

# Newcastle City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2015

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# Newcastle City Council

## General Purpose Financial Statements for the financial year ended 30 June 2015

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Newcastle City Council.

(ii) Newcastle 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 (LGA) 1993 of NSW.

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & 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 27 October 2015. Council has the power to amend and reissue these financial statements.

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## Newcastle City Council

### General Purpose Financial Statements for the financial year ended 30 June 2015

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

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

- The Local Government Act 1993 (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
- accords with Council's accounting and other records.

**We are not aware of any matter that would render the Reports false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 22 September 2015.**



Councillor Nuatali Nelmes  
MAYOR

14/10/15



Councillor  
COUNCILLOR



Ken Gouldthorp  
GENERAL MANAGER



Glen Cousins  
RESPONSIBLE ACCOUNTING OFFICER

## Newcastle City Council

## Income Statement

for the financial year ended 30 June 2015

Budget <sup>1</sup> 2015	\$ '000	Notes	Actual 2015	Actual 2014
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
126,596	Rates & Annual Charges	3a	128,031	124,781
53,539	User Charges & Fees	3b	65,822	61,542
6,735	Interest & Investment Revenue	3c	10,259	10,117
11,132	Other Revenues	3d	10,666	12,846
17,967	Grants & Contributions provided for Operating Purposes	3e,f	20,101	14,305 <sup>2</sup>
6,810	Grants & Contributions provided for Capital Purposes	3e,f	24,058	18,000
<b>Other Income:</b>				
7,171	Net gains from the disposal of assets	5	-	235
	Net Share of interests in Joint Ventures & Associates using the equity method	19	121	51
<u>229,950</u>	<b>Total Income from Continuing Operations</b>		<u>259,058</u>	<u>241,877</u>
<b>Expenses from Continuing Operations</b>				
91,155	Employee Benefits & On-Costs	4a	87,308	87,229
3,959	Borrowing Costs	4b	4,254	4,450
50,671	Materials & Contracts	4c	46,411	41,575
46,928	Depreciation & Amortisation	4d	41,125	40,755 <sup>3</sup>
	Impairment	4d	11	1,898
35,127	Other Expenses	4e	42,011	44,047
	Net Losses from the Disposal of Assets	5	1,362	-
<u>227,840</u>	<b>Total Expenses from Continuing Operations</b>		<u>222,482</u>	<u>219,954</u>
<u>2,110</u>	<b>Operating Result from Continuing Operations</b>		<u>36,576</u>	<u>21,923</u>
<b>Discontinued Operations</b>				
	Net Profit/(Loss) from Discontinued Operations	24	-	-
<u>2,110</u>	<b>Net Operating Result for the Year</b>		<u>36,576</u>	<u>21,923</u>
2,110	<b>Net Operating Result attributable to Council</b>		<u>36,576</u>	<u>21,923</u>
<u>(4,700)</u>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<u>12,518</u>	<u>3,923</u>

<sup>1</sup> Original Budget as approved by Council - refer Note 16

<sup>2</sup> Financial Assistance Grants for 13/14 were lower, reflecting a one off timing difference due to a change in how the grant was paid in prior years - refer Note 3 (e)

<sup>3</sup> Overstated depreciation consisted of \$3m for the 2013/14 Financial Year

## Newcastle City Council

Statement of Comprehensive Income  
for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
<b>Net Operating Result for the year</b> (as per Income statement)		<b>36,576</b>	<b>21,923</b>
<b>Other Comprehensive Income:</b>			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	24,585	20,288
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(132)	(2,905)
Other Movements	20b (ii)	-	31
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>24,453</b>	<b>17,414</b>
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Other Movements in reserves Strategic Services Australia	20b (ii)	18	-
<b>Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met</b>		<b>18</b>	<b>-</b>
<b>Total Other Comprehensive Income for the year</b>		<b>24,471</b>	<b>17,414</b>
<b>Total Comprehensive Income for the Year</b>		<b>61,047</b>	<b>39,337</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>61,047</b>	<b>39,337</b>

## Newcastle City Council

Statement of Financial Position  
as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	17,705	44,032
Investments	6b	111,106	65,591
Receivables	7	16,596	15,135
Inventories	8	630	690
Other	8	692	315
Non-current assets classified as "held for sale"	22	8,896	13,430
<b>Total Current Assets</b>		<b>155,625</b>	<b>139,193</b>
<b>Non-Current Assets</b>			
Investments	6b	145,896	132,681
Receivables	7	1,333	1,300
Infrastructure, Property, Plant & Equipment	9	1,377,866	1,198,063
Investments accounted for using the equity method	19	406	267
Investment Property	14	13,600	13,350
Intangible Assets	25	1,678	1,372
Other	8	9	11
<b>Total Non-Current Assets</b>		<b>1,540,788</b>	<b>1,347,044</b>
<b>TOTAL ASSETS</b>		<b>1,696,413</b>	<b>1,486,237</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	25,142	23,714
Borrowings	10	2,612	2,825
Provisions	10	33,852	35,140
<b>Total Current Liabilities</b>		<b>61,606</b>	<b>61,679</b>
<b>Non-Current Liabilities</b>			
Payables	10	5,145	451
Borrowings	10	62,999	64,541
Provisions	10	27,903	6,966
<b>Total Non-Current Liabilities</b>		<b>96,047</b>	<b>71,958</b>
<b>TOTAL LIABILITIES</b>		<b>157,653</b>	<b>133,637</b>
<b>Net Assets</b>		<b>1,538,760</b>	<b>1,352,600</b>
<b>EQUITY</b>			
Retained Earnings	20	1,360,829	1,189,032
Revaluation Reserves	20	177,931	163,568
Council Equity Interest		1,538,760	1,352,600
<b>Total Equity</b>		<b>1,538,760</b>	<b>1,352,600</b>

## Newcastle City Council

Statement of Changes in Equity  
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council controlling Interest	Non- controlling Interest	Total Equity
<b>2015</b>						
<b>Opening Balance</b>		1,189,032	163,568	1,352,600	-	1,352,600
a. Correction of Prior Period Errors	20 (c)	125,113	-	125,113	-	125,113
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/14)</b>		<b>1,314,145</b>	<b>163,568</b>	<b>1,477,713</b>	<b>-</b>	<b>1,477,713</b>
<b>c. Net Operating Result for the Year</b>		<b>36,576</b>		<b>36,576</b>	<b>-</b>	<b>36,576</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	24,603	24,603	-	24,603
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(132)	(132)	-	(132)
<b>Other Comprehensive Income</b>		<b>-</b>	<b>24,471</b>	<b>24,471</b>	<b>-</b>	<b>24,471</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>36,576</b>	<b>24,471</b>	<b>61,047</b>	<b>-</b>	<b>61,047</b>
e. Distributions to/(Contributions from) Non-controlling Interests				-	-	-
f. Transfers between Equity		10,108	(10,108)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,360,829</b>	<b>177,931</b>	<b>1,538,760</b>	<b>-</b>	<b>1,538,760</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council controlling Interest	Non- controlling Interest	Total Equity
<b>2014</b>						
<b>Opening Balance (as per Last Year's Audited Accounts)</b>		1,130,675	277,363	1,408,038	-	1,408,038
a. Correction of Prior Period Errors	20 (c)	34,987	(129,666)	(94,679)	-	(94,679)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/13)</b>		<b>1,165,662</b>	<b>147,697</b>	<b>1,313,359</b>	<b>-</b>	<b>1,313,359</b>
<b>c. Net Operating Result for the Year</b>		<b>21,923</b>	<b>-</b>	<b>21,923</b>	<b>-</b>	<b>21,923</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	20,288	20,288	-	20,288
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(2,905)	(2,905)	-	(2,905)
- Other Movements	20a	31	-	31	-	31
<b>Other Comprehensive Income</b>		<b>31</b>	<b>17,383</b>	<b>17,414</b>	<b>-</b>	<b>17,414</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>21,954</b>	<b>17,383</b>	<b>39,337</b>	<b>-</b>	<b>39,337</b>
e. Distributions to/(Contributions from) Non-controlling Interests		(96)	-	(96)	-	(96)
f. Transfers between Equity		1,512	(1,512)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,189,032</b>	<b>163,568</b>	<b>1,352,600</b>	<b>-</b>	<b>1,352,600</b>

