |
| Payments: | | | | |
| (7,285) | Repayment of borrowings and advances | | (7,159) | (6,369) |
| (7,285) | Net cash flow provided (used in) financing activities | | (1,659) | (6,369) |
| (7,675) | Net increase/(decrease) in cash and cash equivalents | | 5,787 | (15,833) |
| 17,747 | Plus: cash and cash equivalents – beginning of year | 11a | 17,747 | 33,580 |
| 10,072 | Cash and cash equivalents – end of the year | 11a | 23,534 | 17,747 |
| Additional Information: | | | | |
| plus: | Investments on hand – end of year | 6b | 144,043 | 136,278 |
| | Total cash, cash equivalents and investments | | 167,577 | 154,025 |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

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n/a – not applicable

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council 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.

(a) 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.

(i) New and amended standards adopted by Council

During the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

This included the first time application during the year of AASB 124 Related Party Disclosures. As a result Council has disclosed information about related parties and transactions with those related parties. This information is presented in Note 28.

The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies, financial position, financial performance or cash flows.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated tip remediation provisions.

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 in Note 7.

(b) Revenue recognition

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

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at reporting date, the unused grant or contribution is disclosed in Note 3(g).

The note also discloses the amount of unused grant or contribution from prior years that was expended on Councils operations during the current year.

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.

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

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

(c) Principles of consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities that it controls and (ii) all the related operating results.

(i) The Consolidated Fund

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

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by 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 Councils control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any County Councils.

(iv) Interests in other entities Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

The Council has determined that it has joint ventures/associates only.

Joint operations

Council has no interest in any joint operations.

Joint ventures/associates

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

If the Councils 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 Councils share in the joint ventures gains or losses arising from transactions between itself and its joint venture are eliminated.

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

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

Interests in Associates are recognised where Council has the power to participate in the financial and operating decisions of another entity. In these instances Council is deemed to have significant influence over the entity's operations but neither controls nor jointly controls the entity.

Detailed information relating to Council's associates can be found at Note 19 (b).

(d) Leases

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

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

Finance leases are capitalised at the leases inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets 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.

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; 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.

(g) Inventories

(i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Inventory held for distribution

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

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

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

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

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

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.

(i) 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 classified as current assets.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Councils management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in noncurrent assets, except for those with maturities less than

12 months from the reporting date, that are classified as current assets.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

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

Impairment

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.

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.

(i) Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Council may measure impairment on the basis of an instruments fair value using an observable market price.

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

An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The amount of the impairment allowance is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations.

Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

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

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

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

Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Swimming pools

Internally valued:

- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Other open space/recreational assets

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- Other infrastructure
- Other assets

As approximated by depreciated historical cost:

- Plant and equipment
- Office Equipment
- Furniture & Fittings
- Library Books

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount.

Full revaluations are undertaken for all assets on a five-year cycle. Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.

To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised 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.

Depreciation

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.

Plant and equipment

| | |
|-----------------------------------|----------------|
| Office equipment | 6 to 10 years |
| Office furniture | 10 to 20 years |
| Computer equipment | 6 years |
| Vehicles | 3 to 5 years |
| Heavy plant/road making equipment | 8 to 10 years |
| Other plant and equipment | 2 to 15 years |

Other equipment

| | |
|----------------------|----------------|
| Playground equipment | 10 to 15 years |
| Benches, seats etc. | 10 to 20 years |

Buildings

| | |
|--------------------|-----------------|
| Buildings: masonry | 50 to 100 years |
| Buildings: other | 15 to 40 years |

Stormwater assets

| | |
|--------------------------|-----------------|
| Drains | 80 to 100 years |
| Culverts | 80 to 100 years |
| Flood control structures | 75 years |

Transportation assets

| | |
|----------------------------|----------------|
| Sealed roads: surface | 20 to 40 years |
| Sealed roads: structure | 80 years |
| Unsealed roads | 25 years |
| Bridge: concrete | 80 years |
| Bridge: other | 30 to 40 years |
| Road pavements | 80 years |
| Kerb, gutter and footpaths | 80 years |

Other infrastructure assets

| | |
|--------------------------------------|----------------|
| Bulk earthworks | Infinite |
| Swimming pools | 50 years |
| Other open space/recreational assets | 10 to 30 years |
| Other infrastructure | 20 to 80 years |

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

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

(m) 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.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the

facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(o) 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.

(p) 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 managements best estimate of the expenditure

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including nonmonetary 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.

(ii) Other long-term employee benefit obligations

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(r) Land under roads

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

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(s) 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, the amount of which is detailed in Note 10. Council also maintains cash and investments to meet expected future claims; these are detailed in Note 6(c).

(t) 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.

(u) Crown reserves

Crown Reserves under Councils 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 Councils Income Statement.

(v) Rural fire service assets

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

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

(w) Goods and Services Tax (GST)

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

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

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

(x) New accounting standards and interpretations issued not yet effective

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

AASB 16 Leases

AASB 16 will result in most of the operating leases of an entity being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments.

A corresponding right to use assets will be recognised, which will be amortised over the term of the lease.

Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.

The effective date of this standard is for the annual reporting periods beginning on or after 1 January 2019; i.e. Councils' financial statements for year ended 30 June 2020. The impact of AASB 16 has yet to be quantified.

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.

AASB15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications), and improve guidance for multiple-element arrangements.

The effective date of this standard is for the annual reporting periods beginning on or after 1 January 2019, i.e. councils' financial statements for year ended 30 June 2020.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB15 has not yet been quantified.

(y) Rounding of amounts

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

(z) Comparative figures

To ensure comparability with the current reporting periods figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| Functions/activities | Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b). | | | | | | | | | | | | |
|--|--|----------------|----------------|-------------------------------------|----------------|----------------|---|------------------|------------------|--|---------------|---|------------------|
| | Income from continuing operations | | | Expenses from continuing operations | | | Operating result from continuing operations | | | Grants included in income from continuing operations | | Total assets held (current & non-current) | |
| | Original budget 2017 | Actual 2017 | Actual 2016 | Original budget 2017 | Actual 2017 | Actual 2016 | Original budget 2017 | Actual 2017 | Actual 2016 | Actual 2017 | Actual 2016 | Actual 2017 | Actual 2016 |
| | | | | | | | | | | | | | |
| Planning and engagement | 18,173 | 9,189 | 15,984 | 22,257 | 20,498 | 23,150 | (4,084) | (11,309) | (7,166) | 434 | 70 | 277,231 | 266,046 |
| Environment | 43,804 | 46,793 | 41,175 | 63,241 | 60,968 | 56,970 | (19,437) | (14,175) | (15,795) | 1,800 | 1,328 | 354,226 | 344,599 |
| Transport services/infrastructure | 18,458 | 9,308 | 11,631 | 45,277 | 46,384 | 44,532 | (26,819) | (37,076) | (32,901) | 6,381 | 12,387 | 398,448 | 370,651 |
| Community services/facilities | 9,120 | 9,461 | 9,917 | 32,054 | 31,679 | 30,133 | (22,934) | (22,218) | (20,216) | 4,736 | 5,634 | 30,897 | 30,945 |
| Recreation and open space | 11,080 | 11,939 | 11,057 | 45,319 | 45,547 | 43,825 | (34,239) | (33,608) | (32,768) | 35 | – | 92,541 | 89,947 |
| Regulatory services and safety | 8,205 | 8,656 | 7,983 | 17,914 | 18,238 | 17,260 | (9,709) | (9,582) | (9,277) | 666 | 639 | 1,675 | 1,721 |
| Governance and internal services | 10,589 | 14,918 | 12,909 | 36,017 | 31,753 | 37,337 | (25,428) | (16,835) | (24,428) | 1,156 | 1,232 | 1,378,945 | 1,356,867 |
| Contributed Assets | – | 29,466 | 4,588 | – | – | – | – | 29,466 | 4,588 | – | – | – | – |
| Total functions and activities | 119,429 | 139,730 | 115,244 | 262,079 | 255,067 | 253,207 | (142,650) | (115,337) | (137,963) | 15,208 | 21,290 | 2,533,963 | 2,460,776 |
| Share of gains/(losses) in associates and joint ventures (using the equity method) | – | 525 | 150 | – | – | – | – | 525 | 150 | – | – | 1,835 | 1,310 |
| General purpose income ¹ | 175,565 | 184,279 | 165,654 | – | – | – | 175,565 | 184,279 | 165,654 | 28,159 | 19,217 | – | – |
| Operating result from continuing operations | 294,994 | 324,534 | 281,048 | 262,079 | 255,067 | 253,207 | 32,915 | 69,467 | 27,841 | 43,367 | 40,507 | 2,535,798 | 2,462,086 |

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

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

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

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

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 & Internal Services

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

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Income from continuing operations

| \$ '000 | Actual 2017 | Actual 2016 |
|--|------------------------|------------------------|
| (a) Rates and annual charges | | |
| Ordinary rates | | |
| Business | 45,788 | 43,490 |
| Farmland | 316 | 301 |
| Mining | 1,072 | 1,007 |
| Residential | 105,081 | 97,718 |
| Abandonments (1) | (140) | (233) |
| Total ordinary rates | 152,117 | 142,283 |
| Special rates | | |
| City centre | 418 | 399 |
| Mall | 1,031 | 995 |
| Total special rates | 1,449 | 1,394 |
| Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | |
| Domestic waste management services | 29,183 | 28,698 |
| Stormwater management services | 1,787 | 1,777 |
| Abandonments – annual charges (1) | (6) | (3) |
| Total annual charges | 30,964 | 30,472 |
| TOTAL RATES AND ANNUAL CHARGES | 184,530 | 174,149 |

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

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

| \$ '000 | Actual 2017 | Actual 2016 |
|---|----------------|----------------|
| (b) User charges and fees | | |
| Specific user charges (per s.502 – specific 'actual use' charges) | | |
| Waste management services (non-domestic) | 13,282 | 8,713 |
| Total user charges | 13,282 | 8,713 |
| Other user charges and fees | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | |
| Contestable building services | 294 | 333 |
| Inspection services | 530 | 471 |
| Planning and building regulation | 3,003 | 2,740 |
| Registration fees | 204 | 152 |
| Section 149 certificates (EPA Act) | 587 | 613 |
| Section 603 certificates (rating certificate) | 305 | 332 |
| Section 611 charges (occupation of land) | 188 | 227 |
| Other | 38 | 25 |
| Total fees and charges – statutory/regulatory | 5,149 | 4,893 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | |
| Additional waste services | 108 | 99 |
| Art gallery | 12 | 15 |
| Car parking | 815 | 797 |
| Credit card payment processing fee | 150 | 152 |
| Crematorium and cemeteries | 2,623 | 2,352 |
| Health inspections | 287 | 274 |
| Hire charges | 580 | 543 |
| Golf course | 519 | 517 |
| Leaseback fees – Council vehicles | 714 | 716 |
| Library | 60 | 59 |
| Marketing | 33 | 31 |
| Outdoor dining | 131 | 116 |
| Parking meters | 1,271 | 1,267 |
| Pre-lodgement meeting fees | 98 | 98 |
| Recreation | 3,985 | 3,770 |
| Road opening permits | 267 | 266 |
| Stallholder fees | 84 | 61 |
| Tourist parks | 6,911 | 6,332 |
| Tree management requests | 95 | 101 |
| Design Review Meeting Application Fees | 117 | – |
| Other | 200 | 80 |
| Total fees and charges – other | 19,060 | 17,646 |
| TOTAL USER CHARGES AND FEES | 37,491 | 31,252 |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|----------------------|----------------------|
| (c) Interest and investment revenue (including losses) | | | |
| Interest | | | |
| – Interest on overdue rates and annual charges (incl. special purpose rates) | | 597 | 557 |
| – Interest earned on investments (interest and coupon payment income) | | 4,658 | 4,957 |
| Fair value adjustments | | | |
| – Fair valuation movements in investments (at fair value or held for trading) | | 654 | 83 |
| <u>TOTAL INTEREST AND INVESTMENT REVENUE</u> | | <u>5,909</u> | <u>5,597</u> |
| Interest revenue is attributable to: | | | |
| Unrestricted investments/financial assets: | | | |
| Overdue rates and annual charges (general fund) | | 597 | 557 |
| General Council cash and investments | | 3,406 | 3,597 |
| Restricted investments/funds – external: | | | |
| Development contributions | | | |
| – Section 94 | | 510 | 436 |
| Unexpended infrastructure loan | | 217 | 204 |
| Other externally restricted assets | | 1,179 | 803 |
| <u>Total interest and investment revenue recognised</u> | | <u>5,909</u> | <u>5,597</u> |
| (d) Other revenues | | | |
| Fair value increments – investment properties | 14 | – | 2,025 |
| Diesel rebate | | 209 | 200 |
| Energy saving certificates | | 14 | – |
| Fines | | 749 | 742 |
| Fines – parking | | 2,500 | 1,860 |
| Insurance claim recoveries | | 415 | 463 |
| Legal fees recovery – rates and charges (extra charges) | | 144 | 199 |
| Legal settlements | | 34 | 120 |
| Outgoings reimbursements | | 136 | 337 |
| Reimbursements | | 375 | 1,158 |
| Rental income – investment properties | 14 | 339 | 387 |
| Rental income – other council properties | | 4,313 | 4,320 |
| Sales – general | | 547 | 612 |
| Sponsorship and promotional income | | 54 | 53 |
| Carbon Tax Rebate | | 4,174 | – |
| Other | | 415 | 415 |
| <u>TOTAL OTHER REVENUE</u> | | <u>14,418</u> | <u>12,891</u> |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

| \$ '000 | 2017 Operating | 2016 Operating | 2017 Capital | 2016 Capital |
|---|-------------------|-------------------|-----------------|-----------------|
| (e) Grants | | | | |
| General purpose (untied) | | | | |
| Financial assistance | 26,482 | 17,499 | – | – |
| Pensioners' rates subsidies – general component | 1,677 | 1,718 | – | – |
| Total general purpose | 28,159 | 19,217 | – | – |
| Specific purpose | | | | |
| Pensioners' rates subsidies: | | | | |
| – Domestic waste management | 463 | 488 | – | – |
| Arts and culture | 79 | 76 | – | – |
| Buildings | – | – | 7 | 25 |
| Community development and support | 364 | 285 | – | 46 |
| Economic development | 234 | 10 | – | – |
| Emergency services | 593 | 566 | – | – |
| Environmental management and enhancement | 175 | 172 | – | – |
| Environmental protection | 73 | 73 | – | – |
| Floodplain and stormwater management | 65 | 44 | – | – |
| Footpaths and cycleways | – | – | 761 | 475 |
| HACC community transport | 2,518 | 2,436 | – | 744 |
| Heritage and cultural | 18 | 10 | 18 | – |
| Illawarra dementia respite service | – | 145 | – | – |
| Information technology | – | – | – | 165 |
| Library | 477 | 472 | – | – |
| LIRS subsidy | 1,113 | 1,200 | – | – |
| Local bus route subsidy | 62 | 58 | – | – |
| Natural area management | 184 | 142 | – | – |
| People and learning | 43 | 33 | – | – |
| Strategic city planning | 97 | 110 | – | – |
| Street lighting | 671 | 658 | – | – |
| Transport (roads to recovery) | – | – | 2,857 | 3,750 |
| Transport (other roads and bridges funding) | – | – | 2,126 | 7,377 |
| Voluntary purchase scheme | – | – | 482 | 33 |
| Waste performance improvement | 430 | 433 | – | – |
| Wollongong multi service outlet | 1,298 | 1,264 | – | – |
| Total specific purpose | 8,957 | 8,675 | 6,251 | 12,615 |
| Total grants | 37,116 | 27,892 | 6,251 | 12,615 |
| Grant revenue is attributable to: | | | | |
| – Commonwealth funding | 29,773 | 20,907 | 3,307 | 3,750 |
| – State funding | 7,343 | 6,985 | 2,944 | 8,121 |
| – Other funding | – | – | – | 744 |
| | 37,116 | 27,892 | 6,251 | 12,615 |

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

| \$ '000 | 2017 Operating | 2016 Operating | 2017 Capital | 2016 Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| (f) Contributions | | | | |
| Developer contributions: | | | | |
| (s93 & s94 – EP&A Act, s64 of the LGA): | | | | |
| S 94A – fixed development consent levies | – | – | 3,872 | 4,317 |
| S 94 West Dapto | – | – | 1,427 | 4,769 |
| Planning Agreements | – | – | 4,867 | – |
| Other developer contributions - Calderwood | – | – | 208 | 102 |
| Total developer contributions | – | – | 10,374 | 9,188 |
| Other contributions: | | | | |
| Community development and support | 58 | 68 | – | – |
| Community services and facilities | 829 | 756 | – | – |
| Contributed transport assets (RMS) | – | – | – | 435 |
| Contributed bushfire assets | – | – | 28 | 605 |
| Dedications (other than by S94) | – | – | 24,600 | 3,548 |
| Emergency | – | – | – | 100 |
| Parks, gardens and sportsfields | 79 | 115 | 70 | 57 |
| People and learning | 36 | 9 | – | – |
| Pollution minimisation | 96 | 90 | – | – |
| Roads and bridges | 46 | 34 | 167 | – |
| RMS contributions (regional roads, block grant) | 1,379 | 1,487 | – | – |
| Surf life saving NSW | – | 10 | – | – |
| Buildings | – | – | 532 | – |
| Total other contributions | 2,523 | 2,569 | 25,397 | 4,745 |
| Total contributions | 2,523 | 2,569 | 35,771 | 13,933 |
| TOTAL GRANTS AND CONTRIBUTIONS | 39,639 | 30,461 | 42,022 | 26,548 |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

| \$ '000 | Actual 2017 | Actual 2016 |
|--|------------------------|------------------------|
| (g) Unspent grants and contributions | | |
| Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner: | | |
| Unexpended at the close of the previous reporting period | 20,247 | 20,089 |
| Add: grants and contributions recognised in the current period but not yet spent: | 3,663 | 6,223 |
| Less: grants and contributions recognised in a previous reporting period now spent: | (4,278) | (6,065) |
| Net increase (decrease) in restricted assets during the period | (615) | 158 |
| Unexpended and held as restricted assets | 19,632 | 20,247 |
| Comprising: | | |
| – Specific purpose unexpended grants | 3,049 | 4,655 |
| – Developer contributions | 16,367 | 15,370 |
| – Other contributions | 216 | 222 |
| | 19,632 | 20,247 |