## Newcastle City Council

## Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
126,596			128,307	124,968
53,539			70,657	68,265
6,735			10,122	9,902
24,647			30,825	18,167
-			212	40
11,132			15,685	11,404
<b>Payments:</b>				
(91,155)			(88,920)	(89,593)
(50,671)			(50,032)	(47,237)
(3,959)			(4,184)	(4,356)
-			(518)	(218)
(35,127)			(44,419)	(46,097)
<b>41,737</b>		<b>11b</b>	<b>67,735</b>	<b>45,245</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
-			119,866	147,817
-			6,049	-
7,171			9,077	8,275
<b>Payments:</b>				
-			(177,684)	(143,863)
-			(129)	-
(54,989)			(49,011)	(32,895)
-			(475)	(1,205)
<b>(47,818)</b>			<b>(92,307)</b>	<b>(21,871)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
-			1,093	6,276
<b>Payments:</b>				
-			(2,596)	(7,085)
-			(252)	(361)
-			(1,755)	(1,170)
<b>(6,081)</b>			<b>(26,327)</b>	<b>22,204</b>
44,032	plus: Cash & Cash Equivalents - beginning of year	11a	44,032	21,828
<b>37,951</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	<b>11a</b>	<b>17,705</b>	<b>44,032</b>
Additional Information:				
	plus: Investments on hand - end of year	6b	257,002	198,272
<b>Total Cash, Cash Equivalents &amp; Investments</b>			<b>274,707</b>	<b>242,304</b>

**Please refer to Note 11 for information on the following:**

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations



## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

##### (a) Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Local Government Act (1993) & Regulation, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity for the purpose of preparing the financial statements.

##### Historical cost convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

##### New and amended standards adopted by Council

During the current year, the following relevant accounting standards became mandatory and have been adopted by Council:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

##### Critical Accounting Estimates

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 entity and that are believed to be reasonable under the circumstances.

##### Critical accounting estimates and assumptions

The 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 are listed below.

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment
- (iii) Estimated tip remediation provisions
- (iv) Provision for self insurance claims

##### (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 entity and specific criteria have been met for each of the Council's activities as described below. Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

##### Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues 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.

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

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

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

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 balance 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 Council's 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 balance date.

#### **User Charges and Fees**

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

#### **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.

#### **Interest and Rents**

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

#### **Other Revenues**

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

#### **(c) Principles of Consolidation**

##### **(i) The Consolidated Fund**

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

##### **(ii) The Trust Fund**

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

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements. 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) Joint Arrangements**

#### **Joint Operations (controlled assets & operations)**

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

The proportionate interests of Council in the assets, liabilities, income and expenses of all Joint Operation activities have been incorporated throughout the financial statements under the appropriate notes & line items.

Detailed information relating to Council's Joint Operations can be found at Note 19 (b) for Newcastle Airport Limited.

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

##### (iv) Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (ie. where Council is deemed to have “significant influence” over another entity's operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Ventures.

Such entities are usually termed Associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in Associates can be found at Note 19 (a) for Strategic Services Australia Limited (previously known as Hunter Councils Limited).

##### (d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the 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 asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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 in income on a straight-line basis over the lease term.

##### (e) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, plus costs directly attributable to the acquisition.

##### (f) Impairment of assets

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

Where an asset is not held principally for cash generating purposes and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

##### (g) Cash and cash equivalents

For cash flow statement 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.

##### (h) Receivables

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.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

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. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

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 uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

#### **(i) 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. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

##### **(ii) 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.

#### **(j) Non-current assets held for sale**

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

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the statement of financial position.

#### **(k) 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.

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

##### **(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. Derivatives are classified as held for trading unless they are designated as hedges. 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 are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and Receivables (Note 7) in the Statement of Financial Position.

##### **(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

##### **(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

##### **Financial assets – reclassification**

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-

trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Council may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### **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.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security (note Council's obligations under Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005). The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in Note 1(l).

#### **Impairment**

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

#### **Investment Policy**

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005. 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 care, diligence and skill that a prudent person would exercise in investing Council funds.

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

#### **(l) Fair value estimation**

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 statement of financial position 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 balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

##### (m) 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 Division of Local Government. At reporting date the following classes of IPPE were stated at their fair value:

- Operational land (External Valuation)
- Buildings – Specialised/Non Specialised (External Valuation)
- Plant and equipment (as approximated by depreciated historical cost)
- Road assets – roads, bridges and footpaths (Internal Valuation)
- Drainage assets – (Internal Valuation)
- Bulk earthworks – (Internal Valuation)
- Community land – (Internal Valuation)
- Land Improvements (as approximated by Internal Valuation)
- Other structures (as approximated by Internal Valuation)
- Other assets (as approximated by depreciated historical cost/External Valuation)
- Newcastle Airport (as approximated by depreciated historical cost)

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 revalues the asset to that amount. Full revaluations are undertaken for all assets on a 5 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 recognised in profit or loss relating to that asset class, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured

reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Office equipment	5-10 years
Computer equipment	3 years
Furniture and fittings	10 years
Drainage	20-100 years
Motor vehicles	4-5 years
Other plant and equipment	5-25 years
Buildings	20-100 <sup>1</sup> years
Sealed roads - surface	30 years
Sealed roads - pavement	120 years
Sealed roads - kerb and gutter	80 years
Footways	50 years
Roadside furniture	20 years
Bridges–substructure, superstructure	50 years
Bridges–handrail, guardrail	25 years
Other structures	5-100 <sup>2</sup> years
Newcastle Airport – Plant & Equipment	5-37 years
Newcastle Airport – Leasehold Improvements	2.5-30 years

<sup>1</sup> 100 year life only applicable to Building Shell on 4 culturally significant buildings.

<sup>2</sup> 100 year life only applicable to Pool Shells.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This classification is made in Note 9.

##### (n) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and



## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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. These valuations are reviewed annually by a member of the Australian Property Institute. Changes in fair values are recorded in profit or loss as part of other income.

##### **(o) Payables**

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

##### **(p) 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 noncash 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.

##### **(q) 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.

##### **(r) 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. Provisions are not recognised for future operating losses.

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

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

##### **(s) Employee benefits**

###### **(i) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be 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.

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

##### **(ii) Other long-term employee benefit obligations**

The liability for long service leave and annual leave which is not expected to be 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.

##### **(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.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below).

The Local Government Superannuation Scheme – Pool B (the Scheme) is a defined benefit plan that has been deemed to be a “multi-employer fund” for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government

Superannuation Scheme and recognised as an expense for the year ending 30 June 2015 was \$3,423,921. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2015. However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 a deficit still exists. Additional contributions are estimated to remain in place until 30 June 2016 i.e. \$1,540,358.04 additional contributions remaining. However, the Trustee is considering extending the additional contribution period in order to build up a satisfactory surplus to allow the fund to transition to a less risky investment portfolio. This results in a lower assumed long term investment return. The additional contributions remitted during the year is included in the total employer contributions set out in the beginning of this paragraph.

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.

##### **(t) Rounding of amounts**

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

##### **(u) Land under roads**

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

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Council recognises land under roads acquired at its cost, where the cost represents fair value. Any land under roads acquired at no or nominal value should be measured at its fair value.

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

##### **(v) Provisions for close down and restoration and for environmental clean up costs – Tips**

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

##### **(i) 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 operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a borrowing cost.

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.

##### **(ii) 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 statement of financial position date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the statement of financial position

date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

##### **(w) Allocation between current and non-current assets and liabilities**

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

##### **(x) New accounting standards and interpretations**

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

**Council has not adopted any of these standards early.**

Council's assessment of the impact of these new standards and interpretations is set out below.

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

Apart from the AASB disclosures below, there are no other standards that are “not yet effective” which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

##### **Applicable to Local Government:**

##### ***AASB 9 - Financial Instruments (and associated amending standards)***

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

##### ***AASB 15 - Revenue from contracts with customers and associated amending standards***

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as 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.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified. AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

##### ***AASB 124 - Related Party Disclosures***

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

##### ***AASB 2014 - 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

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

##### **AASB 2014 - 3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]**

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

##### **(y) Self insurance**

Council has determined to self-insure for Workers' Compensation. A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10. Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

##### **(z) 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 bases over periods generally ranging from 3 to 10 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.

##### **(aa) Crown reserves**

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

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Representations from both State and Local Government are being sought to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

##### **(bb) Rural Fire Service assets**

Under section 119 of the Rural Fire Services Act 1997, "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 not recognise rural fire service assets including land, buildings, plant and vehicles.

##### **(cc) 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

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

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

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cost of acquisition of the asset or as part of the expense.

Operation activities have been incorporated throughout the financial statements under the appropriate notes & line items.

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

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

#### **(dd) Comparative information**

Where the presentation or classification of items in the financial report have been amended, comparative amounts have been reclassified.

#### **(ee) Disclaimer**

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

#### **(ff) Income Tax and Capital Gains**

Under section 741 Exemption from taxes of the Local Government Act 1993, Councils are exempt from Income Tax and Capital Gains.

#### **(gg) Newcastle Airport**

Council is involved in a joint operation with Port Stephens Council for the operation of civil aviation facilities at Newcastle Airport. The legal structure of the entity controlling the assets and operations of the Airport is structured as a partnership. The Partners are Newcastle City Council (NCC) and Port Stephens Council (PSC). Under this structure NCC and PSC hold the rights to their share of the assets and their share of the obligations in the partnership.

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

The proportionate interests of Council in the assets, liabilities, income and expenses of all Joint

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### 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 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Corporate Services	23,045	29,618	30,556	20,553	45,334	38,944	2,492	(15,716)	(8,388)	760	782	448,402	308,324
Infrastructure	64,354	75,119	63,389	153,636	137,684	134,413	(89,282)	(62,565)	(71,024)	8,465	2,562	1,040,837	972,561
Planning & Regulatory	20,641	25,841	29,038	49,040	36,023	39,560	(28,399)	(10,182)	(10,522)	626	2,505	206,754	205,053
Governance / Executive	4	15	122	4,611	3,441	7,037	(4,607)	(3,426)	(6,915)	1		14	32
<b>Total Functions &amp; Activities</b>	<b>108,044</b>	<b>130,593</b>	<b>123,105</b>	<b>227,840</b>	<b>222,482</b>	<b>219,954</b>	<b>(119,796)</b>	<b>(91,889)</b>	<b>(96,849)</b>	<b>9,852</b>	<b>5,849</b>	<b>1,696,007</b>	<b>1,485,970</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		121	51		-	-	-	121	51		-	406	267
General Purpose Income <sup>1</sup>	121,906	128,344	118,721			-	121,906	128,344	118,721	13,904	7,441		-
<b>Operating Result from Continuing Operations</b>	<b>229,950</b>	<b>259,058</b>	<b>241,877</b>	<b>227,840</b>	<b>222,482</b>	<b>219,954</b>	<b>2,110</b>	<b>36,576</b>	<b>21,923</b>	<b>23,756</b>	<b>13,290</b>	<b>1,696,413</b>	<b>1,486,237</b>

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### 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:**

##### **EXECUTIVE MANAGEMENT/ GOVERNANCE**

Lord Mayor / Council; General Manager's Office; Internal Audit. Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, area representation and public disclosure and compliance.

##### **CORPORATE SERVICES**

Finance; Information Technology; Human Resources; Commercial Property; Customer Service.

##### **INFRASTRUCTURE**

Infrastructure Planning; Civil Works; Projects & Contracts; Facilities & Recreation; Waste Management.

##### **PLANNING & REGULATORY**

Development and Building; Strategic Planning; Regulatory Services; Cultural Facilities; Libraries.



## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		63,655	61,663
Farmland		35	34
Business		40,491	39,466
<b>Total Ordinary Rates</b>		<b>104,181</b>	<b>101,163</b>
<b>Special Rates</b>			
Town Improvement		73	72
Main Street		1,140	1,089
<b>Total Special Rates</b>		<b>1,213</b>	<b>1,161</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		19,592	19,407
Stormwater Management Services		1,971	1,975
Waste Management Services (non-domestic)		957	963
Section 611 Charges		117	112
<b>Total Annual Charges</b>		<b>22,637</b>	<b>22,457</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>128,031</b>	<b>124,781</b>