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|----------------|----------------|
| (a) Employee benefits and on-costs | | | |
| Employee leave entitlements (ELE) | | 12,508 | 15,461 |
| Fringe benefit tax (FBT) | | 163 | 222 |
| Labour hire | | 706 | 549 |
| Payroll tax | | 44 | 43 |
| Protective clothing | | 290 | 272 |
| Salaries and wages | | 89,742 | 86,182 |
| Superannuation | | 10,985 | 10,822 |
| Training costs (other than salaries and wages) | | 582 | 717 |
| Workers compensation provision | | 155 | (470) |
| Workers compensation – self insurance | | 2,098 | 1,981 |
| Other | | 193 | 226 |
| Total employee costs | | 117,466 | 116,005 |
| Less: capitalised costs | | (14,327) | (12,458) |
| TOTAL EMPLOYEE COSTS EXPENSED | | 103,139 | 103,547 |
| (b) Borrowing costs | | | |
| (i) Interest bearing liability costs | | | |
| Interest on loans | | 1,447 | 1,547 |
| Total interest bearing liability costs expensed | | 1,447 | 1,547 |
| (ii) Other borrowing costs | | | |
| Amortisation of discount on interest free (& favourable) loans to Council | | 730 | 872 |
| Discount adjustments relating to movements in provisions (other than ELE) | | | |
| – Remediation liabilities | 26 | 1,894 | 1,804 |
| Total other borrowing costs | | 2,624 | 2,676 |
| TOTAL BORROWING COSTS EXPENSED | | 4,071 | 4,223 |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Actual 2017 | Actual 2016 |
|---|----------------|----------------|
| (c) Materials and contracts | | |
| Raw materials and consumables | 15,838 | 13,988 |
| Contractor and consultancy costs | 70,024 | 64,761 |
| – Waste Contractor | 16,276 | 17,950 |
| – Road Works Contractor | 2,187 | 2,279 |
| – Building Contractor | 2,654 | 1,745 |
| – Parks Contractor | 1,745 | 1,678 |
| – Cleaning Contractor | 1,082 | 862 |
| – Security Contractor | 981 | 1,043 |
| – Software Maintenance & Support Contractor | 1,802 | 1,830 |
| – Internal audit | 155 | 157 |
| Auditors remuneration ⁽¹⁾ | 139 | 98 |
| Legal expenses: | | |
| – Legal expenses: other | 512 | 1,501 |
| Operating leases: | | |
| – Operating lease rentals: minimum lease payments ⁽²⁾ | 100 | 100 |
| Total materials and contracts | 113,495 | 107,992 |
| Less: capitalised costs | (66,463) | (60,848) |
| TOTAL MATERIALS AND CONTRACTS | 47,032 | 47,144 |
| 1. Auditor remuneration | | |
| a. During the year, the following fees were incurred for services provided by the Auditor-General: | | |
| (i) Audit and other assurance services | | |
| – Audit and review of financial statements: Auditor-General | 79 | – |
| Remuneration for audit and other assurance services | 79 | – |
| Total Auditor-General remuneration | 79 | – |
| b. During the year, the following fees were incurred for services provided by the other Council's Auditors: | | |
| (i) Audit and other assurance services | | |
| – Audit and review of financial statements: Council's Auditor | 57 | 98 |
| – Other audit and assurance services - waste protocol | 3 | – |
| Remuneration for audit and other assurance services | 60 | 98 |
| Total remuneration of other Council's Auditors | 60 | 98 |
| Total Auditor remuneration | 139 | 98 |
| 2. Operating lease payments are attributable to: | | |
| Other | 100 | 100 |
| | 100 | 100 |

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|--------|----------------|----------------|
| (d) Depreciation, amortisation and impairment | | | |
| Depreciation and amortisation | | | |
| Plant and equipment | | 4,424 | 4,201 |
| Office equipment | | 750 | 899 |
| Furniture and fittings | | 116 | 96 |
| Infrastructure: | | | |
| – Buildings – non-specialised * | | 5,173 | 5,733 |
| – Buildings – specialised | | 5,558 | 6,108 |
| – Other structures | | 603 | 589 |
| – Roads | | 21,780 | 21,681 |
| – Bridges | | 1,939 | 1,769 |
| – Footpaths | | 3,881 | 3,822 |
| – Stormwater drainage | | 9,879 | 9,600 |
| – Swimming pools | | 463 | 515 |
| – Other open space/recreational assets | | 3,401 | 3,670 |
| Other assets | | | |
| – Library books | | 1,063 | 1,026 |
| – Other | | 1,421 | 1,360 |
| Asset reinstatement costs | 9 & 26 | 220 | 221 |
| Intangible assets | 25 | 600 | 534 |
| Total gross depreciation and amortisation costs | | 61,271 | 61,824 |
| Less: capitalised costs | | – | – |
| Total depreciation and amortisation costs | | 61,271 | 61,824 |
| Impairment | | | |
| Community Land | | 760 | – |
| Infrastructure: | | | |
| – Buildings – specialised | | – | 6 |
| Total gross impairment costs | | 760 | 6 |
| Less: IPP&E impairments (to)/from equity | 9a | (760) | – |
| Total impairment costs | | – | 6 |
| TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED | | 61,271 | 61,830 |

* 2016 comparative adjusted for prior period error (refer to note 20 c)

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Actual 2017 | Actual 2016 |
|--|----------------|----------------|
| (e) Other expenses | | |
| Advertising | 284 | 284 |
| Bad and doubtful debts | 65 | 56 |
| Bank charges | 455 | 439 |
| Contributions/levies to other levels of government | | |
| – Emergency Services levy (includes FRNSW, SES, and RFS levies) | 377 | 346 |
| – NSW Fire Brigade levy | 2,701 | 2,649 |
| – NSW Rural Fire Service levy | 481 | 405 |
| – Waste and environment levy | 15,453 | 12,899 |
| Councillor expenses – mayoral fee | 82 | 80 |
| Councillor expenses – councillors' fees | 367 | 355 |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | 59 | 74 |
| Donations, contributions and assistance to other organisations (Section 356) | | |
| – City Centre management | 361 | 676 |
| – Crown St Facade rejuvenation | – | 50 |
| – Illawarra Institute of Sport | 35 | 35 |
| – Illawarra Joint Project Organisation | 51 | 50 |
| – Illawarra Performing Arts Centre | 673 | 661 |
| – Illawarra Regional Information Service | 91 | 88 |
| – Illawarra Surf Life Saving | 52 | 50 |
| – Neighbourhood youth program | 152 | 199 |
| – Sponsorship fund | 51 | 66 |
| – Tourism | 1,010 | 971 |
| – Other | 649 | 549 |
| Fair value decrements – I,PP&E | – | 1,470 |
| Insurance | 2,747 | 2,958 |
| Light, electricity and heating | 2,004 | 1,981 |
| Membership fees | 205 | 140 |
| Postage | 435 | 432 |
| Provision for self insurance claims | 150 | (180) |
| Rental agreements | 268 | 302 |
| Royalty payments | 334 | 306 |
| Sewerage charges | 290 | 319 |
| Street lighting | 3,023 | 2,916 |
| Telephone and communications | 547 | 677 |
| Valuation fees | 409 | 398 |
| Volunteer reimbursements | 299 | 229 |
| Water rates | 807 | 887 |
| Other | 930 | 1,041 |
| Total other expenses | 35,897 | 34,858 |
| Less: capitalised costs | (303) | (76) |
| TOTAL OTHER EXPENSES | 35,594 | 34,782 |

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

| \$ '000 | Actual 2017 | Actual 2016 |
|--|------------------------|------------------------|
| Property (excl. investment property) | | |
| Proceeds from disposal – property | 1,861 | – |
| Less: carrying amount of property assets sold/written off | (1,005) | (333) |
| Net gain/(loss) on disposal | 856 | (333) |
| Plant and equipment | | |
| Proceeds from disposal – plant and equipment | 1,378 | 919 |
| Less: carrying amount of plant and equipment assets sold/written off | (1,583) | (832) |
| Net gain/(loss) on disposal | (205) | 87 |
| Infrastructure | | |
| Less: carrying amount of infrastructure assets sold/written off * | (4,611) | (1,435) |
| Net gain/(loss) on disposal | (4,611) | (1,435) |
| Financial assets * | | |
| Proceeds from disposal/redemptions/maturities – financial assets | 69,530 | 78,054 |
| Less: carrying amount of financial assets sold/redeemed/matured | (69,530) | (78,054) |
| Net gain/(loss) on disposal | – | – |
| NET GAIN/(LOSS) ON DISPOSAL OF ASSETS | (3,960) | (1,681) |

* 2016 comparative adjusted for prior period error (refer to note 20 c)

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2017

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

| | 2017 Actual Current | 2017 Actual Non-current | 2016 Actual Current | 2016 Actual Non-current |
|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
| \$ '000 | | | | |
| Cash and cash equivalents (Note 6a) | | | | |
| Cash on hand and at bank | 887 | – | 692 | – |
| Cash-equivalent assets ¹ | | | | |
| – Deposits at call | 7,626 | – | 17,055 | – |
| – Managed funds | 15,021 | – | – | – |
| Total cash and cash equivalents | 23,534 | – | 17,747 | – |
| Investments (Note 6b) | | | | |
| – Managed funds | 1,928 | – | 1,729 | – |
| – Long term deposits | 76,030 | 24,585 | 94,530 | 10,085 |
| – NCD's, FRN's (with maturities > 3 months) | 35,868 | – | 24,543 | – |
| – Mortgage backed securities | 1,714 | – | 1,625 | – |
| – Other long term financial assets | 3,918 | – | 3,766 | – |
| Total investments | 119,458 | 24,585 | 126,193 | 10,085 |
| TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS | 142,992 | 24,585 | 143,940 | 10,085 |

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

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

Cash and cash equivalents

| | | | | |
|---|---------------|----------|---------------|----------|
| a. 'At fair value through the profit and loss' | 23,534 | – | 17,747 | – |
|---|---------------|----------|---------------|----------|

Investments

| | | | | |
|---|----------------|---------------|----------------|---------------|
| a. 'At fair value through the profit and loss' | | | | |
| – 'Held for trading' | 43,428 | – | 31,663 | – |
| b. 'Held to maturity' | 76,030 | 24,585 | 94,530 | 10,085 |
| Investments | 119,458 | 24,585 | 126,193 | 10,085 |

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

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| | 2017 Actual Current | 2017 Actual Non-current | 2016 Actual Current | 2016 Actual Non-current |
|---|---------------------------|-------------------------------|---------------------------|-------------------------------|
| \$ '000 | | | | |
| Total cash, cash equivalents and investments | 142,992 | 24,585 | 143,940 | 10,085 |
| attributable to: | | | | |
| External restrictions (refer below) | 51,203 | 24,585 | 65,187 | 10,085 |
| Internal restrictions (refer below) | 57,379 | – | 55,377 | – |
| Unrestricted | 34,410 | – | 23,376 | – |
| | 142,992 | 24,585 | 143,940 | 10,085 |

| 2017 \$ '000 | Opening balance | Transfers to restrictions | Transfers from restrictions | Closing balance |
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

| | | | | | |
|---|-----|---------------|---------------|-----------------|---------------|
| Developer contributions – general | (A) | 15,370 | 6,016 | (5,019) | 16,367 |
| RMS (formerly RTA) contributions | (B) | 222 | 2,394 | (2,400) | 216 |
| Specific purpose unexpended grants | (C) | 4,655 | – | (1,606) | 3,049 |
| Domestic waste management | (D) | 9,955 | 1,159 | – | 11,114 |
| Stormwater management | (D) | 1,388 | 1,770 | (1,735) | 1,423 |
| Private contributions | | 3,934 | 1,857 | (886) | 4,905 |
| Unexpended loan | (E) | 7,207 | 217 | – | 7,424 |
| Special rates levy – Wollongong mall | | 132 | 1,066 | (970) | 228 |
| Special rates levy – city centre | | 6 | 404 | (382) | 28 |
| Carbon price | (G) | 4,371 | – | (3,480) | 891 |
| Local infrastructure renewal scheme round 1 | (F) | 2,860 | – | (2,860) | – |
| Local infrastructure renewal scheme round 3 | (F) | 15,297 | 6,076 | (1,400) | 19,973 |
| West Dapto home deposits issued | | 85 | – | – | 85 |
| West Dapto home deposit assistance program | | 9,790 | 295 | – | 10,085 |
| External restrictions – other | | 75,272 | 21,254 | (20,738) | 75,788 |
| Total external restrictions | | 75,272 | 21,254 | (20,738) | 75,788 |

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans.
- B** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C** Grants which are not yet expended for the purposes for which the grants were obtained.
- D** Domestic waste management (DWM) 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.
- G** Following repeal of the carbon price, future year carbon liabilities associated with waste deposited during 2012-13 and 2013-14 were extinguished. On November 9, 2015 Council resolved to participate in the Voluntary Waste Industry Protocol. As part of this, Council refunded \$2.28M of early charges collected through domestic waste management charges to rate payers via 2016-17 rate notices. A further \$1.8M was allocated to carbon tax abatement projects, for implementation during the 2016-17 and 2017-18 financial years. At 30 June 2017, \$0.99M carbon abatement projects were completed and the remaining funds are held as internally restricted cash.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

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

| 2017 \$ '000 | Opening balance | Transfers to restrictions | Transfers from restrictions | Closing balance |
|--|--------------------|------------------------------|--------------------------------|--------------------|
| Internal restrictions | | | | |
| Car parking strategy | 909 | 707 | (492) | 1,124 |
| Darcy Wentworth park | 170 | – | – | 170 |
| Future programs | 5,564 | – | (325) | 5,239 |
| MacCabe park development | 841 | 150 | – | 991 |
| Property | 4,121 | – | (209) | 3,912 |
| Property investment fund | 8,135 | 244 | (113) | 8,266 |
| Sports priority program | 497 | 252 | (387) | 362 |
| Telecommunications reserve | 155 | 38 | – | 193 |
| Waste disposal facility | 10,008 | 3,646 | (7,739) | 5,915 |
| West Dapto development | 527 | 774 | (800) | 501 |
| Strategic projects | 23,883 | 8,836 | (2,544) | 30,175 |
| Southern phone natural areas | 476 | 185 | (295) | 366 |
| Lake Illawarra estuary management fund | 91 | 165 | (91) | 165 |
| Total internal restrictions | 55,377 | 14,997 | (12,995) | 57,379 |
| TOTAL RESTRICTIONS | 130,649 | 36,251 | (33,733) | 133,167 |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 7. Receivables

| \$ '000 | 2017 | | 2016 | |
|---|----------------------|-----------------|----------------------|-----------------|
| | Current | Non-current | Current | Non-current |
| Purpose | | | | |
| Rates and annual charges | 10,037 | — | 7,512 | — |
| Interest and extra charges | 1,374 | — | 1,335 | — |
| User charges and fees | 3,552 | — | 4,808 | — |
| Accrued revenues | | | | |
| – Interest on investments | 1,365 | — | 1,613 | — |
| – Other income accruals | 2,370 | — | 2,371 | — |
| Government grants and subsidies | 3,094 | — | 2,291 | — |
| Net GST receivable | 2,090 | — | 1,952 | — |
| Total | 23,882 | — | 21,882 | — |
| Less: provision for impairment | | | | |
| User charges and fees | (351) | — | (602) | — |
| Total provision for impairment – receivables | (351) | — | (602) | — |
| <u>TOTAL NET RECEIVABLES</u> | <u>23,531</u> | <u>—</u> | <u>21,280</u> | <u>—</u> |

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 8. Inventories and other assets

| \$ '000 | 2017 | | 2016 | |
|---|----------------------|-----------------|---------------------|-----------------|
| | Current | Non-current | Current | Non-current |
| (a) Inventories | | | | |
| (i) Inventories at cost | | | | |
| Real estate for resale (refer below) | 5,791 | – | 5,734 | – |
| Stores and materials | 298 | – | 293 | – |
| Total inventories at cost | 6,089 | – | 6,027 | – |
| (ii) Inventories at net realisable value (NRV) | | | | |
| Nil | | | | |
| <u>TOTAL INVENTORIES</u> | <u>6,089</u> | <u>–</u> | <u>6,027</u> | <u>–</u> |
| (b) Other assets | | | | |
| Prepayments | 10,680 | – | 3,207 | – |
| <u>TOTAL OTHER ASSETS</u> | <u>10,680</u> | <u>–</u> | <u>3,207</u> | <u>–</u> |

Externally restricted assets

There are no restrictions applicable to the above assets.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 8. Inventories and other assets (continued)

| \$ '000 | 2017 | | 2016 | |
|--|--------------|-------------|--------------|-------------|
| | Current | Non-current | Current | Non-current |
| (i) Other disclosures | | | | |
| (a) Details for real estate development | | | | |
| Residential | 5,791 | — | 5,734 | — |
| Total real estate for resale | 5,791 | — | 5,734 | — |
| (Valued at the lower of cost and net realisable value) | | | | |
| Represented by: | | | | |
| Acquisition costs | 5,734 | — | 5,734 | — |
| Development costs | 57 | — | — | — |
| Total costs | 5,791 | — | 5,734 | — |
| Total real estate for resale | 5,791 | — | 5,734 | — |
| Movements: | | | | |
| Real estate assets at beginning of the year | 5,734 | — | 5,734 | — |
| – Purchases and other costs | 57 | — | — | — |
| Total real estate for resale | 5,791 | — | 5,734 | — |

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

| | 2017 | 2016 |
|------------------------|--------------|--------------|
| Real estate for resale | 5,791 | 5,734 |
| | 5,791 | 5,734 |

(c) Inventories recognised as an expense for the year included:

| | | |
|------------------------|-------|-------|
| – Stores and materials | 1,410 | 1,252 |
|------------------------|-------|-------|

(d) Inventory write downs

\$4,802 was recognised as an expense relating to the write down of inventory balances held during the year.