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		3,044	2,456
<b>Total User Charges</b>		<b>3,044</b>	<b>2,456</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Building Inspection Fee		363	415
Dog Control / Registration Fees		95	131
Inspection Fees - Food Shops		472	416
Licence Fees		207	204
Private Works - Section 67		166	338
Regulatory/ Statutory Fees		2,709	2,565
Section 603 Certificates		290	295
Subdivision Fees		613	655
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>4,915</b>	<b>5,019</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Art Gallery		102	191
Child Care		1,138	1,110
Civic Theatre		1,585	1,177
City Hall		402	399
Fort Scratchley		242	297
Golf Courses		246	372
Library Fees		254	267
Local Committees		466	307
Merchant Service Fee		104	104
Newcastle Airport		11,625	11,179
Ocean Baths / Inland Pools		105	1,073
Park / Gardens Rents		1,024	652
Parking Stations / Meter Fees		6,513	5,973
Professional Services		-	21
Regional Museum		352	273
Reprographics Income		163	141
RMS (formerly RTA) Charges (State Roads not controlled by Council)		7,242	5,096
Road Restorations		218	112
Stockton Caravan Park		2,509	2,037
Tipping Fees / Resource Recovery		22,420	22,326
Tourism		24	53
Other		1,129	907
<b>Total Fees &amp; Charges - Other</b>		<b>57,863</b>	<b>54,067</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>65,822</b>	<b>61,542</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		492	292
- Interest earned on Investments (interest & coupon payment income)		9,853	9,889
<b>Amortisation of Premiums &amp; Discounts</b>			
- "Held to Maturity" Investments		(86)	(64)
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<u>10,259</u>	<u>10,117</u>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		492	292
General Council Cash & Investments		9,767	9,825
<b>Total Interest &amp; Investment Revenue Recognised</b>		<u>10,259</u>	<u>10,117</u>
<b>(d) Other Revenues</b>			
Fair Value Adjustments - Investment Properties	14	121	1,635
Rental Income - Investment Properties	14	1,040	1,276
Rental Income - Other Council Properties		1,839	1,608
Fines - Parking		3,192	3,586
Fines - Other		144	185
Legal Fees Recovery - Rates & Charges (Extra Charges)		404	814
Commissions & Agency Fees		880	682
Insurance Claim Recoveries		218	158
Insurance Recovery / Bonus		207	214
Investment Recoupment		1,000	1,371
Summerhill Waste Management - Electricity Generation		413	415
Sponsorships		296	74
Other		912	828
<b>TOTAL OTHER REVENUE</b>		<u>10,666</u>	<u>12,846</u>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	12,694	6,217	-	-
Pensioners' Rates Subsidies - General Component	1,210	1,224	-	-
<b>Total General Purpose</b>	<b>13,904</b>	<b>7,441</b>	<b>-</b>	<b>-</b>
<sup>1</sup> The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.				
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	391	405	-	-
Community Services	503	1,338	-	898
LIRS Subsidy	365	294	-	-
Recreation & Culture	610	448	187	335
Street Lighting	546	438	-	-
Transport (Other Roads & Bridges Funding)	189	165	4,961	1,364
Waste	346	-	1,501	-
Other	253	164	-	-
<b>Total Specific Purpose</b>	<b>3,203</b>	<b>3,252</b>	<b>6,649</b>	<b>2,597</b>
<b>Total Grants</b>	<b>17,107</b>	<b>10,693</b>	<b>6,649</b>	<b>2,597</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	13,294	6,583	5,636	1,657
- State Funding	3,813	4,110	1,013	940
	<b>17,107</b>	<b>10,693</b>	<b>6,649</b>	<b>2,597</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 94 - Contributions towards amenities/services	14	991	1,197	-
S 94A - Fixed Development Consent Levies	-	-	2,540	513
<b>Total Developer Contributions</b>	<b>14</b>	<b>991</b>	<b>3,737</b>	<b>513</b>
	17			
<b>Other Contributions:</b>				
Art Gallery Donations	60	12	130	1,477
Civic and Community Events	3	2	-	-
Community Facilities	3	52	2,173	2
Economic Development	127	-	-	-
Employees Corporate Fitness / Entitlements	773	804	-	-
Library	20	23	45	75
Parks and Gardens	71	42	2,633	37
Paving	-	-	-	50
Regional Museum	-	6	57	-
Roads & Drainage	1,524	-	8,150	12,926
RMS Contributions (Regional Roads, Block Grant)	147	1,494	-	-
Other	252	186	484	323
<b>Total Other Contributions</b>	<b>2,980</b>	<b>2,621</b>	<b>13,672</b>	<b>14,890</b>
<b>Total Contributions</b>	<b>2,994</b>	<b>3,612</b>	<b>17,409</b>	<b>15,403</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>20,101</b>	<b>14,305</b>	<b>24,058</b>	<b>18,000</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2015	Actual 2014
<b>(g) Restrictions relating to Grants and Contributions</b>		
<b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the Close of the Previous Reporting Period	18,365	24,624
<b>add:</b> Grants & contributions recognised in the current period but not yet spent:	4,323	2,760
<b>less:</b> Grants & contributions recognised in a previous reporting period now spent:	(2,521)	(9,019)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>1,802</b>	<b>(6,259)</b>
<b>Unexpended and held as Restricted Assets</b>	<u><b>20,167</b></u>	<u><b>18,365</b></u>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	5,479	3,290
- Developer Contributions	13,670	12,666
- Other Contributions	1,018	2,409
	<u><b>20,167</b></u>	<u><b>18,365</b></u>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		65,811	66,033
Employee Termination Costs (where material - other than vested leave paid)		774	827
Travelling		115	66
Employee Leave Entitlements (ELE)		12,254	12,023
Superannuation		9,322	8,851
Workers' Compensation Insurance		1,870	1,738
Fringe Benefit Tax (FBT)		694	582
Training Costs (other than Salaries & Wages)		404	489
Other		814	961
<b>Total Employee Costs</b>		<b>92,058</b>	<b>91,570</b>
less: Capitalised Costs		(4,750)	(4,341)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>87,308</b>	<b>87,229</b>
Number of "Equivalent Full Time" Employees at year end		<b>867</b>	<b>870</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		4,207	4,324
Charges on Hire Purchases		5	10
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>4,212</b>	<b>4,334</b>
<b>(ii) Other Borrowing Costs</b>			
- Remediation Liabilities	26	42	116
<b>Total Other Borrowing Costs</b>		<b>42</b>	<b>116</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>4,254</b>	<b>4,450</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		20,220	18,791 <sup>1</sup>
Contractor & Consultancy Costs		23,382	19,793 <sup>1</sup>
Auditors Remuneration <sup>(2)</sup>		100	169
Legal Expenses:			
- Legal Expenses: Planning & Development		-	109
- Legal Expenses: Other		607	739
Operating Leases		2,102	1,974
<b>Total Materials &amp; Contracts</b>		<b>46,411</b>	<b>41,575</b>
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>46,411</b>	<b>41,575</b>

<sup>1</sup> Reclassification of expenses between Materials and Contracts and Other Expenses in 2013/14 Financial Year

**2. Auditor Remuneration**

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

**(i) Audit and Other Assurance Services**

- Audit & review of financial statements: Council's Auditor	86	86
- Audit of regulatory returns	7	3

**Remuneration for audit and other assurance services**

<b>93</b>	<b>89</b>
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**(ii) Taxation Services**

- Tax compliance services	7	11
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**Remuneration for taxation services**

<b>7</b>	<b>11</b>
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**(iii) Other Services**

- Legal Advice	-	69
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**Remuneration for other services**

<b>-</b>	<b>69</b>
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**Total Auditor Remuneration**

<b>100</b>	<b>169</b>
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## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>(d) Depreciation, Amortisation &amp; Impairment</b>					
Capital WIP		-	1,558	-	-
Plant and Equipment		-	-	5,769	5,850
Office Equipment		-	-	953	863
Furniture & Fittings		-	-	222	222
Operational Land		119	2,473	-	-
Land Improvements (depreciable)		-	-	2,369	2,508
Buildings - Specialised		24	772	6,186	6,066
Other Structures		-	-	3,163	3,258
Infrastructure:					
- Roads		-	-	15,985	15,922
- Stormwater Drainage		-	-	2,301	3,514
Other Assets					
- Heritage Collections		-	-	32	32
- Library Books		-	-	692	1,027
- Other		-	-	2	2
Waste Management Asset		-	-	1,567	105
Newcastle Airport		-	-	1,997	1,561
Intangible Assets	25	-	-	169	120
<b>Total Depreciation &amp; Impairment Costs</b>		<b>143</b>	<b>4,803</b>	<b>41,407</b>	<b>41,050</b>
less: Capitalised Costs		-	-	(282)	(295)
less: Impairments (to)/from ARR [Equity]	9a	(132)	(2,905)	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>11</b>	<b>1,898</b>	<b>41,125</b>	<b>40,755</b>

<sup>1</sup> Overstated depreciation consisted of \$3m for the 2013/14 Financial Year

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		712	572
Bank Charges		495	512
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		2,827	2,818
- NSW Government Waste Levy		20,307	19,140
Councillor Expenses - Mayoral Fee		72	73
Councillor Expenses - Councillors' Fees		320	324
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		96	66
Donations, Contributions & Assistance to other organisations (Section 356)		1,671	1,324
Election Expenses		348	-
Electricity		1,923	2,199
Insurance		3,012	3,571
Newcastle Airport		4,163	4,209
S355 Local Committee Working Expenses		404	688
Street Lighting		3,082	3,805
Telephone & Communications		762	744
Water		1,016	1,158
Other		801	2,844
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>42,011</u></b>	<b><u>44,047</u></b>