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

| Asset class | as at 30/6/2016 | | | Asset movements during the reporting period | | | | | | | | | | | as at 30/6/2017 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|--|---------------|---|-------------------------------------|---|--|--|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals | Additions new assets | Carrying value of disposals | Depreciation expense | Impairment loss (recognised in equity) | WIP transfers | Other movements Land Remediation reversal | Other movements Transfer to Expense | Tfrs from/(to) 'held for sale' category | Revaluation decrements to equity (ARR) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | | | | | |
| Capital work in progress | 55,549 | – | 55,549 | 40,597 | 17,714 | (512) | – | – | (23,051) | – | (300) | – | – | – | 89,997 | – | 89,997 |
| Plant and equipment | 40,424 | 19,680 | 20,744 | 6,851 | – | (1,583) | (4,424) | – | – | – | – | – | – | – | 41,943 | 20,354 | 21,589 |
| Office equipment | 7,954 | 5,570 | 2,384 | 1,427 | – | – | (750) | – | – | – | – | – | – | – | 6,120 | 3,059 | 3,061 |
| Furniture and fittings | 1,884 | 810 | 1,074 | 521 | – | – | (116) | – | – | – | – | – | – | – | 2,405 | 927 | 1,478 |
| Land: | | | | | | | | | | | | | | | | | |
| – Operational land | 177,185 | – | 177,185 | – | 93 | (1,005) | – | – | – | (314) | – | (6,381) | – | – | 169,578 | – | 169,578 |
| – Community land | 348,292 | – | 348,292 | – | 897 | – | – | (760) | – | – | – | – | – | – | 349,188 | 760 | 348,428 |
| – Land under roads (post 30/6/08) | 30,050 | – | 30,050 | – | 52 | – | – | – | 25 | – | – | – | – | – | 30,127 | – | 30,127 |
| Infrastructure: | | | | | | | | | | | | | | | | | |
| – Buildings – non-specialised | 199,668 | 114,607 | 85,061 | 1,168 | 311 | (58) | (5,173) | – | 4 | – | – | – | – | – | 201,034 | 119,720 | 81,314 |
| – Buildings – specialised | 304,499 | 195,328 | 109,147 | 228 | 61 | (306) | (5,558) | – | 5,974 | – | – | – | – | – | 307,879 | 198,334 | 109,545 |
| – Other structures | 14,099 | 8,046 | 6,053 | 759 | 190 | (25) | (603) | – | 60 | – | – | – | – | – | 14,953 | 8,518 | 6,435 |
| – Roads | 1,362,534 | 828,310 | 534,224 | 17,967 | 4,492 | (2,698) | (21,780) | – | 5,952 | – | – | – | (2,604) | – | 1,371,884 | 836,330 | 535,554 |
| – Bridges | 138,699 | 47,429 | 91,270 | 5,675 | 1,419 | (25) | (1,939) | – | 366 | – | – | – | (2,667) | – | 144,114 | 50,016 | 94,098 |
| – Footpaths | 263,542 | 138,888 | 124,654 | 2,833 | 996 | (585) | (3,881) | – | 3,766 | – | – | – | (3,060) | – | 269,542 | 144,819 | 124,723 |
| – Stormwater drainage | 893,072 | 383,067 | 510,005 | 5,888 | 3,765 | (201) | (9,879) | – | 5,441 | – | – | – | – | 7,820 | 922,902 | 400,063 | 522,839 |
| – Swimming pools | 29,832 | 22,446 | 7,386 | 294 | 29 | – | (463) | – | 34 | – | – | – | – | – | 29,738 | 22,458 | 7,280 |
| – Other open space/recreational assets | 148,138 | 41,548 | 106,590 | 3,466 | 866 | (201) | (3,401) | – | 1,370 | – | – | – | – | – | 151,900 | 43,209 | 108,691 |
| Other assets: | | | | | | | | | | | | | | | | | |
| – Heritage collections | 12,265 | – | 12,265 | – | 103 | – | – | – | – | – | – | – | – | – | 12,368 | – | 12,368 |
| – Library books | 7,985 | 3,696 | 4,289 | 1,132 | – | – | (1,063) | – | – | – | – | – | – | – | 7,997 | 3,639 | 4,358 |
| – Other | 43,537 | 10,368 | 33,169 | 94 | 106 | – | (1,421) | – | 59 | – | – | – | – | – | 43,796 | 11,789 | 32,007 |
| Reinstatement, rehabilitation and restoration assets (refer Note 26): | | | | | | | | | | | | | | | | | |
| – Tip assets | 19,738 | 8,710 | 11,028 | – | – | – | (220) | – | – | – | – | – | – | – | 19,738 | 8,931 | 10,807 |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP. | 4,098,946 | 1,828,503 | 2,270,419 | 88,900 | 31,094 | (7,199) | (60,671) | (760) | – | (314) | (300) | (6,381) | (8,331) | 7,820 | 4,187,203 | 1,872,926 | 2,314,277 |

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

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

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

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

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

Note 9c. Infrastructure, property, plant and equipment – current year impairments

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|---------|----------------|----------------|
| (i) Impairment losses recognised in the Income Statement: | | | |
| Mt Keira Summit Kiosk | | – | (6) |
| Total impairment losses | | – | (6) |
| <u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u> | 4(d) | <u>–</u> | <u>(6)</u> |
| (ii) Impairment losses recognised direct to equity (ARR): | | | |
| Hector Harvey Park | | (760) | – |
| Total impairment losses | | (760) | – |
| <u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u> | 20 (ii) | <u>(760)</u> | <u>–</u> |

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

| \$ '000 | Notes | 2017 | | 2016 | |
|---|-------|----------------|--------------------|----------------|--------------------|
| | | Current | Non-current | Current | Non-current |
| Payables | | | | | |
| Goods and services – operating expenditure | | 7,071 | – | 9,164 | – |
| Goods and services – capital expenditure | | 15,740 | – | 11,201 | – |
| Accrued expenses: | | | | | |
| – Other expenditure accruals | | 12,709 | – | 6,249 | – |
| Security bonds, deposits and retentions | | 2,557 | – | 2,944 | – |
| Carbon price | | – | – | 4,174 | – |
| Other | | 583 | – | 506 | – |
| Total payables | | 38,660 | – | 34,238 | – |
| Income received in advance | | | | | |
| Payments received in advance | | 2,957 | – | 3,194 | – |
| Total income received in advance | | 2,957 | – | 3,194 | – |
| Borrowings | | | | | |
| Loans – secured ¹ | | 7,513 | 32,188 | 6,690 | 33,940 |
| Total borrowings | | 7,513 | 32,188 | 6,690 | 33,940 |
| Provisions | | | | | |
| Employee benefits: | | | | | |
| Annual leave | | 8,998 | – | 8,865 | – |
| Sick leave | | 133 | – | 188 | – |
| Long service leave | | 37,410 | 447 | 37,156 | 381 |
| Other leave | | 940 | – | 937 | – |
| Sub-total – aggregate employee benefits | | 47,481 | 447 | 47,146 | 381 |
| Self insurance – workers compensation | | 942 | 3,247 | 833 | 3,201 |
| Asset remediation/restoration (future works) | 26 | 100 | 44,137 | 2,469 | 40,214 |
| Self insurance – claims incurred | | 330 | 290 | 235 | 235 |
| Total provisions | | 48,853 | 48,121 | 50,683 | 44,031 |
| TOTAL PAYABLES, BORROWINGS AND PROVISIONS | | | | | |
| | | 97,983 | 80,309 | 94,805 | 77,971 |
| (i) Liabilities relating to restricted assets | | | | | |
| | | 2017 | | 2016 | |
| | | Current | Non-current | Current | Non-current |
| Externally restricted assets | | | | | |
| Loans | | 7,513 | 32,188 | 6,690 | 33,940 |
| Carbon price | | – | – | 4,174 | – |
| Liabilities relating to externally restricted assets | | 7,513 | 32,188 | 10,864 | 33,940 |
| Internally restricted assets | | | | | |
| Nil | | | | | |
| Total liabilities relating to restricted assets | | 7,513 | 32,188 | 10,864 | 33,940 |
| Total liabilities relating to unrestricted assets | | 90,470 | 48,121 | 83,941 | 44,031 |
| TOTAL PAYABLES, BORROWINGS AND PROVISIONS | | 97,983 | 80,309 | 94,805 | 77,971 |

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

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

| | Actual 2017 | Actual 2016 |
|---|----------------|----------------|
| \$ '000 | | |
| (ii) Current liabilities not anticipated to be settled within the next twelve months | | |
| The following liabilities, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions – employees benefits | 38,146 | 35,674 |
| Payables – security bonds, deposits and retentions | 2,202 | 2,326 |
| | 40,348 | 38,000 |

Note 10b. Description of and movements in provisions

| Class of provision | 2016 | 2017 | | | | Closing balance as at 30/6/17 |
|--------------------|---------------------------------|-----------------------|--------------------------|--|-------------------------|----------------------------------|
| | Opening balance as at 1/7/16 | Additional provisions | Decrease due to payments | Remeasurement effects due to discounting | Unused amounts reversed | |
| Annual leave | 8,865 | 8,467 | (8,297) | (37) | – | 8,998 |
| Sick leave | 188 | 11 | (53) | (13) | – | 133 |
| Long service leave | 37,537 | 5,406 | (3,523) | (1,563) | – | 37,857 |
| Other leave | 937 | 228 | (230) | 5 | – | 940 |
| Self insurance | 4,034 | 1,255 | (2,329) | 1,229 | – | 4,189 |
| Asset remediation | 42,683 | – | (49) | 1,894 | (291) | 44,237 |
| Other | 470 | 150 | – | – | – | 620 |
| TOTAL | 94,714 | 15,517 | (14,481) | 1,515 | (291) | 96,974 |

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess. Estimates are derived through a process of assessment undertaken internally by Council's Risk Insurance team.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.
- Workers Compensation - Self Insurance Provision represents Wollongong City Council's liability in respect of its self-insured outstanding claims incurred up to 30 June 2017. Accrual estimates were provided by David A Zaman.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 11. Reconciliation of operating result to net cash movement from operating activities

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|----------------|----------------|
| (a) Reconciliation of cash assets | | | |
| Total cash and cash equivalent assets | 6a | 23,534 | 17,747 |
| Less bank overdraft | 10 | – | – |
| Balance as per the Statement of Cash Flows | | 23,534 | 17,747 |
| (b) Reconciliation of net operating result to cash provided from operating activities | | | |
| Net operating result from Income Statement | | 69,467 | 27,841 |
| Adjust for non-cash items: | | | |
| Depreciation and amortisation | | 61,271 | 61,882 |
| Net losses/(gains) on disposal of assets | | 3,960 | 1,627 |
| Non-cash capital grants and contributions | | (24,795) | (4,588) |
| Impairment losses recognition – I,PP&E | | – | 6 |
| Losses/(gains) recognised on fair value re-measurements through the P&L: | | | |
| – Investments classified as ‘at fair value’ or ‘held for trading’ | | (654) | (83) |
| – Investment properties | | – | (2,025) |
| – Write offs relating to the fair valuation of I,PP&E | | – | 1,466 |
| Amortisation of premiums, discounts and prior period fair valuations | | | |
| – Interest exp. on interest-free loans received by Council (previously fair valued) | | 730 | 872 |
| Unwinding of discount rates on reinstatement provisions | | 1,894 | 1,804 |
| Share of net (profits) or losses of associates/joint ventures | | (525) | (150) |
| +/- Movement in operating assets and liabilities and other cash items: | | | |
| Decrease/(increase) in receivables | | (2,000) | 773 |
| Increase/(decrease) in provision for doubtful debts | | (251) | 56 |
| Decrease/(increase) in inventories | | (5) | 13 |
| Decrease/(increase) in other assets | | (7,473) | 1,106 |
| Increase/(decrease) in payables | | (2,093) | 1,839 |
| Increase/(decrease) in other accrued expenses payable | | 6,460 | 875 |
| Increase/(decrease) in other liabilities | | (4,721) | 20 |
| Increase/(decrease) in employee leave entitlements | | 401 | 3,606 |
| Increase/(decrease) in other provisions | | (35) | (737) |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | | 101,631 | 96,203 |

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Reconciliation of operating result to net cash movement from operating activities (continued)

| \$ '000 | Actual 2017 | Actual 2016 |
|--|----------------|----------------|
| (c) Non-cash investing and financing activities | | |
| Other dedications | 24,600 | 3,548 |
| Contributed Bush Fire Assets | 28 | 605 |
| Contributed Transport Assets (RMS) | 167 | 435 |
| Total non-cash investing and financing activities | 24,795 | 4,588 |
| (d) Financing arrangements | | |
| (i) Unrestricted access was available at balance date to the following lines of credit: | | |
| Bank overdraft facilities ⁽¹⁾ | 300 | 300 |
| Credit cards/purchase cards | 835 | 835 |
| Total financing arrangements | 1,135 | 1,135 |
| Amounts utilised as at balance date: | | |
| – Credit cards/purchase cards | 6 | 5 |
| Total financing arrangements utilised | 6 | 5 |

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

(e) Bank guarantees

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.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 12. Commitments for expenditure

| \$ '000 | Actual 2017 | Actual 2016 |
|--|----------------|----------------|
| (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 | 112 | 277 |
| Infrastructure | 21,228 | 3,381 |
| Total commitments | 21,340 | 3,658 |
| These expenditures are payable as follows: | | |
| Within the next year | 21,340 | 3,658 |
| Total payable | 21,340 | 3,658 |
| Sources for funding of capital commitments: | | |
| Unrestricted general funds | 8,874 | 3,238 |
| Future grants and contributions | 165 | – |
| Sect 64 and 94 funds/reserves | 100 | 320 |
| Unexpended grants | 2,389 | – |
| Externally restricted reserves | 6,312 | – |
| Unexpended loans | 3,500 | 100 |
| Total sources of funding | 21,340 | 3,658 |

Details of capital commitments

Buildings include Rex Jackson Oval Grandstand and Dapto Senior Citizens Kitchen.

Infrastructure includes Bridge Replacement Unanderra Station, Mt Keira Summit Works, Dapto Pool, Coalcliff Rock Pool, Solar Photovoltaic Systems, Blue Mile Seawall, Whytes Gully recycling, Wollongong Waste Recovery Park, Stanwell Park Retaining Wall, Foothills Road Debris Control, Whytes Gully Tip cell development, Fowlers Road Roadworks, Beaton Park Running Track, Glennifer Brae Retaining Wall.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 12. Commitments for expenditure (continued)

| | Actual 2017 | Actual 2016 |
|--|----------------|----------------|
| \$ '000 | | |
| (b) Finance lease commitments | | |
| Nil | | |
| (c) Operating lease commitments (non-cancellable) | | |
| a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable: | | |
| Within the next year | 100 | 100 |
| Later than one year and not later than 5 years | 400 | 400 |
| Later than 5 years | 699 | 799 |
| Total non-cancellable operating lease commitments | 1,199 | 1,299 |

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

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

Conditions relating to operating leases:

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

(d) Investment property commitments

Nil

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

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

| \$ '000 | Amounts 2017 | Indicator 2017 | Prior periods 2016 | 2015 | Benchmark |
|--|-----------------|-------------------|-----------------------|----------|------------|
| Local government industry indicators – consolidated | | | | | |
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses | 30,226 | 10.74% | 0.87% | 2.31% | >0.00% |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | 281,333 | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions | 241,694 | 74.75% | 79.55% | 80.57% | >60.00% |
| Total continuing operating revenue ⁽¹⁾ | 323,355 | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions ⁽²⁾ | 132,679 | 2.65x | 2.25x | 2.19x | >1.5x |
| Current liabilities less specific purpose liabilities ^(3, 4) | 50,122 | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation | 95,568 | 8.51x | 6.44x | 7.60x | >2x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 11,230 | | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | |
| Rates, annual and extra charges outstanding | 11,411 | 5.88% | 4.79% | 5.48% | < 5% Metro |
| Rates, annual and extra charges collectible | 194,118 | | | | |
| 5a. Rates, annual charges, interest and extra charges outstanding percentage (excl. Pensioner arrears) | | | | | |
| Rates, Annual and Extra Charges Outstanding | 9,230 | 4.75% | 3.45% | 3.94% | |
| Rates, Annual and Extra Charges Collectible | 194,118 | | | | |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 124,149 | 6.89 mths | 7.3 mths | 8.0 mths | > 3 mths |
| Payments from cash flow of operating and financing activities | 18,020 | | | | |

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

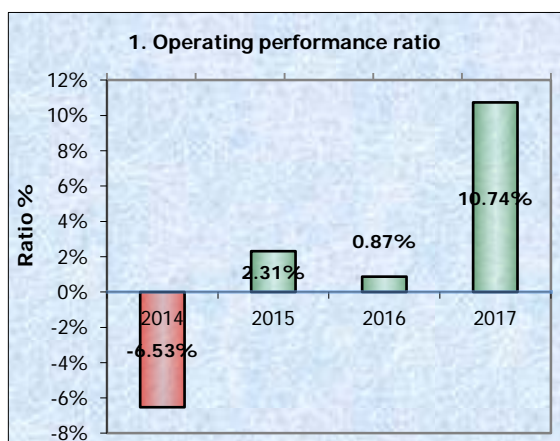
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

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



Benchmark: — Minimum $\geq 0.00\%$

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



Purpose of operating performance ratio

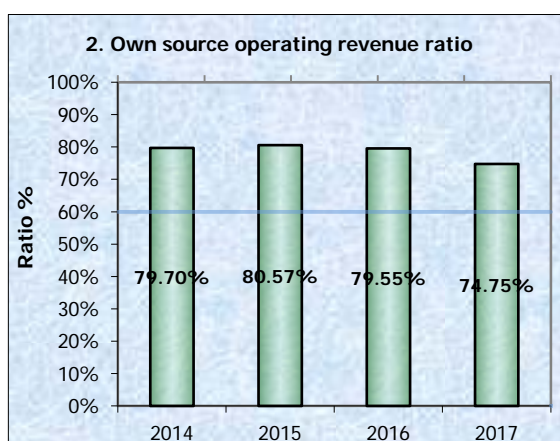
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2016/17 result

2016/17 ratio 10.74%

The positive result has been impacted by the early payment of the first two installments of the Financial Assistance Grant, progress of projects, regaining of waste processing market share and elimination of provision for carbon tax plus a range of other improvements.

 Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum $\geq 60.00\%$

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



Purpose of own source operating revenue ratio

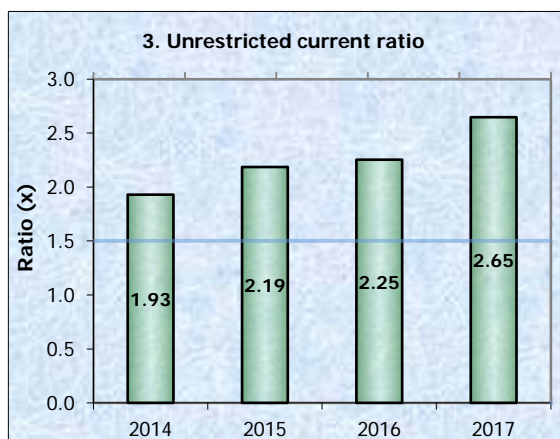
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2016/17 result

2016/17 ratio 74.75%

This result is consistent with previous reporting periods. It is noted that total revenue includes non-cash contributed assets which fluctuate from year to year and impact this result.

 Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum ≥ 1.50

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



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 2016/17 result

2016/17 ratio 2.65x

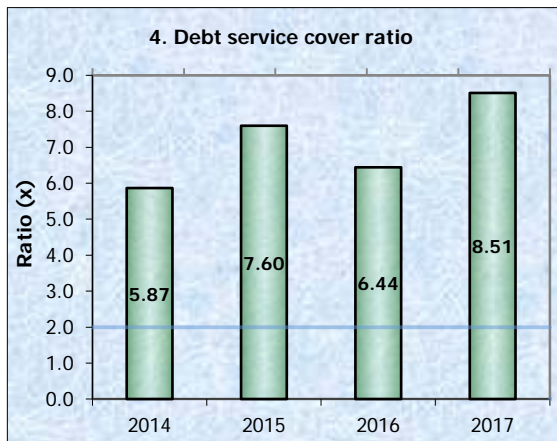
1. Council's strategy is to maximise the use of available funds and target a lean unrestricted ratio. 2. Cash assets held for future waste facility requirements are held in the unrestricted ratio. As the requirements to hold funds for waste facility rehabilitation is significant the measure is expected to increase until payments are required.

 Ratio achieves benchmark
 Ratio is outside benchmark

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

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



Benchmark: — Minimum ≥ 2.00

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

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 2016/17 result

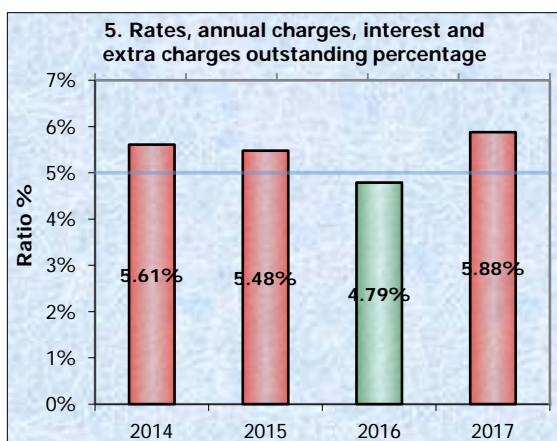
2016/17 ratio 8.51x

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



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum $< 5.00\%$

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

Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

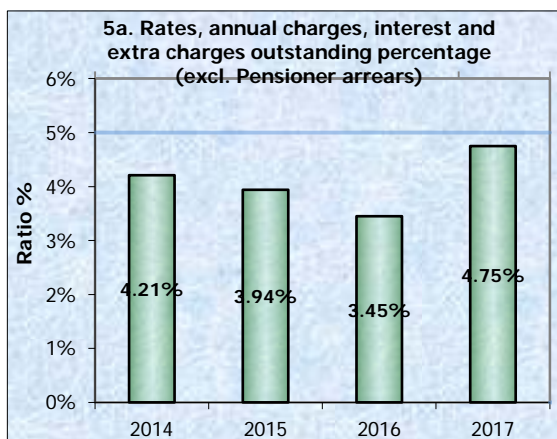
2016/17 ratio 5.88%

Although there has been an improvement to Council's debt recovery process the result achieved is the consequence of one corporate ratepayer not paying on time [\$1.6M]. If this payment had of been received the percentage would have been 5.05%. Council will continue to develop recovery strategies for all classes of ratepayers to ensure efficient collection of outstanding rates in the future.



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Maximum $< 5.00\%$

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

Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

2016/17 ratio 4.75%

The Rates, Annual charges, Interest & Extra Charges Outstanding percentage is negatively impacted by Council's policy to exempt pensioners from debt recovery proceedings. The value of pensioner arrears has been removed in this result.



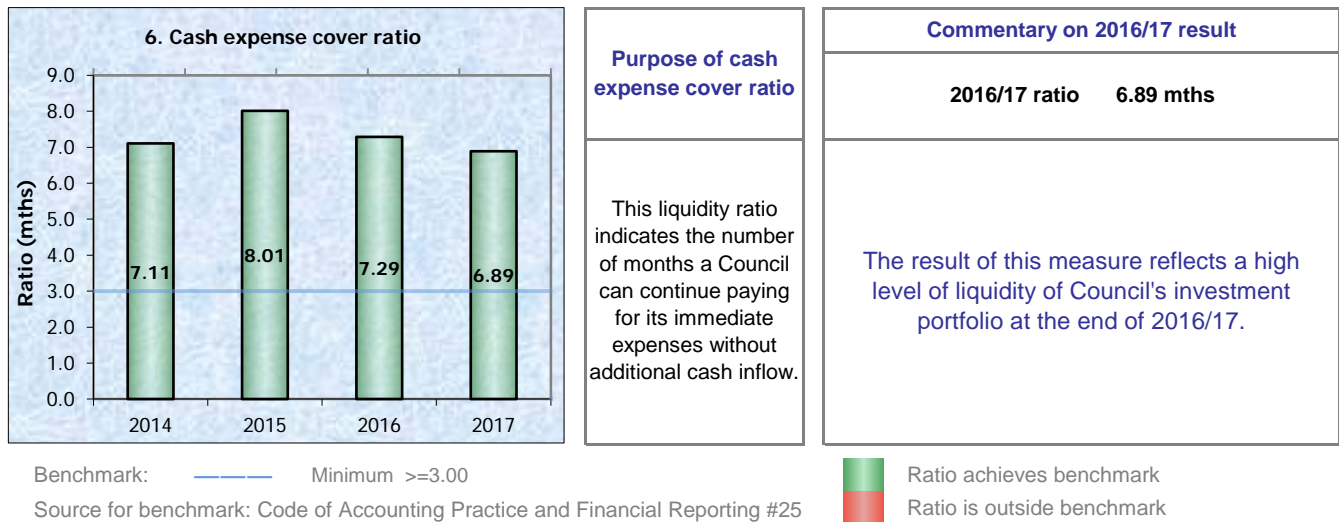
Ratio is within Benchmark

Ratio is outside Benchmark

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

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



Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

| \$ '000 | Actual 2017 | Actual 2016 |
|--|---------------------|---------------------|
| (a) Investment properties at fair value | | |
| <u>Investment properties on hand</u> | <u>4,775</u> | <u>4,775</u> |
| Reconciliation of annual movement: | | |
| Opening balance | 4,775 | 2,750 |
| – Net gain/(loss) from fair value adjustments | – | 2,025 |
| CLOSING BALANCE – INVESTMENT PROPERTIES | <u>4,775</u> | <u>4,775</u> |

(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 2017 revaluations were based on independent assessments made by:
R F Rubin Certified Practising Valuer.

(c) Contractual obligations at reporting date

Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

Details of leased investment properties are as follows;

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 | 243 | 259 |
| Later than 1 year but less than 5 years | 363 | 599 |
| Later than 5 years | – | – |
| Total minimum lease payments receivable | <u>606</u> | <u>858</u> |

(e) Investment property income and expenditure – summary

| | | |
|--|-------------------|---------------------|
| Rental income from investment properties: | | |
| Minimum lease payments | 339 | 387 |
| Direct operating expenses on investment properties: | | |
| that generated rental income | (112) | (120) |
| Net revenue contribution from investment properties | <u>227</u> | <u>267</u> |
| plus: Fair value movement for year | – | 2,025 |
| Total income attributable to investment properties | <u>227</u> | <u>2,292</u> |

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

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

| | Increase of values/rates | | Decrease of values/rates | |
|--|--------------------------|---------|--------------------------|---------|
| | Profit | Equity | Profit | Equity |
| 2017 | | | | |
| Possible impact of a 10% movement in market values | 4,343 | 4,343 | (4,343) | (4,343) |
| Possible impact of a 1% movement in interest rates | (1,241) | (1,241) | (1,241) | (1,241) |
| 2016 | | | | |
| Possible impact of a 10% movement in market values | 3,166 | 3,166 | (3,166) | (3,166) |
| Possible impact of a 1% movement in interest rates | 1,224 | 1,224 | (1,224) | (1,224) |

(b) Credit risk

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

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

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

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

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

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

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk (continued)

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

| | | 2017 | 2017 | 2016 | 2016 |
|--|--------------------------|---------------|---------------|--------------|---------------|
| | | Rates and | | Rates and | |
| | | annual | Other | annual | Other |
| | | charges | receivables | charges | receivables |
| (i) Ageing of receivables – % | | | | | |
| Current (not yet overdue) | | 0% | 83% | 0% | 84% |
| Overdue | | 100% | 17% | 100% | 16% |
| | | 100% | 100% | 100% | 100% |
| | | | | | |
| | | Rates and | Other | Rates and | Other |
| | | annual | receivables | annual | receivables |
| | | charges | | charges | |
| (ii) Ageing of receivables – value | | | | | |
| Rates and annual charges | Other receivables | | | | |
| Current | Current | – | 10,403 | – | 11,046 |
| < 1 year overdue | 0 – 30 days overdue | 7,410 | 589 | 5,138 | 464 |
| 1 – 2 years overdue | 31 – 60 days overdue | 1,381 | 61 | 1,254 | 225 |
| 2 – 5 years overdue | 61 – 90 days overdue | 803 | 112 | 734 | 163 |
| > 5 years overdue | > 91 days overdue | 1,817 | 1,306 | 1,721 | 1,137 |
| | | 11,411 | 12,471 | 8,847 | 13,035 |
| | | | | | |
| (iii) Movement in provision for impairment of receivables | | | | 2017 | 2016 |
| Balance at the beginning of the year | | | | 602 | 546 |
| + new provisions recognised during the year | | | | – | 56 |
| – amounts already provided for and written off this year | | | | (202) | – |
| – previous impairment losses reversed | | | | (49) | – |
| Balance at the end of the year | | | | 351 | 602 |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

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

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

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

| \$ '000 | Subject | | payable in: | | Total cash outflows | Actual carrying values |
|-----------------------------|----------------|----------|-------------|---------|---------------------|------------------------|
| | to no maturity | ≤ 1 Year | 1-5 Yrs | > 5 Yrs | | |
| 2017 | | | | | | |
| Trade/other payables | 2,557 | 36,103 | – | – | 38,660 | 38,660 |
| Loans and advances | – | 8,814 | 26,556 | 7,220 | 42,590 | 39,701 |
| Total financial liabilities | 2,557 | 44,917 | 26,556 | 7,220 | 81,250 | 78,361 |
| 2016 | | | | | | |
| Trade/other payables | 2,944 | 31,294 | – | – | 34,238 | 34,238 |
| Loans and advances | – | 8,051 | 26,404 | 10,656 | 45,111 | 40,630 |
| Total financial liabilities | 2,944 | 39,345 | 26,404 | 10,656 | 79,349 | 74,868 |

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

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

| | 2017 | | 2016 | |
|--|----------------|--------------------------------|----------------|--------------------------------|
| | Carrying value | Weighted Average interest rate | Carrying value | Weighted Average interest rate |
| Loans and advances – fixed interest rate | 39,701 | 1.50% | 40,630 | 1.50% |
| | 78,361 | | 74,868 | |

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 26 June 2016.

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

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

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

| \$ '000 | 2017 Budget | 2017 Actual | 2017 Variance* | |
|--|----------------|----------------|-------------------|---------------------|
| REVENUES | | | | |
| Rates and annual charges | 184,034 | 184,530 | 496 | 0% F |
| User charges and fees | 33,594 | 37,491 | 3,897 | 12% F |
| User charges and fees has a positive variation that is largely due to increased income above projections in the areas of Whytes Gully waste facility (\$2.2M), tourist parks (\$0.7M), development assessment (\$0.5M) and cemeteries (\$0.2M). | | | | |
| Interest and investment revenue | 4,253 | 5,909 | 1,656 | 39% F |
| Interest and investment income is greater due to increased cash holdings for a significant part of the year as a result of timing of project delivery, and favourable operating performance and positive fair valuation of a number of investment assets. | | | | |
| Other revenues | 10,205 | 14,418 | 4,213 | 41% F |
| Other revenue improvement has resulted mainly from the unwinding of the provision for carbon tax that is no longer applicable under arrangements agreed through the application of the Voluntary Waste Protocol (\$4.2M), settlement of prior years insurance claims from a liquidated insurer (\$0.4M), partially offset by delayed payment of a disaster claim (0.5M). | | | | |
| Operating grants and contributions | 29,961 | 39,639 | 9,678 | 32% F |
| Operating grant income has been impacted by the early payment to Council of the first two instalments of the 2017/18 Financial Assistance Grant during June 2017 financial year (\$9.0M), timing of grant payments including Community Transport (\$0.3M) and other more minor grant programs. | | | | |
| Capital grants and contributions | 32,947 | 42,022 | 9,075 | 28% F |
| Capital grants and contributions are impacted by contributed assets (\$29.5M), additional grants (\$2.1M), partially offset by lower developer contributions largely in West Dapto (\$11.5M), deferral of the Restart Illawarra projects (\$10.2M) and timing of more minor grant payments and associated works (\$0.8M). | | | | |
| Joint ventures and associates - net profits | – | 525 | 525 | 0% F |

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 16. Material budget variations (continued)

| \$ '000 | 2017 Budget | 2017 Actual | 2017 Variance* ----- | | |
|------------------------------------|----------------|----------------|-------------------------|----|---|
| EXPENSES | | | | | |
| Employee benefits and on-costs | 105,609 | 103,139 | 2,470 | 2% | F |
| Borrowing costs | 4,131 | 4,071 | 60 | 1% | F |
| Materials and contracts | 51,736 | 47,032 | 4,704 | 9% | F |
| Depreciation and amortisation | 64,840 | 61,271 | 3,569 | 6% | F |
| Other expenses | 35,763 | 35,594 | 169 | 0% | F |
| Net losses from disposal of assets | – | 3,960 | (3,960) | 0% | U |

The unfavourable variance is mainly due to the write off of residual values of infrastructure assets that were replaced during the year. These assets were disposed without consideration.