<sup>1</sup> Reclassification of expenses between Materials and Contracts and Other Expenses in 2013/14 Financial Year

## Newcastle City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
<b>Property, Plant &amp; Equipment - PPE</b> (excl. Investment Property)			
Proceeds from Disposal - Property, Plant & Equipment		9,077	4,693
less: Carrying Amount of P&E Assets Sold / Written Off		<u>(8,179)</u>	<u>(4,152)</u>
<b>Net Gain/(Loss) on Disposal</b>		<u><b>898</b></u>	<u><b>541</b></u>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		<u>(3,709)</u>	<u>(1,538)</u>
<b>Net Gain/(Loss) on Disposal</b>		<u><b>(3,709)</b></u>	<u><b>(1,538)</b></u>
<b>Non Current Assets Classified as "Held for Sale"</b>			
Proceeds from Disposal - Non Current Assets "Held for Sale"		6,049	3,582
less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off		<u>(4,600)</u>	<u>(2,350)</u>
<b>Net Gain/(Loss) on Disposal</b>		<u><b>1,449</b></u>	<u><b>1,232</b></u>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<u><u><b>(1,362)</b></u></u>	<u><u><b>235</b></u></u>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2015	2015	2014	2014
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		14,705	-	22,532	-
Cash-Equivalent Assets					
- Deposits at Call		3,000	-	21,500	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>17,705</b>	<b>-</b>	<b>44,032</b>	<b>-</b>
<b>Investments (Note 6b)</b>					
- Term Deposits - Fixed Rate		80,915	20,500	44,279	18,500
- Term Deposits - Floating Rate		3,000	30,500	6,000	28,500
- Floating Rate Notes		19,701	78,370	10,508	67,551
- Bonds		7,490	16,526	4,804	18,130
<b>Total Investments</b>		<b>111,106</b>	<b>145,896</b>	<b>65,591</b>	<b>132,681</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>128,811</b>	<b>145,896</b>	<b>109,623</b>	<b>132,681</b>
<b>Note 6(b-ii)</b>					
<b>Reconciliation of Investments classified as "Held to Maturity"</b>					
Balance at the Beginning of the Year		65,591	132,681	86,439	114,480
Amortisation of Premiums & Discounts		14	(100)	(24)	(40)
Additions		122,203	55,481	103,281	40,582
Disposals (sales & redemptions)		(118,868)	-	(146,446)	-
Transfers between Current/Non Current		42,166	(42,166)	22,341	(22,341)
<b>Balance at End of Year</b>		<b>111,106</b>	<b>145,896</b>	<b>65,591</b>	<b>132,681</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	128,811	145,896	109,623	132,681
<b>attributable to:</b>				
External Restrictions (refer below)	22,684	26,389	23,924	23,731
Internal Restrictions (refer below)	51,906	113,841	58,779	107,640
Unrestricted	54,221	5,666	26,920	1,310
	<b>128,811</b>	<b>145,896</b>	<b>109,623</b>	<b>132,681</b>

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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## Details of Restrictions

**External Restrictions - Included in Liabilities**

Self Insurance Claims (A)	3,670	50		3,720
Art Gallery - Bequests	-	329	(10)	319
Security bonds, Deposits and Retentions	1,022		(306)	716
<b>External Restrictions - Included in Liabilities</b>	<b>4,692</b>	<b>379</b>	<b>(316)</b>	<b>4,755</b>

**External Restrictions - Other**

Developer Contributions - General (B)	12,666	4,227	(3,223)	13,670
Specific Purpose Unexpended Grants (C)	3,290	3,286	(1,097)	5,479
Domestic Waste Management (D)	7,210	2,644		9,854
Stormwater Management (D)	3,999	2,043	(3,210)	2,832
Art Gallery - Bequests and Donations	1,279	50	(46)	1,283
Business Improvement Associations	748	1,165	(1,284)	629
Coast and Estuary Crown Land Reserve	188	210	(66)	332
Rawson Crown Land Reserve	305	2,227	(1,607)	925
Special Rate Variation - Priority Projects	7,897	4,856	(7,486)	5,267
Building Better Cities	2,969	62	(1)	3,030
Contributions to Specific Works Programs	2,409	33	(1,424)	1,018
<b>External Restrictions - Other</b>	<b>42,960</b>	<b>20,803</b>	<b>(19,444)</b>	<b>44,319</b>
<b>Total External Restrictions</b>	<b>47,652</b>	<b>21,182</b>	<b>(19,760)</b>	<b>49,074</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details (continued)

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	23,607	6,201	(7,706)	22,102
Employee Leave Entitlements	18,360	2,808	(3,988)	17,180
Acquisition of Land and Property Enhancement	65,805	19,207	(13,959)	71,053
Asset Preservation	30,655	8,088	(7,194)	31,549
Contribution to Specific Works Programs	3,577	80	(1,495)	2,162
Newcastle Airport	9,766		(435)	9,331
Unexpended Loans	7,337		(2,523)	4,814
Self Insurance Claims	6,404	675	(85)	6,994
Quadrennial Council Elections	911	200	(550)	561
<b>Total Internal Restrictions</b>	<b>166,422</b>	<b>37,259</b>	<b>(37,935)</b>	<b>165,746</b>
<b>TOTAL RESTRICTIONS</b>	<b>214,074</b>	<b>58,441</b>	<b>(57,695)</b>	<b>214,820</b>

- A Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- B Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C Grants which are not yet expended for the purposes for which the grants were obtained (refer Note 1).
- D Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		4,539	672	4,816	671
Interest & Extra Charges		740	-	584	126
User Charges & Fees		8,389	-	6,941	-
Accrued Revenues					
- Interest on Investments		2,020	120	1,947	-
Government Grants & Subsidies		22	-	24	-
Infringement Processing Bureau - NSW State Govt		567	595	356	565
Net GST Receivable		821	-	837	-
<b>Total</b>		<b>17,098</b>	<b>1,387</b>	<b>15,505</b>	<b>1,362</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(97)	-	(79)	-
Interest & Extra Charges		(34)	-	(24)	-
User Charges & Fees		(320)	-	(228)	-
Infringement Processing Bureau - NSW State Govt		(51)	(54)	(39)	(62)
<b>Total Provision for Impairment - Receivables</b>		<b>(502)</b>	<b>(54)</b>	<b>(370)</b>	<b>(62)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>16,596</u></b>	<b><u>1,333</u></b>	<b><u>15,135</u></b>	<b><u>1,300</u></b>
<b>Externally Restricted Receivables</b>					
Domestic Waste Management		893	-	941	-
Stormwater Management		96	-	112	-
Other					
- Special Rates		34	-	44	-
<b>Total External Restrictions</b>		<b>1,023</b>	<b>-</b>	<b>1,097</b>	<b>-</b>
<b>Unrestricted Receivables</b>		<b>15,573</b>	<b>1,333</b>	<b>14,038</b>	<b>1,300</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>16,596</u></b>	<b><u>1,333</u></b>	<b><u>15,135</u></b>	<b><u>1,300</u></b>