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

| | | | | | |
|--------------------------------------|----------|----------|-------|---------|---|
| Cash flows from operating activities | 98,641 | 101,631 | 2,990 | 3.0% | F |
| Cash flows from investing activities | (99,031) | (94,185) | 4,846 | (4.9%) | F |
| Cash flows from financing activities | (7,285) | (1,659) | 5,626 | (77.2%) | F |

Reflects a decision to take up an opportunity to borrow an additional amount (\$5.5M) under LIRS that was not originally budgeted for.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

| PURPOSE | Opening balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|---|-----------------|--|--------------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Drainage | 3,675 | 123 | – | 112 | – | – | 3,910 | – |
| Roads | (1,839) | 1,202 | – | (48) | (3,282) | – | (3,967) | – |
| Open space | 3,399 | 65 | – | 104 | – | – | 3,568 | – |
| Community facilities | 704 | 13 | – | 21 | – | – | 738 | – |
| Administration | (355) | 10 | – | (16) | (456) | – | (817) | – |
| Public transport | 524 | 15 | – | 16 | – | – | 555 | – |
| S94 contributions – under a plan | 6,108 | 1,428 | – | 189 | (3,738) | – | 3,987 | – |
| S94A levies – under a plan | 9,159 | 3,872 | – | 312 | (1,281) | – | 12,062 | – |
| Total S94 revenue under plans | 15,267 | 5,300 | – | 501 | (5,019) | – | 16,049 | – |
| S94 not under plans | 103 | 208 | – | 7 | – | – | 318 | – |
| S93F planning agreements | – | – | 4,867 | – | (4,867) | – | – | – |
| Total contributions | 15,370 | 5,508 | 4,867 | 508 | (9,886) | – | 16,367 | – |

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - WEST DAPTO

| PURPOSE | Opening balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|----------------------------|-----------------|--|--------------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Drainage | 3,675 | 123 | – | 112 | – | – | 3,910 | – |
| Roads | (1,839) | 1,202 | – | (48) | (3,282) | – | (3,967) | – |
| Open space | 3,399 | 65 | – | 104 | – | – | 3,568 | – |
| Community facilities | 704 | 13 | – | 21 | – | – | 738 | – |
| Administration | (355) | 10 | – | (16) | (456) | – | (817) | – |
| Public transport | 524 | 15 | – | 16 | – | – | 555 | – |
| Total under plan | 6,108 | 1,428 | – | 189 | (3,738) | – | 3,987 | – |
| S93F Planning agreements | – | – | 4,867 | – | (4,867) | – | – | – |
| Total contributions | 6,108 | 1,428 | 4,867 | 189 | (8,605) | – | 3,987 | – |

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN - WOLLONGONG

| PURPOSE | Opening balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| City Wide | 11,451 | 2,970 | – | 381 | (1,263) | – | 13,539 | – |
| City Centre | (2,292) | 902 | – | (69) | (18) | – | (1,477) | – |
| Total | 9,159 | 3,872 | – | 312 | (1,281) | – | 12,062 | – |

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

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

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

CONTRIBUTION PLAN - CALDERWOOD

| PURPOSE | Opening balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|--------------|--------------------|---|----------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|---|
| | | Cash | Non-cash | | | | | |
| Roads | 103 | 208 | – | 7 | – | – | 318 | – |
| Total | 103 | 208 | – | 7 | – | – | 318 | – |

- A** The Calderwood Urban Release Area was historically in the Shellharbour City Local Government Area. However, the Urban Release Area was later expanded during the State Government's major project approval process to include land that straddles the local government boundary, which comprises 107 hectares of land in the Wollongong Local Government Area at Marshall Mount.
- B** In 2013, the Land and Environment Court imposed a development contribution condition on Stage 1 of the Calderwood development within Shellharbour City Council Local Government area, requiring the payment of a contribution of \$1,320 per lot to Wollongong City Council to be used towards the upgrades of Marshall Mount Road and Yallah Road.
- C** Lend Lease has paid \$102,094 to Wollongong City Council arising from the first 75 lots released under Stage 1. Additional future contributions are expected from the remainder of the lots within Stage 1 (\$207,967 at 30 June 2017). Potential future contributions from other stages of the land release within the Shellharbour Local Government area are dependent on legal proceedings currently pending in the Land and Environment Court. In addition, Council received a Draft Planning Agreement from Lendlease Communities (Australia) in July 2017 which (if executed) will provide contributions to Wollongong City Council for all stages of the land release with the exception of Stage 1.
- D** The draft Calderwood Section 94 Development Contributions Plan was endorsed by Council on the 31 July 2017 and has been referred to the Secretary of the NSW Department of Planning and Environment for determination of cross-boundary issues with Shellharbour City Council. Following receipt of advice from the Secretary, a further report on the Calderwood Section 94 Development Contributions Plan will be submitted to Council.
- E** A draft Planning Agreement between Wollongong City Council and Lendlease Communities (Australia) Limited will be placed on public exhibition. Council resolved to grant the General Manager delegated authority to consider the submissions during the exhibition period and finalise the Planning Agreement with Lend Lease Communities (Australia) Limited.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Bank Guarantees

Council has provided Bank Guarantees totalling \$244,900 as security over damages for work that may impact a third party.

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

2. Third Party Claims

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

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

3. S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans. As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

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

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

4. Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make a higher contribution during the reporting period. This amounted to \$1.86M for Council in 2016/17. Council's LTFM includes forecast payments of \$1.86M in 2017/18 and \$1.86M annually up to and including 2020/21.

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

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

5. Greenhouse Park

Council owns and manages a former landfill site at Greenhouse Park located off Springhill Road. The landfill was commenced prior to contemporary environmental regulations and was used at various times for both putrescible and builders construction waste.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED:

5. Greenhouse Park (continued)

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 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.

ASSETS NOT RECOGNISED:

1. Various Insurances - HIH & CIC

Council placed or was a party to various liability, property and workers compensation insurance policies with HIH & CIC. During 2000/2001 HIH & CIC went into liquidation. Both HIH & CIC remain responsible for payment of their portion of each Council claim incurred which exceeded Council's insurance excess. Council has recovered \$1,123,732 to date. The total of Council's unrecovered claims is currently \$1,173,770. At this time, based on the liquidator's estimated final dividend rates, Council expects to recover a further \$75,218 from the remaining assets of HIH & CIC.

2. Land Under Roads

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

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

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

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

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

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

Unconsolidated structured entities

Note 19(d)

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

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

| | Council's share of net income | | Council's share of net assets | |
|----------------|-------------------------------|----------------|-------------------------------|----------------|
| | Actual 2017 | Actual 2016 | Actual 2017 | Actual 2016 |
| Joint ventures | 525 | 150 | 1,835 | 1,310 |
| Total | 525 | 150 | 1,835 | 1,310 |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

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

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

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

(a) Net carrying amounts – Council's share

| Name of entity | Nature of relationship | Measurement method | 2017 | 2016 |
|--|------------------------|--------------------|--------------|--------------|
| Civic West | Joint venture | Equity | 988 | 376 |
| Civic Risk | Joint venture | Equity | 847 | 934 |
| Total carrying amounts – material joint ventures and associates | | | 1,835 | 1,310 |

(b) Details

| Name of entity | Principal activity |
|----------------|--------------------|
| Civic West | Insurance |
| Civic Risk | Insurance |

(c) Relevant interests and fair values

| Name of entity | Quoted fair value | | Interest in outputs | | Interest in ownership | | Proportion of voting power | |
|----------------|-------------------|------|---------------------|------|-----------------------|------|----------------------------|------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Civic West | 988 | 376 | 3% | 1% | 3% | 1% | 10% | 10% |
| Civic Risk | 847 | 934 | 13% | 13% | 13% | 13% | 6% | 5% |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates

| | Civic West | | Civic Risk | |
|---|---------------|---------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Statement of financial position | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 2,935 | 2,960 | 506 | 171 |
| Other current assets | 13,732 | 9,749 | 6,239 | 4,177 |
| Non-current assets | 47,434 | 47,864 | 5,889 | 8,539 |
| Current liabilities | | | | |
| Current financial liabilities (excluding trade and other payables and provisions) | 5,008 | 4,999 | 2,890 | 2,800 |
| Other current liabilities | 688 | 523 | 423 | 347 |
| Non-current liabilities | | | | |
| Non-current financial liabilities (excluding trade and other payables and provisions) | 20,429 | 22,856 | 2,830 | 2,454 |
| Net assets | 37,976 | 32,195 | 6,491 | 7,286 |
| Reconciliation of the carrying amount | | | | |
| Opening net assets (1 July) | 32,195 | 29,943 | 7,286 | 7,517 |
| Profit/(loss) for the period | 7,465 | 3,498 | (795) | (231) |
| Other adjustments to equity | (1,684) | (1,246) | — | — |
| Closing net assets | 37,976 | 32,195 | 6,491 | 7,286 |
| Council's share of net assets (%) | 2.6% | 1.2% | 13.1% | 12.8% |
| Council's share of net assets (\$) | 988 | 376 | 847 | 934 |
| | | | | |
| | Civic West | | Civic Risk | |
| | 2017 | 2016 | 2017 | 2016 |
| Statement of comprehensive income | | | | |
| Income | 7,066 | 7,421 | 8,302 | 8,551 |
| Interest income | 3,757 | 2,438 | 584 | 423 |
| Interest expense | (17) | (17) | — | — |
| Other expenses | (3,341) | (6,344) | — | (9,205) |
| Profit/(loss) from continuing operations | 7,465 | 3,498 | 8,886 | (231) |
| Profit/(loss) from discontinued operations | — | — | (9,682) | — |
| Profit/(loss) for period | 7,465 | 3,498 | (796) | (231) |
| Other comprehensive income | — | — | — | — |
| Total comprehensive income | 7,465 | 3,498 | (796) | (231) |
| Share of income – Council (%) | 8.2% | 6.6% | 10.9% | 35.0% |
| Profit/(loss) – Council (\$) | 612 | 231 | (87) | (81) |
| Total comprehensive income – Council (\$) | 612 | 231 | (87) | (81) |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no interest in any structured entities.

(e) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report. Results provided relate to the latest available audited statements which is 2016.

| Name of entity/operation | Principal activity/type of entity | 2017 Net profit | 2017 Net assets |
|--|---|--------------------|--------------------|
| 1. Illawarra Pilot Joint Organisation | Inter-Governmental Collaboration Joint Venture | 207 | 1,016 |

Reasons for non-recognition

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

| | | | |
|---|---|----|-----|
| 2. Illawarra District Noxious Weed Authority | Administer Noxious Weeds Act Joint Venture | 63 | 812 |
|---|---|----|-----|

Reasons for non-recognition

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

| | | | |
|----------------------------------|--|------|----|
| 3. Destination Wollongong | Tourism Development & Promotion Associate | (21) | 48 |
|----------------------------------|--|------|----|

Reasons for non-recognition

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

| | | | |
|--|---|----|-----|
| 4. Illawarra Performing Arts Centre | Theatre & Town Hall Management Associate | 83 | 303 |
|--|---|----|-----|

Reasons for non-recognition

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

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|--------|------------------|------------------|
| (a) Retained earnings | | | |
| Movements in retained earnings were as follows: | | | |
| Balance at beginning of year (from previous years audited accounts) | | 1,299,525 | 1,252,318 |
| a. Correction of prior period errors | 20 (c) | 3,118 | 3,118 |
| b. Other comprehensive income (excl. direct to reserves transactions) | | — | 19,768 |
| c. Net operating result for the year | | 69,467 | 27,841 |
| d. Transfers between equity | | 10,661 | (402) |
| Balance at end of the reporting period | | 1,382,771 | 1,302,643 |

(b) Revaluation reserves**(i) Reserves are represented by:**

| | | |
|---|----------------|----------------|
| Infrastructure, property, plant and equipment revaluation reserve | 974,735 | 986,667 |
| Total | 974,735 | 986,667 |

(ii) Reconciliation of movements in reserves:**Infrastructure, property, plant and equipment revaluation reserve**

| | | |
|--|----------------|----------------|
| Opening balance | 986,667 | 1,012,431 |
| Revaluations for the year | 9(a) (511) | (26,166) |
| (Impairment of revalued assets)/impairment reversals | 9(a),(c) (760) | — |
| Transfer to retained earnings for asset disposals | (10,661) | 402 |
| Balance at end of year | 974,735 | 986,667 |

TOTAL VALUE OF RESERVES

| | |
|----------------|----------------|
| 974,735 | 986,667 |
|----------------|----------------|

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| | Actual | Actual |
|---------|--------|--------|
| \$ '000 | 2017 | 2016 |

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

Correction of errors disclosed in this year's financial statements:

Council disposed of land assets in 2015. It was noted during a review of inventory in 2017 that there were building assets on the land that should have also been disposed.

Impacts on specific accounts are as outlined.

| | |
|---|-------|
| - 2014/15 Loss on disposal of assets | (820) |
| - 2014/15 Adjustment to asset revaluation reserve for disposed assets | (158) |
| - 2014/15 & 2015/16 Write back of depreciation for disposed assets | 81 |

Capital expenditure was incorrectly allocated across some transport assets. Relevant assets have been restated, capital expenditure reallocated correctly and appropriate asset disposals processed.

Impacts on specific accounts are as outlined.

| | |
|---|-------|
| - 2014/15 & 2015/16 Loss on disposal of assets | (130) |
| - 2014/15 & 2015/16 Adjustment to revaluation reserve | (391) |

Correction of errors as disclosed in last year's financial statements:

Council reassessed the useful life of its IPPE and as a result was found to have overstated these assets depreciation.

It also found that IPPE that Council owned had not been recognised and IPPE that had been recognised was disposed of in previous years.

A revaluation exercise in 2017 has identified the errors and an adjustment has been made against the current year balances of IPPE and retained earnings to correct the errors because it was found to be impractical to restate the prior year comparatives.

continued on next page...

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| \$ '000 | Actual 2017 | Actual 2016 |
|---|----------------|----------------|
| (c) Correction of error/s relating to a previous reporting period | | |
| Details of the amounts and the financial statement lines affected are outlined below: | | |
| - Depreciation Adjustment as a result of an assessment of useful lives | – | 1,699 |
| - Roads not recognised in previous years | 1,511 | 1,499 |
| - Footpaths not recognised in previous years | 149 | 79 |
| - Bridges not recognised in previous years | 515 | 8,014 |
| - Kerb & Gutter not recognised in previous years | 289 | 246 |
| - Other Structures not recognised in previous years | 185 | – |
| - Other Infrastructure not recognised in previous years | 103 | – |
| - Car Parks not recognised in previous years | 27 | 2,803 |
| - Cycleways not recognised in previous years | – | 1,104 |
| - Stormwater not recognised in previous years | 2,851 | 2,291 |
| - Recreation Assets not recognised in previous years | – | 1,859 |
| - Other Infrastructure not recognised in previous years | – | 172 |
| - Bridges disposed of in previous years but still recorded | (1,094) | – |

In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.

These amounted to the following equity adjustments:

| | | |
|--|--------------|---------------|
| – Adjustments to opening equity – 1/7/16 (relating to adjustments for the 30/6/16 reporting year end and prior periods) | 3,118 | 19,768 |
| – Adjustments to closing equity – 30/6/17 (relating to adjustments for the 30/6/17 year end) | – | – |
| Total prior period adjustments – prior period errors | 3,118 | 19,768 |

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

\$ '000

Council utilises only a general fund for its operations.

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

| \$ '000 | 2017 Current | 2017 Non-current | 2016 Current | 2016 Non-current |
|--|---------------------|---------------------|-----------------|---------------------|
| (i) Non-current assets and disposal group assets | | | | |
| Non-current assets 'held for sale' | | | | |
| Land | 6,381 | — | — | — |
| Total non-current assets 'held for sale' | 6,381 | — | — | — |
| Disposal group assets 'held for sale' | | | | |
| None | | | | |
| <u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u> | <u>6,381</u> | <u>—</u> | <u>—</u> | <u>—</u> |

(ii) Details of assets and disposal groups

The above relates to land at Flinders Street North Wollongong which is expected to be sold towards the end of the 2017 calendar year.

| \$ '000 | Assets 'held for sale' | |
|---|------------------------|----------|
| | 2017 | 2016 |
| (iii) Reconciliation of non-current assets 'held for sale' | | |
| Plus new transfers in: | | |
| – Assets 'held for sale' | 6,381 | — |
| Closing balance of 'held for sale' non-current assets and operations | 6,381 | — |

Refer to Note 27. Fair value measurement for fair value measurement information.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 23. Events occurring after the reporting date

\$ '000

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

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

Accordingly, the 'authorised for issue' date is 10/10/17.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 25. Intangible assets

| | Actual 2017 | Actual 2016 |
|--|-------------------|---------------------|
| \$ '000 | | |
| Intangible assets represent identifiable non-monetary assets without physical substance. | | |
| Intangible assets are as follows: | | |
| Opening values: | | |
| Gross book value (1/7) | 1,993 | 1,636 |
| Accumulated amortisation (1/7) | (950) | (416) |
| Accumulated impairment (1/7) | – | – |
| Net book value – opening balance | 1,043 | 1,220 |
| Movements for the year | | |
| – Purchases | 211 | 357 |
| – Amortisation charges | (600) | (534) |
| Closing values: | | |
| Gross book value (30/6) | 2,204 | 1,993 |
| Accumulated amortisation (30/6) | (1,551) | (950) |
| Accumulated impairment (30/6) | – | – |
| <u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹ | <u>653</u> | <u>1,043</u> |

¹ The net book value of intangible assets represent:

| | | |
|----------|------------|--------------|
| Software | 653 | 1,043 |
| | 653 | 1,043 |

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Notes

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

| Asset/operation | Estimated year of restoration | NPV of provision | |
|---|-------------------------------------|------------------|---------------|
| | | 2017 | 2016 |
| Waste facility remediation – Whytes Gully | 2054 | 39,868 | 37,973 |
| Waste facility remediation – Helensburgh | Closed | 4,369 | 4,418 |
| Flinders street land remediation | | – | 292 |
| Balance at end of the reporting period | 10(a) | 44,237 | 42,683 |

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

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

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

Reconciliation of movement in provision for year:

| | | |
|--|---------------|---------------|
| Balance at beginning of year | 42,683 | 40,966 |
| Amounts capitalised to new or existing assets: | | |
| Effect of a change in other calculation estimates used | (291) | – |
| Amortisation of discount (expensed to borrowing costs) | 1,894 | 1,804 |
| Expenditure incurred attributable to provisions | (49) | (87) |
| Total – reinstatement, rehabilitation and restoration provision | 44,237 | 42,683 |

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Provisions for close down and restoration and for environmental clean up costs – tips and quarries

Restoration

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

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

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

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.