**Notes on Debtors above:**

- (i) Rates & 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 & charges at 8.50% (2014 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		630	-	690	-
<b>Total Inventories</b>		<b>630</b>	<b>-</b>	<b>690</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		692	9	315	11
<b>Total Other Assets</b>		<b>692</b>	<b>9</b>	<b>315</b>	<b>11</b>
<b><u>TOTAL INVENTORIES / OTHER ASSETS</u></b>		<b><u>1,322</u></b>	<b><u>9</u></b>	<b><u>1,005</u></b>	<b><u>11</u></b>



Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2014					Condition based remaining life review Accum Depreciation Adjustment	Asset Movements during the Reporting Period											as at 30/6/2015					
	At	At	Accumulated	Carrying	At		WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	Impairment Loss (recognised in Equity)	Impairment Reversal (via P/L)	WIP Transfers	Adjustments & Transfers	Other Movements	Tfrs from/to "Hold for Sale" category	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying		
	Cost	Fair Value	Dep'n	Impairment	Value		Asset Additions												Cost	Fair Value	Dep'n	Impairment	Value
<b>\$ '000</b>																							
Capital Work in Progress	12,843	-	-	1,558	11,285		4,852				(9,129)							8,565	-	-	1,558	7,007	
Plant & Equipment	-	52,902	29,798	-	23,104		5,187	(315)	(5,769)		381							-	45,277	22,690	-	22,587	
Office Equipment	-	13,242	11,465	-	1,777		762	(1)	(953)									-	3,961	2,374	-	1,587	
Furniture & Fittings	-	7,619	6,481	-	1,138		351		(222)		53							-	2,546	1,226	-	1,320	
<b>Land:</b>																							
- Operational Land	-	88,801	-	2,473	86,328			(6,224)							1,595			-	84,172	-	2,422	81,750	
- Community Land	-	116,683	-	-	116,683		281	(577)		(119)	170			(25)				-	116,362	-	-	116,362	
- Land under Roads (post 30/6/08)	-	42,736	-	-	42,736		6,167											-	48,904	-	-	48,904	
Land Improvements - depreciable	-	95,335	68,851	-	26,484		2,778		(2,369)		179	(22,937)						-	32,920	28,784	-	4,136	
Buildings - Non Specialised	-	10,590	-	-	10,590		580	(950)							(581)			-	9,640	-	-	9,640	
Buildings - Specialised	-	252,290	100,959	801	150,530		5,581	(112)	(6,186)	(11)	(13)	2,257	1,858	(1,227)				-	260,119	106,618	826	152,675	
Other Structures	-	74,785	48,652	15	26,118		7,051		(3,163)		2,424	(16,336)						-	50,856	34,746	15	16,095	
<b>Infrastructure:</b>																							
- Roads	-	616,279	302,957	-	313,322	66,390	11,346	(2,284)	(10,181)		392	(618)				44,767		-	654,770	231,637	-	423,133	
- Bridges	-	73,423	36,605	-	36,818	7,986	31	(17)	(1,521)			(9,337)			(4,915)			-	41,669	12,625	-	29,044	
- Footpaths	-	207,655	100,814	-	106,841	27,094	4,290	(419)	(4,283)		2,688	9,357			(31,113)			-	166,967	60,186	-	106,781	
- Stormwater Drainage	-	215,025	78,775	-	136,250	32,814	4,656	(988)	(2,301)		755	1,683				15,846		-	263,046	66,658	-	196,388	
- Swimming Pools	-	-	-	-	-	-	-	-	-			10,503						-	16,062	5,559	-	10,503	
- Other Open Space/Recreational Assets	-	-	-	-	-	-	-	-	-			6,059						-	17,532	11,473	-	6,059	
- Other Infrastructure	-	-	-	-	-	-	-	-	-			19,768						-	61,720	41,952	-	19,768	
<b>Other Assets:</b>																							
- Heritage Collections	-	78,394	840	-	77,554		294		(32)									-	78,688	872	-	77,816	
- Library Books	-	21,244	15,625	-	5,619		844		(692)									-	22,088	16,317	-	5,771	
- Other	-	62	35	-	27				(2)									-	47	23	-	24	
Waste Management Asset	-	2,782	1,841	-	941		7,688		(1,567)				11,593					-	14,375	3,408	-	10,967	
Newcastle Airport	-	33,759	9,840	-	23,920		7,688	(61)	(1,997)									-	40,695	11,146	-	29,549	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>12,843</b>	<b>2,003,607</b>	<b>813,538</b>	<b>4,848</b>	<b>1,198,065</b>	<b>134,284</b>	<b>62,739</b>	<b>(11,948)</b>	<b>(41,238)</b>	<b>(11)</b>	<b>(132)</b>	<b>170</b>	<b>-</b>	<b>0</b>	<b>11,593</b>	<b>(238)</b>	<b>(36,028)</b>	<b>60,612</b>	<b>8,565</b>	<b>2,032,416</b>	<b>658,294</b>	<b>4,821</b>	<b>1,377,866</b>

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$14.67m) and New Assets (\$10.14m).  
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 & Equipment.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		17,189	-	15,390	-
Payments Received In Advance		3,679	-	3,018	-
Accrued Expenses:					
- Salaries & Wages		2,167	-	2,623	-
- Newcastle Airport Accruals		712	-	1,318	-
- Other Expenditure Accruals		379	-	343	-
Advances		-	-	-	-
Security Bonds, Deposits & Retentions		716	-	1,022	-
ATO - Net GST Payable		-	-	-	-
Deferred Income - Newcastle Airport		300	5,145	-	451
<b>Total Payables</b>		<b>25,142</b>	<b>5,145</b>	<b>23,714</b>	<b>451</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		2,352	61,340	2,497	63,692
Government Advances		200	1,605	98	781
Hire Purchase Liabilities		60	54	230	68
<b>Total Borrowings</b>		<b>2,612</b>	<b>62,999</b>	<b>2,825</b>	<b>64,541</b>
<b>Provisions</b>					
<b>Employee Benefits</b>					
Annual Leave		7,830	-	8,676	-
Sick Leave		7,192	-	8,232	-
Long Service Leave		17,828	800	16,724	688
<b>Sub Total - Aggregate Employee Benefits</b>		<b>32,850</b>	<b>800</b>	<b>33,632</b>	<b>688</b>
Self Insurance - Workers Compensation		780	2,940	750	2,920
Asset Remediation/Restoration (Future Works)	26	-	24,163	-	3,358
Other		222	-	758	-
<b>Total Provisions</b>		<b>33,852</b>	<b>27,903</b>	<b>35,140</b>	<b>6,966</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>61,606</b>	<b>96,047</b>	<b>61,679</b>	<b>71,958</b>

## (i) Liabilities relating to Restricted Assets

	2015		2014	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Domestic Waste Management	2,596	3,598	2,607	904
Self Insurance	780	2,940	750	2,920
<b>Liabilities relating to externally restricted assets</b>	<b>3,376</b>	<b>6,538</b>	<b>3,357</b>	<b>3,824</b>
<b>Total Liabilities relating to restricted assets</b>	<b>3,376</b>	<b>6,538</b>	<b>3,357</b>	<b>3,824</b>
<b>Total Liabilities relating to Unrestricted Assets</b>	<b>58,230</b>	<b>89,509</b>	<b>58,322</b>	<b>68,134</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>	<b>61,606</b>	<b>96,047</b>	<b>61,679</b>	<b>71,958</b>

<sup>1</sup> Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 10a. Payables, Borrowings &amp; Provisions (continued)

\$ '000	Actual 2015	Actual 2014
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**(ii) Current Liabilities not anticipated to be settled within the next 12 months**

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

Provisions - Employees Benefits	22,751	22,811
	<b>22,751</b>	<b>22,811</b>

## Note 10b. Description of and movements in Provisions

Class of Provision	2014		2015			Closing Balance as at 30/6/15
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Self Insurance	3,670	760	(780)	70	-	3,720
Asset Remediation	3,358	20,763	-	42	-	24,163
<b>TOTAL</b>	<b>7,028</b>	<b>21,523</b>	<b>(780)</b>	<b>112</b>	<b>-</b>	<b>27,883</b>

- a. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council being a self insurer up to certain levels of Excess.
- b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	17,705	44,032
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>17,705</b>	<b>44,032</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>36,576</b>	<b>21,923</b>
Adjust for non cash items:			
Depreciation & Amortisation		41,127	40,755
Net Losses/(Gains) on Disposal of Assets		1,362	(235)
Non Cash Capital Grants and Contributions		(13,382)	(14,193)
Impairment Losses Recognition - I,PP&E		11	1,898
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(1,000)	(1,371)
- Investment Properties		(121)	(1,635)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- "Held to Maturity" Financial Assets		86	64
Share of Net (Profits) or Losses of Associates/Joint Ventures		(121)	(51)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(1,618)	586
Increase/(Decrease) in Provision for Doubtful Debts		124	116
Decrease/(Increase) in Inventories		60	165
Decrease/(Increase) in Other Assets		(375)	2,699
Increase/(Decrease) in Payables		6,094	(231)
Increase/(Decrease) in Accrued Interest Payable		28	(22)
Increase/(Decrease) in Employee Leave Entitlements		(670)	(2,634)
Increase/(Decrease) in Other Provisions		(446)	(2,589)
<b>NET CASH PROVIDED FROM/(USED IN)</b>		<b>67,735</b>	<b>45,245</b>
<b>OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>67,735</b>	<b>45,245</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Other Dedications		(13,382)	(14,193)
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>(13,382)</b>	<b>(14,193)</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit Cards / Purchase Cards		350	350
<b>Total Financing Arrangements</b>		<b>350</b>	<b>350</b>
<b>Amounts utilised as at Balance Date:</b>			
- Credit Cards / Purchase Cards		350	350
<b>Total Financing Arrangements Utilised</b>		<b>350</b>	<b>350</b>

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts and Interest Rates on Loans & 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 provides bank guarantees to the value of \$4.17 million to secure its self insurance license for Workers Compensation. The guarantee is provided to WorkCover NSW.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		7,235	8,521
Plant & Equipment		1,838	2,063
Other		287	1,409
<b>Total Commitments</b>		<b>9,360</b>	<b>11,993</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		9,360	11,993
<b>Total Payable</b>		<b>9,360</b>	<b>11,993</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		9,360	11,993
<b>Total Sources of Funding</b>		<b>9,360</b>	<b>11,993</b>

**Details of Capital Commitments**

\$3.029m Shortland Esplanade Newcastle - Stage 2 Bathers Way  
\$1.870m Clock Tower Conservation

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(b) Finance Lease Commitments</b>			
<b>(i) Commitments under Finance Leases at the Reporting Date are payable as follows:</b>			
Within the next year		64	244
Later than one year and not later than 5 years		58	70
<b>Total Minimum Lease Payments</b>		<b>122</b>	<b>314</b>
less: Future Finance Charges		(8)	(16)
<b>Amount Recognised as a Liability</b>		<b>114</b>	<b>298</b>
<b>(ii) Finance Lease Liability Recognised represent;</b>			
Current Liabilities		60	230
Non-Current Liabilities		54	68
<b>Total Finance Lease Liabilities Disclosed</b>		<b>114</b>	<b>298</b>

**Additional Details**

Finance leases are attributable to the Newcastle Airport Operations with lease terms ranging from 1 years to 3 years.

**(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	1,302	1,559
Later than one year and not later than 5 years	789	1,200
Later than 5 years	-	-
<b>Total Non Cancellable Operating Lease Commitments</b>	<b>2,091</b>	<b>2,759</b>

**b. Non Cancellable Operating Leases include the following assets:**

1. Office Equipment with lease terms ranging from 5 - 6 years in length
2. Heavy Plant Items with lease terms of 3 years. Specific terms and conditions of the lease state that the provider is to maintain the plant and where the provider causes plant to be inoperable no payment is due for inoperable period
3. Other Plant & Equipment Items with lease terms of 2 years. Specific terms and conditions of the lease state that the provider is to maintain the plant and where less than a specified number of plant items are operable at any one time a financial penalty is prescribed

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts	Indicator	Prior Periods	
	2015	2015	2014	2013
<b>Local Government Industry Indicators - Consolidated</b>				
<b>1. Operating Performance Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
(excl. Capital Grants & Contributions) - Operating Expenses	<u>13,638</u>	<b>5.81%</b>	0.90%	-2.75%
Total continuing operating revenue <sup>(1)</sup>	<u>234,758</u>			
(excl. Capital Grants & Contributions)				
<b>2. Own Source Operating Revenue Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
(excl. ALL Grants & Contributions)	<u>214,657</u>	<b>82.94%</b>	86.54%	85.32%
Total continuing operating revenue <sup>(1)</sup>	<u>258,816</u>			
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(2)</sup>	<u>131,918</u>	<b>3.72x</b>	3.22	2.92
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	<u>35,479</u>			
<b>4. Debt Service Cover Ratio</b>				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation	<u>59,028</u>	<b>8.31x</b>	4.13	6.22
Principal Repayments (from the Statement of Cash Flows)	<u>7,102</u>			
+ Borrowing Costs (from the Income Statement)				
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual and Extra Charges Outstanding	<u>5,820</u>	<b>4.31%</b>	4.61%	5.05%
Rates, Annual and Extra Charges Collectible	<u>135,021</u>			
<b>6. Cash Expense Cover Ratio</b>				
Current Year's Cash and Cash Equivalents + All Term Deposits	<u>152,620</u>	<b>9.59 mths</b>	8.70	8.67
Payments from cash flow of operating and financing activities	<u>15,910</u>			

## Notes

<sup>(1)</sup> 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 & associates.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).



## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 14. Investment Properties

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Investment Properties at Fair value</b>			
<u>Investment Properties on Hand</u>		<u>13,600</u>	<u>13,350</u>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance at 1 July		13,350	11,715
- Capitalised Expenditure - this year		129	-
- Net Gain/(Loss) from Fair Value Adjustments		121	1,635
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b><u>13,600</u></b>	<b><u>13,350</u></b>
<b>(b) Valuation Basis</b>			
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 2015 revaluations were based on Independent Assessments made by: <a href="#">Baker &amp; Magin Valuers - Associate members of the Australian Property Institute</a>			
<b>(c) Contractual Obligations</b>			
Refer to Note 12 for disclosures of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.			
<b>(d) Leasing Arrangements</b>			
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		1,176	954
Later than 1 year but less than 5 years		5,723	3,749
Later than 5 years		13,463	11,366
<b>Total Minimum Lease Payments Receivable</b>		<b><u>20,362</u></b>	<b><u>16,069</u></b>
<b>(e) Amounts recognised in profit and loss for investment property</b>			
Rental Income		1,040	1,276
Direct operating expenses from property that generated rental income		(309)	(488)
Net gain (loss) from fair value adjustment		121	1,635
<b>Total Income attributable to Investment Properties</b>		<b><u>852</u></b>	<b><u>2,423</u></b>

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

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## 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.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2015	2014	2015	2014
<b>Financial Assets</b>				
Cash and Cash Equivalents	17,705	44,032	17,705	44,032
Investments				
- "Held to Maturity"	257,002	198,272	258,127	199,897
Receivables	17,929	16,435	17,929	16,435
<b>Total Financial Assets</b>	<b>292,636</b>	<b>258,739</b>	<b>293,761</b>	<b>260,364</b>
<b>Financial Liabilities</b>				
Payables	26,608	21,147	26,608	21,147
Loans / Advances	65,497	67,068	65,497	67,068
Lease Liabilities	114	298	114	298
<b>Total Financial Liabilities</b>	<b>92,219</b>	<b>88,513</b>	<b>92,219</b>	<b>88,513</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates market value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & loss'  
"Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & 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.