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.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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

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

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

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

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

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

| Fair values. | | Fair value measurement hierarchy | | | Total |
|---|--------------------------|---|--|--|---------|
| 2017 | Date of latest valuation | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring fair value measurements | | | | | |
| Financial assets | | | | | |
| Investments | | | | | |
| – ‘Designated at fair value on initial recognition’ | 30/06/17 | – | – | 43,428 | 43,428 |
| Total financial assets | | – | – | 43,428 | 43,428 |
| Investment properties | | | | | |
| Commercial building | 30/06/17 | – | – | 4,775 | 4,775 |
| Total investment properties | | – | – | 4,775 | 4,775 |
| Infrastructure, property, plant and equipment | | | | | |
| Roads | 30/06/17 | – | – | 535,554 | 535,554 |
| Bridges | 30/06/17 | – | – | 94,098 | 94,098 |
| Footpaths | 30/06/17 | – | – | 124,723 | 124,723 |
| Stormwater | 30/06/17 | – | – | 522,839 | 522,839 |
| Plant and equipment | 30/06/17 | – | – | 21,589 | 21,589 |
| Office equipment | 30/06/17 | – | – | 3,061 | 3,061 |
| Furniture and fittings | 30/06/17 | – | – | 1,478 | 1,478 |
| Operational land | 30/06/14 | – | – | 169,578 | 169,578 |
| Community land | 30/06/16 | – | – | 348,428 | 348,428 |
| Land under roads | 30/06/14 | – | – | 30,127 | 30,127 |
| Buildings | 30/06/14 | – | – | 190,859 | 190,859 |
| Other structures | 30/06/16 | – | – | 6,435 | 6,435 |
| Swimming pools | 30/06/16 | – | – | 7,280 | 7,280 |
| Library books | 30/06/16 | – | – | 4,358 | 4,358 |

(continued on the next page...)

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

| 2017 | Date of latest valuation | Fair value measurement hierarchy | | | Total |
|--|--------------------------|---|--|--|------------------|
| | | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring fair value measurements | | | | | |
| Other open space/recreational assets | 30/06/16 | — | — | 108,691 | 108,691 |
| Tip asset | 30/06/17 | — | — | 10,807 | 10,807 |
| Works in progress | 30/06/17 | — | — | 89,997 | 89,997 |
| Artworks | 30/06/17 | — | — | 12,368 | 12,368 |
| Other | 30/06/16 | — | — | 32,007 | 32,007 |
| Total infrastructure, property, plant and equipment | | — | — | 2,314,277 | 2,314,277 |
| Non-recurring fair value measurements | | | | | |
| Non-current assets classified as 'held for sale' | | | | | |
| Flinders Street North Wollongong | 30/06/14 | — | — | 6,381 | 6,381 |
| Total NCA's classified as 'held for sale' | | — | — | 6,381 | 6,381 |
| 2016 | | | | | |
| Recurring fair value measurements | | | | | |
| Financial assets | | | | | |
| Investments | | | | | |
| – 'Designated at fair value on initial recognition' | 30/06/16 | — | — | 31,663 | 31,663 |
| Total financial assets | | — | — | 31,663 | 31,663 |
| Investment properties | | | | | |
| Commercial building | 30/06/16 | — | — | 4,775 | 4,775 |
| Total investment properties | | — | — | 4,775 | 4,775 |
| Infrastructure, property, plant and equipment | | | | | |
| Roads | 30/06/16 | — | — | 534,224 | 534,224 |
| Bridges | 30/06/16 | — | — | 91,270 | 91,270 |
| Footpaths | 30/06/16 | — | — | 124,654 | 124,654 |
| Stormwater | 30/06/16 | — | — | 510,005 | 510,005 |
| Plant and equipment | 30/06/16 | — | — | 20,744 | 20,744 |
| Office equipment | 30/06/16 | — | — | 2,384 | 2,384 |
| Furniture and fittings | 30/06/16 | — | — | 1,074 | 1,074 |
| Operational land | 30/06/14 | — | — | 177,185 | 177,185 |
| Community land | 30/06/16 | — | — | 348,292 | 348,292 |
| Land under roads | 30/06/14 | — | — | 30,050 | 30,050 |
| Buildings | 30/06/14 | — | — | 194,208 | 194,208 |
| Other structures | 30/06/16 | — | — | 6,053 | 6,053 |
| Swimming pools | 30/06/16 | — | — | 7,386 | 7,386 |
| Library books | 30/06/16 | — | — | 4,289 | 4,289 |
| Other open space/recreational assets | 30/06/16 | — | — | 106,590 | 106,590 |
| Tip asset | 30/06/16 | — | — | 11,028 | 11,028 |
| Works in progress | 30/06/16 | — | — | 55,549 | 55,549 |
| Artworks | 30/06/16 | — | — | 12,265 | 12,265 |
| Other | 30/06/16 | — | — | 33,169 | 33,169 |
| Total infrastructure, property, plant and equipment | | — | — | 2,270,419 | 2,270,419 |

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. 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:

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Financial Assets

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

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

Investment Property

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

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

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

Infrastructure, Property, Plant & Equipment

Infrastructure – Council's Infrastructure incorporates;

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

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.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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).

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

Land Under Roads

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

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

Buildings – Non-Specialised and Specialised

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

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

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.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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.

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 Nannes Fong undertook the original valuation in 2009. An internal valuation was undertaken during the 2016 financial year.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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.

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

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

Tip Remediation Asset

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

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

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. 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, Office Equipment & Furniture & Fittings | Annually | Assessment of remaining useful life undertaken with adjustments to consumption patterns that may impact fair value | Internal | Finance Division |
| Operational Land | 5 Years | Full valuation every 5 years or index applied annually if material | External | Property Division |
| Community Land | 5 Years | Valuer General Land Values or Average Unit Rate for similar properties if not available | Valuer General / Internal | Property / Finance Division |
| Land Under Roads | 5 Years | Valuer General Land Values or Average Unit Rate used as proxy to derive en globo rate | Valuer General / Internal | Finance Division |
| Buildings – Non Specialised & Specialised | 5 Years | Full valuation every 5 years or index applied annually if material | External / Internal | Infrastructure & Strategic Planning Division / Property Division |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

Wollongong City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

| | Financial assets | Investment property | IPP&E | Total |
|--|---------------------|------------------------|------------------|------------------|
| Opening balance – 1/7/15 | 11,046 | 2,750 | 2,251,343 | 2,265,139 |
| Purchases (GBV) | 21,588 | – | 86,357 | 107,945 |
| Disposals (WDV) | (1,054) | – | (2,546) | (3,600) |
| Depreciation and impairment | – | – | (61,355) | (61,355) |
| FV gains – other comprehensive income | – | – | (26,166) | (26,166) |
| FV gains – Income Statement ¹ | 83 | 2,025 | – | 2,108 |
| FV decrements - Income Statement | – | – | (1,470) | (1,470) |
| Adjustments and transfers | – | – | 19,769 | 19,769 |
| Prior Period Adjustment (refer Note 20c) | – | – | 4,487 | 4,487 |
| Closing balance – 30/6/16 | <u>31,663</u> | <u>4,775</u> | <u>2,270,419</u> | <u>2,306,857</u> |
| Transfers from/(to) another asset class | – | – | (6,380) | (6,380) |
| Purchases (GBV) | 11,125 | – | 119,994 | 131,119 |
| Disposals (WDV) | (30) | – | (7,199) | (7,229) |
| Depreciation and impairment | – | – | (60,671) | (60,671) |
| FV gains – other comprehensive income | – | – | (511) | (511) |
| FV gains – Income Statement ¹ | 670 | – | – | 670 |
| Impairment (refer Note 4d) | – | – | (760) | (760) |
| Land remediation reversal | – | – | (315) | (315) |
| Transfer to expense | – | – | (300) | (300) |
| Closing balance – 30/6/17 | <u>43,428</u> | <u>4,775</u> | <u>2,314,277</u> | <u>2,362,480</u> |

| | Held for sale assets | IPP&E | Total |
|---|-------------------------|--------------|--------------|
| Opening balance – 1/7/15 | – | 6,381 | 6,381 |
| Closing balance – 30/6/16 | <u>–</u> | <u>6,381</u> | <u>6,381</u> |
| Transfers from/(to) another asset class | 6,381 | (6,381) | – |
| Closing balance – 30/6/17 | <u>6,381</u> | <u>–</u> | <u>6,381</u> |

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

| | Actual 2017 |
|--------------------------|----------------|
| Compensation: | |
| Short-term benefits | 1,955 |
| Post-employment benefits | — |
| Other long-term benefits | — |
| Termination benefits | 2 |
| Total | 1,957 |

Wollongong City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

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

c. Other related party transactions

| Nature of the transaction | Value of transactions during year \$'000 | Outstanding balance (incl. loans and commitments) \$'000 | Terms and conditions | Provisions for doubtful debts outstanding \$'000 | Doubtful debts expense recognised \$'000 |
|---------------------------|---|--|---|---|---|
| Associate | 1,010 | | Amounts provided under a funding agreement. | | |
| | 332 | | Marketing, events, business and investment in LGA. | | |
| | 146 | | LGA Major events. | | |
| | | | Subsidised office space | | |
| Associate | | | Amounts provided under a funding agreement. | | |
| | 673 | | Contribution for Management of the Performing Arts Centre | | |
| | 350 | | Town Hall management. | | |

Wollongong City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Council information and contact details

Principal place of business:

41 Burelli Street
Wollongong NSW 2500

Contact details
Mailing address:

Locked Bag 8821
Wollongong NSW 2500

Opening hours:

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

Telephone: (02) 4227 7111

Facsimile: (02) 4227 7277

Internet: www.wollongong.nsw.gov.au

Email: council@wollongong.nsw.gov.au

Officers
GENERAL MANAGER

David Farmer

RESPONSIBLE ACCOUNTING OFFICER

Brian Jenkins

PUBLIC OFFICER

Kylee Cowgill

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
Janice Kershaw
Jenelle Rimmer
Mithra Cox

Ward 2

John Dorahy
David Brown
Tania Brown
Cath Blakey

Ward 3

Chris Connor
Vicky King
Dom Figliomeni
Cameron Walters

Other information

ABN: 63 139 525 939



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wollongong City Council

To the Councillors of Wollongong City Council

Opinion

I have audited the accompanying financial statements of Wollongong City Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 13 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'C. Clayton', with a stylized flourish at the end.

Chris Clayton
Director, Financial Audit Services

10 October 2017
SYDNEY

Councillor Gordon Bradbery OAM
Lord Mayor
Wollongong City Council
Locked Bag 8821
WOLLONGONG DC NSW 2500

Contact: Chris Clayton
Phone no: 02 9275 7248
Our ref: D1723954/1811

28 September 2017

Dear Lord Mayor

Report on the Conduct of the Audit for the year ended 30 June 2017 Wollongong City Council

I have audited the general purpose financial statements of the Wollongong City Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I will express an unmodified opinion on the Council's general purpose financial statements. The Independent Auditor's Report will be signed after the signed financial statements are received.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

| | 2017 \$m | 2016 \$m | Variance % |
|--|--------------------|--------------------|----------------------|
| Rates and annual charges revenue | 184.5 | 174.1 | 6.0 ↑ |
| Grants and contributions revenue | 81.7 | 57.0 | 43.3 ↑ |
| Operating result for the year | 69.5 | 27.8 | 150.0 ↑ |
| Net operating result before capital amounts | 27.4 | 1.3 | >2,000.0 ↑ |

Rates and annual charges revenue (\$184.5 million) increased by \$10.4 million (6.0 per cent). Council had an approved Special Rate Variation which allowed it to increase general rates revenue by 6.2 per cent in 2016-17.

Grants and contribution revenue (\$81.7 million) increased by \$24.7 million (43.3 per cent) in 2016-17 due to:

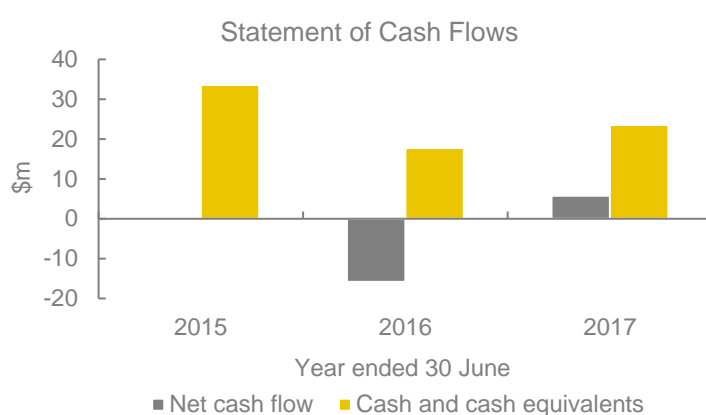
- \$24.6 million in capital grants and contributions (dedications) received for assets associated with subdivisions handed over to Council
- receipt of 2017-18 financial assistance grants in 2016-17.

Council's operating result (\$69.5 million) was \$41.7 million higher than the 2015-16 result. The above increases in revenue largely caused this change.

STATEMENT OF CASH FLOWS

Over the past three years, Council's net cash flows ranged from net cash outflows of \$15.8 million in 2015-16 to new cash inflows of \$5.8 million in 2016-17. Over this period, Council has generated operating cash flow surpluses allowing it to maintain and renew community infrastructure.

Council's cash and cash equivalent's balance remained largely consistent over the past three years.



FINANCIAL POSITION

Cash and Investments

| Restricted Cash and Investments | 2017 | 2016 | Commentary |
|---------------------------------|--------------|--------------|--|
| | \$m | \$m | |
| External restrictions | 75.8 | 75.3 | Council increased its cash reserves and invested funds during 2016-17. It had \$167.6 million in cash and investments at 30 June 2017, an increase of \$13.5 million from the previous year. |
| Internal restrictions | 57.4 | 55.4 | |
| Unrestricted | 34.4 | 23.4 | |
| Cash and investments | 167.6 | 154.1 | Council had \$133.2 million in restrictions imposed on its cash reserves to use for specific purposes (2016: \$130.7 million). Council held \$20.0 million in cash and investments for funding it received as part of the Local Infrastructure Renewal Scheme, and implementing NSW Government's local infrastructure backlog policy. It also imposed internal restrictions of \$57.4 million on its cash and investments held, the largest of which related to strategic projects approved by Council (\$30.2 million). |

Debt

At 30 June 2017, Council had external borrowings of \$39.7 million (30 June 2016: \$40.6 million). The loans are secured over Council's general rating income.

At 30 June 2017, Council also had access to a \$300,000 (30 June 2016: \$300,000) bank overdraft facility. This facility was unused at year end.

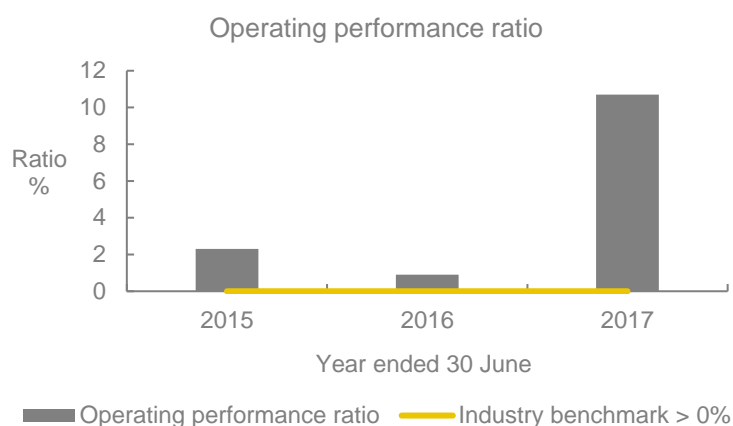
PERFORMANCE RATIOS

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

Operating performance ratio

Council's operating performance ratio exceeded the industry benchmark over the past three years. The ratio ranged from 0.9 to 10.7. Council's operating performance ratio was significantly higher in 2017 largely due to the Commonwealth Government's early payment of the first two instalments of the 2017-18 Financial Assistance Grants.

The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

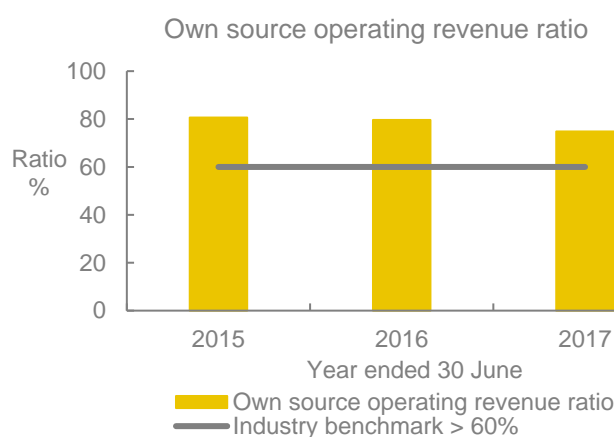


Own source operating revenue ratio

Council's own source operating revenue ratio exceeded the industry benchmark over the past three years.

Council's own source operating revenue ratio fell from 80.6 per cent in 2014-15 to 74.8 per cent in 2016-17. Council received \$24.6 million in capital grants and contributions (dedications) in 2016-17 for assets associated with subdivisions that were handed over to Council. This increased Council's contributions revenue for the year and caused the ratio to fall.

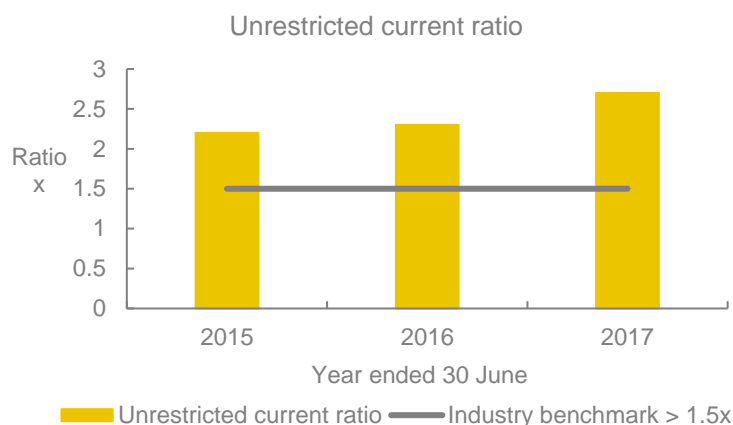
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark over the past three years. The ratio increased as funds held for future waste facility requirements is included in the ratio. Council anticipates the ratio will increase in coming years for this reason. Notwithstanding, Council's strategy is to maximise the use of available funds and not have an excessive ratio.

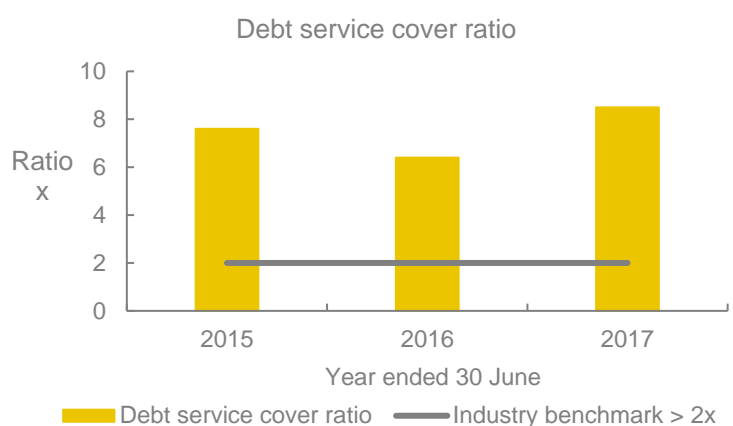
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio exceeded the industry benchmark over the past three years. Council's debt service cover ratio increased from 6.4 to 8.5 at 30 June 2017. A higher ratio indicates Council has greater capacity to take on, and service additional debt.

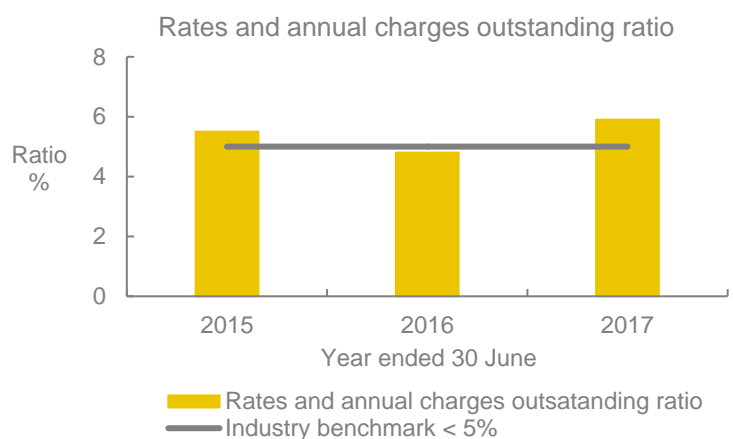
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council did not meet the rates and annual charges outstanding ratio benchmark at 30 June 2017. An unpaid debt of \$1.6 million by one corporate ratepayer affected this year's result. The debt was fully paid on 3 July 2017.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.

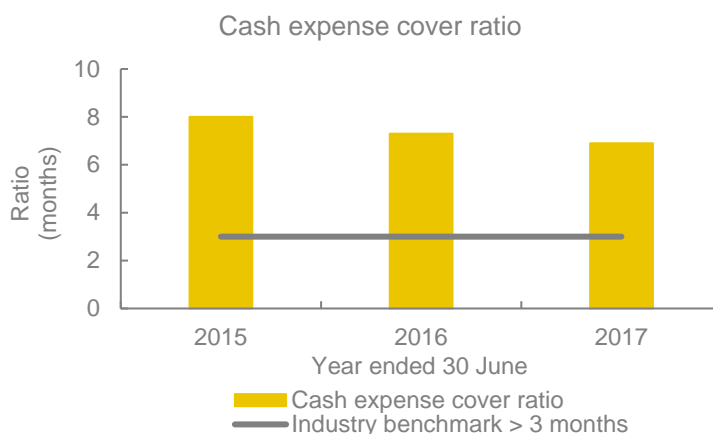


Cash expense cover ratio

Council's cash expense cover ratio exceeded the industry benchmark over the past three years.

Council's cash expense cover ratio fell from 8.0 months in 2015 to 6.9 months in 2017. Despite the fall, Council's ratio continues to be well above the benchmark.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



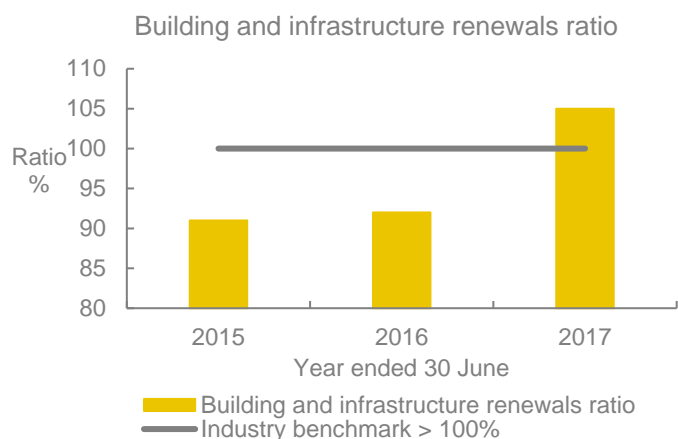
Building and infrastructure renewals ratio

Council met the building and infrastructure renewals ratio benchmark in 2016-17. Over the past three years, Council's building and infrastructure renewals ratio increased from 91.0 in 2014-15 to 105.0 in 2016-17. Whilst renewal expenditure will vary from year to year, the upwards trend indicates assets are being renewed at a rate to which they are being depreciated (used).

This ratio needs to be considered in conjunction with other financial indicators in determining Council's financial position and sustainability.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

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



OTHER MATTERS

Council Entities

Council has interests in the following 'council entities':

- Civic West
- Civic Risk
- Illawarra Pilot Joint Organisation
- Illawarra District Noxious Weed Authority
- Destination Wollongong
- Illawarra Performing Arts Centre.

Council has alternate external audits arrangements in place for the above 'council entities'. I have obtained sufficient audit evidence to be satisfied Council's general purpose financial statements materially reflect Council's interest in the entities.

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

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

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



Chris Clayton
Director, Financial Audit Services

cc: Mr David Farmer, General Manager
Mr Jim Mitchell, Chair of the Audit Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Wollongong City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Wollongong City Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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| Income Statement – Sewerage Business Activity | n/a |
| Income Statement – Other Business Activities | 3 |
| Statement of Financial Position – Water Supply Business Activity | n/a |
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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 for the year ended 30 June 2017

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

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

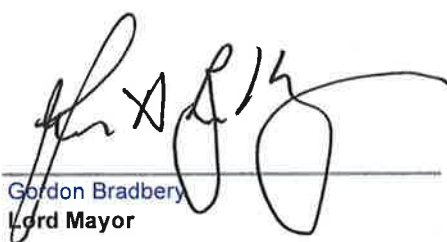
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the 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.

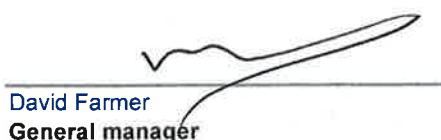
Signed in accordance with a resolution of Council made on 9 October 2017.



Gordon Bradbery
Lord Mayor



David Brown
Deputy Lord Mayor



David Farmer
General manager



Brian Jenkins
Responsible accounting officer

Wollongong City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

| \$ '000 | Waste Disposal | | Tourist Parks | |
|--|----------------|----------------|----------------|----------------|
| | Category 1 | | Category 1 | |
| | Actual 2017 | Actual 2016 | Actual 2017 | Actual 2016 |
| Income from continuing operations | | | | |
| Access charges | — | — | — | — |
| User charges | 29,967 | 24,651 | 6,928 | 6,339 |
| Fees | — | — | — | — |
| Interest | — | — | — | — |
| Grants and contributions provided for non-capital purposes | — | — | — | — |
| Profit from the sale of assets | — | — | — | — |
| Share of profit from equity accounted investment | — | — | — | — |
| Other income | 397 | 341 | 128 | 114 |
| Total income from continuing operations | 30,364 | 24,992 | 7,056 | 6,453 |
| Expenses from continuing operations | | | | |
| Employee benefits and on-costs | 1,624 | 1,509 | 2,591 | 2,577 |
| Borrowing costs | 1,894 | 1,804 | — | — |
| Materials and contracts | 1,464 | 1,568 | 1,116 | 832 |
| Depreciation, amortisation and impairment | 1,179 | 1,148 | 966 | 980 |
| Loss on sale of assets | 2 | — | — | 21 |
| Calculated taxation equivalents | 451 | 439 | 596 | 575 |
| EPA levy | 15,357 | 12,899 | — | — |
| Debt guarantee fee (if applicable) | — | — | — | — |
| Other expenses | 1,870 | 1,844 | 1,085 | 1,006 |
| Total expenses from continuing operations | 23,841 | 21,211 | 6,354 | 5,991 |
| Surplus (deficit) from continuing operations before capital amounts | 6,523 | 3,781 | 702 | 462 |
| Grants and contributions provided for capital purposes | — | — | — | — |
| Surplus (deficit) from continuing operations after capital amounts | 6,523 | 3,781 | 702 | 462 |
| Surplus (deficit) from discontinued operations | — | — | — | — |
| Surplus (deficit) from all operations before tax | 6,523 | 3,781 | 702 | 462 |
| Less: corporate taxation equivalent (30%) [based on result before capital] | (1,957) | (1,134) | (211) | (139) |
| SURPLUS (DEFICIT) AFTER TAX | 4,566 | 2,647 | 491 | 323 |
| Plus opening retained profits | 33,095 | 28,875 | 9,378 | 8,341 |
| Plus adjustments for amounts unpaid: | | | | |
| – Taxation equivalent payments | 451 | 439 | 596 | 575 |
| – Debt guarantee fees | — | — | — | — |
| – Corporate taxation equivalent | 1,957 | 1,134 | 211 | 139 |
| Add: | | | | |
| – Subsidy paid/contribution to operations | — | — | — | — |
| Less: | | | | |
| – TER dividend paid | — | — | — | — |
| – Dividend paid | — | — | — | — |
| Closing retained profits | 40,069 | 33,095 | 10,676 | 9,378 |
| Return on capital % | 24.7% | 16.1% | 2.9% | 1.8% |
| Subsidy from Council | — | — | — | 88 |

Wollongong City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

| \$ '000 | Health & Fitness | | Crematorium & Cemeteries | |
|--|------------------|-----------------|--------------------------|----------------|
| | Category 1 | | Category 1 | |
| | Actual 2017 | Actual 2016 | Actual 2017 | Actual 2016 |
| Income from continuing operations | | | | |
| Access charges | — | — | — | — |
| User charges | 2,617 | 2,526 | 2,697 | 2,423 |
| Fees | — | — | — | — |
| Interest | — | — | — | — |
| Grants and contributions provided for non-capital purposes | 6 | 12 | — | 31 |
| Profit from the sale of assets | — | — | — | — |
| Share of profit from equity accounted investment | — | — | — | — |
| Other income | 89 | 26 | — | — |
| Total income from continuing operations | 2,712 | 2,564 | 2,697 | 2,454 |
| Expenses from continuing operations | | | | |
| Employee benefits and on-costs | 2,294 | 2,283 | 1,496 | 1,469 |
| Borrowing costs | — | — | — | — |
| Materials and contracts | 303 | 281 | 335 | 326 |
| Depreciation, amortisation and impairment | 32 | 28 | 2 | — |
| Loss on sale of assets | — | — | 3 | — |
| Calculated taxation equivalents | 226 | 197 | 154 | 151 |
| Debt guarantee fee (if applicable) | — | — | — | — |
| Other expenses | 1,038 | 937 | 590 | 573 |
| Total expenses from continuing operations | 3,893 | 3,726 | 2,580 | 2,519 |
| Surplus (deficit) from continuing operations before capital amounts | (1,181) | (1,162) | 117 | (65) |
| Grants and contributions provided for capital purposes | — | — | — | — |
| Surplus (deficit) from continuing operations after capital amounts | (1,181) | (1,162) | 117 | (65) |
| Surplus (deficit) from discontinued operations | — | — | — | — |
| Surplus (deficit) from all operations before tax | (1,181) | (1,162) | 117 | (65) |
| Less: corporate taxation equivalent (30%) [based on result before capital] | — | — | (35) | — |
| SURPLUS (DEFICIT) AFTER TAX | (1,181) | (1,162) | 82 | (65) |
| Plus opening retained profits | (10,041) | (9,076) | (1,046) | (1,132) |
| Plus adjustments for amounts unpaid: | | | | |
| – Taxation equivalent payments | 226 | 197 | 154 | 151 |
| – Debt guarantee fees | — | — | — | — |
| – Corporate taxation equivalent | — | — | 35 | — |
| Add: | | | | |
| – Subsidy paid/contribution to operations | — | — | — | — |
| Less: | | | | |
| – TER dividend paid | — | — | — | — |
| – Dividend paid | — | — | — | — |
| Closing retained profits | (10,996) | (10,041) | (775) | (1,046) |
| Return on capital % | -27.6% | -27.9% | 2.5% | -1.4% |
| Subsidy from Council | 1,283 | 1,252 | — | 164 |

Wollongong City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

| | Waste Disposal | | Tourist Parks | |
|--|----------------|----------------|----------------|----------------|
| | Category 1 | | Category 1 | |
| \$ '000 | Actual 2017 | Actual 2016 | Actual 2017 | Actual 2016 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | – | – | – | – |
| Investments | 5,915 | 10,008 | – | – |
| Receivables | – | – | – | – |
| Inventories | – | – | – | – |
| Other | – | – | – | – |
| Non-current assets classified as held for sale | – | – | – | – |
| Total Current Assets | 5,915 | 10,008 | – | – |
| Non-current assets | | | | |
| Investments | – | – | – | – |
| Receivables | 49,521 | 40,330 | 2,087 | – |
| Inventories | – | – | – | – |
| Infrastructure, property, plant and equipment | 34,040 | 34,758 | 24,444 | 25,331 |
| Investments accounted for using equity method | – | – | – | – |
| Investment property | – | – | – | – |
| Intangible assets | – | – | – | – |
| Total non-current assets | 83,561 | 75,088 | 26,531 | 25,331 |
| TOTAL ASSETS | 89,476 | 85,096 | 26,531 | 25,331 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Bank overdraft | – | – | – | – |
| Payables | – | – | – | – |
| Income received in advance | – | – | – | – |
| Borrowings | – | – | – | – |
| Provisions | – | – | – | – |
| Total current liabilities | – | – | – | – |
| Non-current liabilities | | | | |
| Payables | – | – | – | 98 |
| Borrowings | – | – | – | – |
| Provisions | 39,779 | 42,391 | – | – |
| Total non-current liabilities | 39,779 | 42,391 | – | 98 |
| TOTAL LIABILITIES | 39,779 | 42,391 | – | 98 |
| NET ASSETS | 49,697 | 42,705 | 26,531 | 25,233 |
| EQUITY | | | | |
| Retained earnings | 40,069 | 33,095 | 10,676 | 9,378 |
| Revaluation reserves | 9,628 | 9,610 | 15,855 | 15,855 |
| Council equity interest | 49,697 | 42,705 | 26,531 | 25,233 |
| Non-controlling equity interest | – | – | – | – |
| TOTAL EQUITY | 49,697 | 42,705 | 26,531 | 25,233 |

Wollongong City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

| | Health & Fitness | | Crematorium & Cemeteries | |
|--|------------------|----------------|--------------------------|----------------|
| | Category 1 | | Category 1 | |
| \$ '000 | Actual 2017 | Actual 2016 | Actual 2017 | Actual 2016 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | – | – | – | – |
| Investments | – | – | – | – |
| Receivables | – | – | – | – |
| Inventories | – | – | – | – |
| Other | – | – | – | – |
| Non-current assets classified as held for sale | – | – | – | – |
| Total Current Assets | – | – | – | – |
| Non-current assets | | | | |
| Investments | – | – | – | – |
| Receivables | – | – | – | – |
| Inventories | – | – | – | – |
| Infrastructure, property, plant and equipment | 4,278 | 4,162 | 4,608 | 4,567 |
| Investments accounted for using equity method | – | – | – | – |
| Investment property | – | – | – | – |
| Intangible assets | – | – | – | – |
| Total non-current assets | 4,278 | 4,162 | 4,608 | 4,567 |
| TOTAL ASSETS | 4,278 | 4,162 | 4,608 | 4,567 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Bank overdraft | – | – | – | – |
| Payables | – | – | – | – |
| Income received in advance | – | – | – | – |
| Borrowings | – | – | – | – |
| Provisions | – | – | – | – |
| Total current liabilities | – | – | – | – |
| Non-current liabilities | | | | |
| Payables | 12,058 | 10,987 | 3,029 | 3,264 |
| Borrowings | – | – | – | – |
| Provisions | – | – | – | – |
| Total non-current liabilities | 12,058 | 10,987 | 3,029 | 3,264 |
| TOTAL LIABILITIES | 12,058 | 10,987 | 3,029 | 3,264 |
| NET ASSETS | (7,780) | (6,825) | 1,579 | 1,303 |
| EQUITY | | | | |
| Retained earnings | (10,996) | (10,041) | (775) | (1,046) |
| Revaluation reserves | 3,216 | 3,216 | 2,354 | 2,349 |
| Council equity interest | (7,780) | (6,825) | 1,579 | 1,303 |
| Non-controlling equity interest | – | – | – | – |
| TOTAL EQUITY | (7,780) | (6,825) | 1,579 | 1,303 |

Wollongong City Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

| Note | Details | Page |
|------|--|------|
| 1 | Summary of significant accounting policies | 8 |
| 2 | Water Supply Business Best-Practice Management disclosure requirements | n/a |
| 3 | Sewerage Business Best-Practice Management disclosure requirements | n/a |

Wollongong City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies

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

These financial statements are SPFS prepared for use by 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, 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.

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

Monetary amounts

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

(i) Taxation-equivalent charges

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

Wollongong City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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 – 30%

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

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

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 30%..

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

Wollongong City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statement

Wollongong City Council

To the Councillors of Wollongong City Council

Opinion

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

The Declared Business Activities of the Council are:

- Waste Disposal
- Tourist Parks
- Health & Fitness
- Crematorium & Cemeteries

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

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

Basis for Opinion

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 13 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Chris Clayton
Director, Financial Audit Services

10 October 2017
SYDNEY

Wollongong City Council

SPECIAL SCHEDULES
for the year ended 30 June 2017



Wollongong City Council

Special Schedules for the year ended 30 June 2017

Contents

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Special Schedules¹

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

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

Background

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

Wollongong City Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|--|-------------------------------------|-----------------------------------|--------------|----------------------|
| | | Non-capital | Capital | |
| Governance | – | – | – | – |
| Administration | 42,002 | 8,108 | – | (33,894) |
| Public order and safety | | | | |
| Fire service levy, fire protection, emergency services | 5,165 | 639 | 29 | (4,497) |
| Beach control | 5,365 | 3 | – | (5,362) |
| Enforcement of local government regulations | 2,340 | 2,622 | – | 282 |
| Animal control | 1,486 | 703 | – | (783) |
| Other | 94 | 5 | – | (89) |
| Total public order and safety | 14,450 | 3,972 | 29 | (10,449) |
| Health | 1,509 | 836 | – | (673) |
| Environment | | | | |
| Noxious plants and insect/vermin control | – | – | – | – |
| Other environmental protection | 6,997 | 739 | 482 | (5,776) |
| Solid waste management | 36,905 | 43,802 | – | 6,897 |
| Street cleaning | 4,910 | 14 | – | (4,896) |
| Drainage | 12,620 | 1,787 | – | (10,833) |
| Stormwater management | – | – | – | – |
| Total environment | 61,432 | 46,342 | 482 | (14,608) |
| Community services and education | | | | |
| Administration and education | 55 | 12 | – | (43) |
| Social protection (welfare) | 4,464 | 3,518 | – | (946) |
| Aged persons and disabled | 358 | 57 | – | (301) |
| Children's services | 3,664 | 1,652 | – | (2,012) |
| Total community services and education | 8,541 | 5,239 | – | (3,302) |
| Housing and community amenities | | | | |
| Public cemeteries | 2,426 | 2,697 | – | 271 |
| Public conveniences | 706 | – | – | (706) |
| Street lighting | 3,026 | 671 | – | (2,355) |
| Town planning | 10,966 | 4,801 | 6,376 | 211 |
| Other community amenities | 2,706 | 1,533 | – | (1,173) |
| Total housing and community amenities | 19,830 | 9,702 | 6,376 | (3,752) |
| Water supplies | – | – | – | – |
| Sewerage services | – | – | – | – |

Wollongong City Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|---|-------------------------------------|-----------------------------------|---------------|----------------------|
| | | Non-capital | Capital | |
| Recreation and culture | | | | |
| Public libraries | 10,772 | 808 | — | (9,964) |
| Museums | — | — | — | — |
| Art galleries | 2,392 | 195 | — | (2,197) |
| Community centres and halls | 4,458 | 500 | — | (3,958) |
| Performing arts venues | 2,021 | 6 | — | (2,015) |
| Other performing arts | — | — | — | — |
| Other cultural services | 657 | 15 | — | (642) |
| Sporting grounds and venues | 4,341 | 543 | 7 | (3,791) |
| Swimming pools | 7,097 | 674 | — | (6,423) |
| Parks and gardens (lakes) | 19,005 | 728 | 88 | (18,189) |
| Other sport and recreation | 3,641 | 2,712 | — | (929) |
| Total recreation and culture | 54,384 | 6,181 | 95 | (48,108) |
| Fuel and energy | — | — | — | — |
| Agriculture | — | — | — | — |
| Mining, manufacturing and construction | | | | |
| Building control | — | — | — | — |
| Other mining, manufacturing and construction | — | — | — | — |
| Total mining, manufacturing and const. | — | — | — | — |
| Transport and communication | | | | |
| Urban roads (UR) – local | 31,398 | 1,530 | 34,022 | 4,154 |
| Urban roads – regional | — | — | — | — |
| Sealed rural roads (SRR) – local | — | — | — | — |
| Sealed rural roads (SRR) – regional | — | — | — | — |
| Unsealed rural roads (URR) – local | — | — | — | — |
| Unsealed rural roads (URR) – regional | — | — | — | — |
| Bridges on UR – local | — | — | — | — |
| Bridges on SRR – local | — | — | — | — |
| Bridges on URR – local | — | — | — | — |
| Bridges on regional roads | — | — | — | — |
| Parking areas | 2,168 | 1,271 | — | (897) |
| Footpaths | 6,430 | — | 826 | (5,604) |
| Aerodromes | — | — | — | — |
| Other transport and communication | 576 | — | — | (576) |
| Total transport and communication | 40,572 | 2,801 | 34,848 | (2,923) |
| Economic affairs | | | | |
| Camping areas and caravan parks | 5,758 | 7,056 | — | 1,298 |
| Other economic affairs | 6,589 | 7,471 | 192 | 1,074 |
| Total economic affairs | 12,347 | 14,527 | 192 | 2,372 |
| Totals – functions | 255,067 | 97,708 | 42,022 | (115,337) |
| General purpose revenues ⁽¹⁾ | | 184,279 | | 184,279 |
| Share of interests – joint ventures and associates using the equity method | — | 525 | | 525 |
| NET OPERATING RESULT ⁽²⁾ | 255,067 | 282,512 | 42,022 | 69,467 |

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Wollongong City Council

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

for the year ended 30 June 2017

\$'000

| Classification of debt | Principal outstanding at beginning of the year | | | New loans raised during the year | Debt redemption during the year | | Transfers to sinking funds | Interest applicable for year | Principal outstanding at the end of the year | | |
|-----------------------------|--|---------------|---------------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|---------------|---------------|
| | Current | Non-current | Total | | From revenue | Sinking funds | | | Current | Non-current | Total |
| Loans (by source) | | | | | | | | | | | |
| Commonwealth Government | – | – | – | | | | | | | – | – |
| NSW Treasury Corporation | – | – | – | | | | | | | – | – |
| Other State Government | 6,690 | 35,830 | 42,520 | 5,500 | 7,159 | – | – | 1,447 | 7,513 | 33,348 | 40,861 |
| Public subscription | – | – | – | | | | | | | – | – |
| Financial institutions | – | – | – | | | | | | | – | – |
| Other | – | – | – | | | | | | | – | – |
| Total loans | 6,690 | 35,830 | 42,520 | 5,500 | 7,159 | – | – | 1,447 | 7,513 | 33,348 | 40,861 |
| Other long term debt | | | | | | | | | | | |
| Ratepayers advances | – | – | – | | | | | | | – | – |
| Government advances | – | – | – | | | | | | | – | – |
| Finance leases | – | – | – | | | | | | | – | – |
| Deferred payments | – | – | – | | | | | | | – | – |
| Total long term debt | – | – | – | – | – | – | – | – | – | – | – |
| Total debt | 6,690 | 35,830 | 42,520 | 5,500 | 7,159 | – | – | 1,447 | 7,513 | 33,348 | 40,861 |

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

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

Wollongong City Council

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

\$'000

| Asset class | Asset category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2016/17 Required maintenance ^a | 2016/17 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|--------------------------------|--|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|--------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Buildings | Buildings | 4,245 | 2,430 | 20,131 | 19,600 | 190,859 | 508,913 | 1% | 7% | 91% | 1% | 0% |
| | Sub-total | 4,245 | 2,430 | 20,131 | 19,600 | 190,859 | 508,913 | 1.0% | 7.0% | 91.0% | 1.0% | 0.0% |
| Other structures | Other structures | 2,872 | 3,943 | 592 | 576 | 6,435 | 14,953 | 1% | 12% | 84% | 3% | 0% |
| | Sub-total | 2,872 | 3,943 | 592 | 576 | 6,435 | 14,953 | 1.0% | 12.0% | 84.0% | 3.0% | 0.0% |
| Roads | Sealed roads | 72,106 | 100,218 | 16,615 | 15,235 | 511,829 | 1,332,623 | 4% | 9% | 73% | 7% | 7% |
| | Bridges | 732 | 976 | 144 | 153 | 94,098 | 144,114 | 17% | 30% | 52% | 0% | 1% |
| | Footpaths | 4,315 | 8,883 | 2,681 | 2,690 | 124,723 | 269,542 | 10% | 11% | 78% | 0% | 1% |
| | Other road assets | 2,630 | 3,450 | 270 | 139 | 23,725 | 39,261 | 2% | 38% | 46% | 9% | 5% |
| | Sub-total | 79,783 | 113,527 | 19,710 | 18,217 | 754,375 | 1,785,540 | 5.9% | 11.6% | 71.5% | 5.4% | 5.6% |
| Stormwater drainage | Stormwater drainage | 997 | 1,330 | 3,138 | 3,519 | 522,839 | 922,902 | 3% | 14% | 83% | 0% | 0% |
| | Sub-total | 997 | 1,330 | 3,138 | 3,519 | 522,839 | 922,902 | 3.0% | 14.0% | 83.0% | 0.0% | 0.0% |
| Open space/recreational assets | Swimming pools & Open Space/Recreation | 3,352 | 4,498 | 23,100 | 23,472 | 115,971 | 181,638 | 0% | 12% | 73% | 13% | 2% |
| | Sub-total | 3,352 | 4,498 | 23,100 | 23,472 | 115,971 | 181,638 | 0.0% | 12.0% | 73.0% | 13.0% | 2.0% |
| | TOTAL – ALL ASSETS | 91,249 | 125,728 | 66,671 | 65,384 | 1,590,479 | 3,413,946 | 4.1% | 11.6% | 77.6% | 3.7% | 3.0% |

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

Wollongong City Council

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

Notes:

Infrastructure asset condition assessment 'key'

- (1). Cost to bring up to 'satisfactory standard' refers to the estimated cost to replace the calculated percentage of each asset type that are below satisfactory. Satisfactory standard is generally defined as condition 2 (see Asset Condition Definitions). As identified through Council's Securing our Future community engagement, for footpaths and shared paths, this is condition 3. Cost estimates are based on adopted valuation methodologies and do not generally include the cost of enhancements/upgrades to existing assets. The nominated percentage of each asset type below satisfactory standard is detailed under Condition of Public Works in the Annual Report.
- (2). Required Annual Maintenance' is the amount that should be spent to maintain assets in a satisfactory standard and to ensure that the estimated remaining life of the asset is achieved PLUS the new requirement to include the "operating expenses required to keep the asset in a functional state for community use'.
- (3). Current Annual Maintenance' is the total expenditure incurred during the year to maintain assets. For the first time, 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, etc. It does not include operational overheads (eg. energy or water supply, cleaning, administration staff) or capital expenditure.
- (4). Cost to bring to agreed service level is defined as "The proportion of the GRC that have reached the intervention level based on condition." The outstanding renewal works compared to the total replacement cost of Council's 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

Wollongong City Council

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

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 Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

| \$ '000 | Amounts 2017 | Indicator 2017 | Benchmark | Prior periods 20162015 | |
|--|-----------------|-------------------|-----------|---------------------------|--------|
| Infrastructure asset performance indicators * consolidated | | | | | |
| 1. Infrastructure renewals ratio | | | | | |
| Asset renewals ⁽¹⁾ | 55,259 | 104.90% | > 100% | 92.20% | 91.45% |
| Depreciation, amortisation and impairment | 52,677 | | | | |
| 2. Infrastructure backlog ratio | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 91,249 | 5.74% | < 2% | 5.90% | 6.18% |
| Net carrying amount of infrastructure assets | 1,590,479 | | | | |
| 3. Asset maintenance ratio | | | | | |
| Actual asset maintenance | 65,384 | 0.98 | > 1.00 | 0.97 | 0.97 |
| Required asset maintenance | 66,671 | | | | |
| 4. Cost to bring assets to agreed service level | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 125,728 | 3.68% | | 4.24% | 4.80% |
| Gross replacement cost | 3,413,946 | | | | |

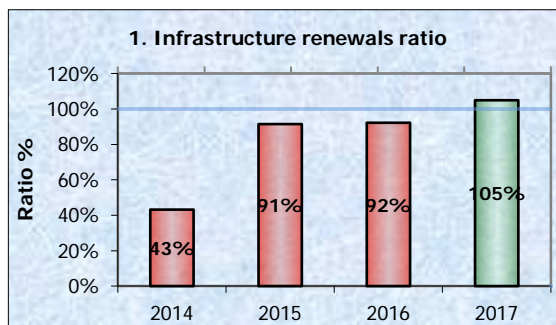
Notes

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

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

Wollongong City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



Benchmark: — Minimum $\geq 100.00\%$

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

Purpose of asset renewals ratio

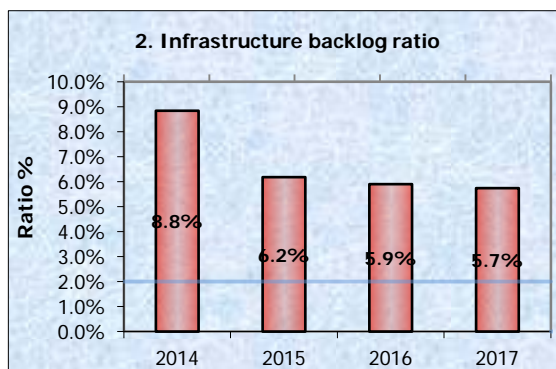
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2016/17 result

2016/17 Ratio 104.90%

Capital renewal is calculated at an individual capital project level, providing a high degree of confidence in the renewal result. The ratio has increased to be just above 100%. This is ideal and reflects Council's full allocation of additional revenue derived from the 3rd year of the special rate variation to asset renewal and maintenance.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

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

Purpose of infrastructure backlog ratio

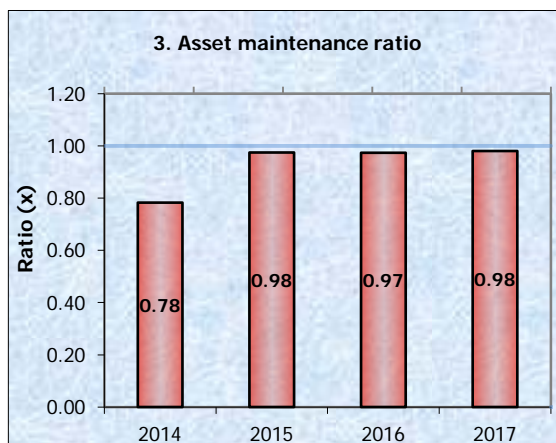
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2016/17 result

2016/17 Ratio 5.74%

The cost to bring to satisfactory condition 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. Councils 'Securing Our Future' financial review confirmed condition 3 for paths through public consultation. The ratio continues to reduce relative to previous years as a result of applying additional revenue from SRV to asset renewal.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum > 1.00

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

Purpose of asset maintenance ratio

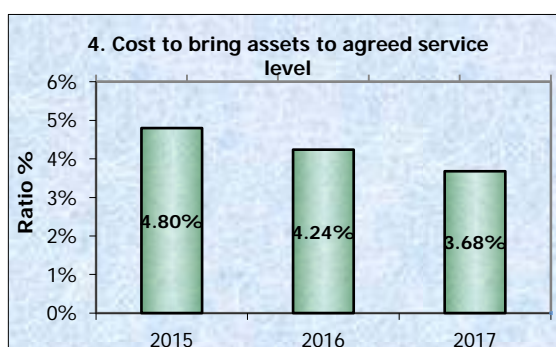
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2016/17 result

2016/17 Ratio 0.98 x

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 so while actual and required maintenance costs are derived separately, required and actual asset operational costs are assumed equal. Work is underway during 2017/18 to review and define current and required service levels for all asset classes, which will inform changes in these parameters.

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

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

Commentary on 2016/17 result

2016/17 Ratio 3.68%

The ratio is the sum of the outstanding renewal works compared to the the total suite of infrastructure under Council care. That is, the cost to renew assets in condition 4 and 5 as a proportion of Gross Replacement Cost. The ratio continues to reduce relative to previous years as a result of applying additional revenue from SRV renewal.

Wollongong City Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

| \$'000 | | Calculation 2016/17 | Calculation 2017/18 |
|---|--------------------------------|------------------------|------------------------|
| Notional general income calculation ⁽¹⁾ | | | |
| Last year notional general income yield | a | 146,990 | 157,481 |
| Plus or minus adjustments ⁽²⁾ | b | 1,237 | 668 |
| Notional general income | c = (a + b) | 148,227 | 158,149 |
| Permissible income calculation | | | |
| Special variation percentage ⁽³⁾ | d | 6.24% | 0.00% |
| Or rate peg percentage | e | 1.80% | 1.50% |
| Or crown land adjustment (incl. rate peg percentage) | f | 0.00% | 0.00% |
| Less expiring special variation amount | g | — | — |
| Plus special variation amount | $h = d \times (c - g)$ | 9,249 | — |
| Or plus rate peg amount | $i = c \times e$ | — | 2,372 |
| Or plus Crown land adjustment and rate peg amount | $j = c \times f$ | — | — |
| Sub-total | k = (c + g + h + i + j) | 157,476 | 160,521 |
| Plus (or minus) last year's carry forward total | l | 40 | 30 |
| Less valuation objections claimed in the previous year | m | (6) | — |
| Sub-total | n = (l + m) | 34 | 30 |
| Total permissible income | o = k + n | 157,511 | 160,551 |
| Less notional general income yield | p | 157,481 | 160,469 |
| Catch-up or (excess) result | q = o - p | 30 | 82 |
| Plus income lost due to valuation objections claimed ⁽⁴⁾ | r | — | 138 |
| Less unused catch-up ⁽⁵⁾ | s | — | (30) |
| Carry forward to next year | t = q + r - s | 30 | 190 |

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Wollongong City Council

To the Councillors of Wollongong City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 13 October 2016.

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Chris Clayton
Director, Financial Audit Services

10 October 2017
SYDNEY