Council also seeks advice from Amicus Advisory Pty Ltd (independent advisers) in relation to its investment placements. Independent advice is recommended as part of the Division of Local Government Best Practice.

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
<b>2015</b>				
Possible impact of a 1% movement in Interest Rates	1,463	1,463	(1,463)	(1,463)
<b>2014</b>				
Possible impact of a 1% movement in Interest Rates	1,351	1,351	(1,351)	(1,351)

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 15. Financial Risk Management (continued)

\$ '000

**(b) Receivables**

Council's major receivables comprise **(i) Rates & Annual charges** and **(ii) User Charges & 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 & annual charges at higher than market rates which further encourages the payment of debt.

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

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

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

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

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

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
<b>(i) Ageing of Receivables - %</b>				
Current (not yet overdue)	0%	18%	0%	18%
Overdue	100%	82%	100%	82%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of Receivables - value</b>				
<b>Rates &amp; Annual Charges</b>	<b>Rates &amp; Annual Charges</b>	<b>Other Receivables</b>	<b>Rates &amp; Annual Charges</b>	<b>Other Receivables</b>
Current	-	2,343	-	2,041
< 1 year overdue	4,539	2,677	4,816	2,333
1 - 2 years overdue	186	8,138	186	6,855
2 - 5 years overdue	460	116	459	151
> 5 years overdue	26	-	26	-
	<b>5,211</b>	<b>13,274</b>	<b>5,487</b>	<b>11,380</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 15. Financial Risk Management (continued)

\$ '000

## (c) Payables &amp; Borrowings

Payables & 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 & overdraft facilities utilised as required.

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2015</b>									
Trade/Other Payables	716	20,747	300	300	300	300	3,945	26,608	26,608
Loans & Advances	-	6,678	12,753	6,374	6,365	13,282	53,954	99,406	65,497
Lease Liabilities	-	64	25	32	-	-	-	121	114
<b>Total Financial Liabilities</b>	<b>716</b>	<b>27,489</b>	<b>13,078</b>	<b>6,706</b>	<b>6,665</b>	<b>13,582</b>	<b>57,899</b>	<b>126,135</b>	<b>92,219</b>
<b>2014</b>									
Trade/Other Payables	1,022	20,125	-	-	-	-	-	21,147	21,147
Loans & Advances	-	6,802	6,529	12,609	6,235	6,230	66,524	104,929	67,068
Lease Liabilities	-	244	61	9	-	-	-	314	298
<b>Total Financial Liabilities</b>	<b>1,022</b>	<b>27,171</b>	<b>6,590</b>	<b>12,618</b>	<b>6,235</b>	<b>6,230</b>	<b>66,524</b>	<b>126,390</b>	<b>88,513</b>

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

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

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	26,608		21,147	
Loans & Advances - Fixed Interest Rate	65,497	6.3%	67,068	6.4%
Lease Liabilities	114	6.0%	298	7.2%
	<u>92,219</u>		<u>88,513</u>	

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 24 June 2014.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act 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	2015 Budget	2015 Actual	2015 Variance*	-----	-----
<b>REVENUES</b>					
<b>User Charges &amp; Fees</b>	<b>53,539</b>	<b>65,822</b>	<b>12,283</b>	23%	<b>F</b>
2014/15 budget development excluded Newcastle Airport Limited.					
<b>Interest &amp; Investment Revenue</b>	<b>6,735</b>	<b>10,259</b>	<b>3,524</b>	52%	<b>F</b>
Council's investment portfolio continued to exceed budget returns. Contributing factors include: operating cash flow surplus exceeding budget; capital budget less than budgeted; and conservatively forecast portfolio holdings, interest rates, and investment product margins.					
<b>Operating Grants &amp; Contributions</b>	<b>17,967</b>	<b>20,101</b>	<b>2,134</b>	12%	<b>F</b>
Operational contributions included an additional \$2m of contributions from Roads and Maritime Services towards work on Newcastle's transport services.					
<b>Capital Grants &amp; Contributions</b>	<b>6,810</b>	<b>24,058</b>	<b>17,248</b>	253%	<b>F</b>
During the 2014/15 financial year Council's Coastal Revitalisation Program attracted \$5m from the Federal Government's 'Resources for Regions' grant program. This grant program was not announced til the Financial Year had started and was not included in the original budget workings.					
<b>EXPENSES</b>					
<b>Depreciation &amp; Amortisation</b>	<b>46,928</b>	<b>41,125</b>	<b>5,803</b>	12%	<b>F</b>
2014/15 Budget development was based on 2012/13 actuals.					
<b>Other Expenses</b>	<b>35,127</b>	<b>42,011</b>	<b>(6,884)</b>	(20%)	<b>U</b>
2014/15 budget development excluded Newcastle Airport Limited.					

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & 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 & levies and the value of all remaining funds which are "restricted" in their future use.

##### (a) SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Section 94A Plan	6,410	2,551	-	136	(3,184)	-	5,913	-	-	-	-
Traffic and Transport	536	80	-	15	-	-	631	2,820	(2,901)	550	-
Social Infrastructure	5,720	492	-	145	(39)	-	6,318	33,806	(34,297)	5,827	-
Open Space	-	97	52	1	-	-	150	204	(2,030)	(1,676)	-
Recreation	-	404	54	3	-	-	461	785	(425)	821	-
Community Facility	-	127	68	2	-	-	197	269	(150)	316	-
<b>S94 Contributions - under a Plan</b>	<b>12,666</b>	<b>3,751</b>	<b>174</b>	<b>302</b>	<b>(3,223)</b>	<b>-</b>	<b>13,670</b>	<b>37,884</b>	<b>(39,803)</b>	<b>5,838</b>	<b>-</b>
<b>Total Contributions</b>	<b>12,666</b>	<b>3,751</b>	<b>174</b>	<b>302</b>	<b>(3,223)</b>	<b>-</b>	<b>13,670</b>	<b>37,884</b>	<b>(39,803)</b>	<b>5,838</b>	<b>-</b>

Note 17. Statement of Developer Contributions (continued)

\$ '000

(b) Contribution Plan 2009 - Section 94A Development

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Section 94A Plan	6,410	2,551	-	136	(3,184)	-	5,913	-	-	-	-
<b>Total</b>	<b>6,410</b>	<b>2,551</b>	<b>-</b>	<b>136</b>	<b>(3,184)</b>	<b>-</b>	<b>5,913</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(c) Contribution Plan - Western Corridor

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic and Transport	536	80	-	15	-	-	631	2,820	(2,901)	550	-
Social Infrastructure	5,720	492	-	145	(39)	-	6,318	33,806	(34,297)	5,827	-
<b>Total</b>	<b>6,256</b>	<b>572</b>	<b>-</b>	<b>160</b>	<b>(39)</b>	<b>-</b>	<b>6,949</b>	<b>36,626</b>	<b>(37,198)</b>	<b>6,377</b>	<b>-</b>

(d) Contribution Plan - Fern Bay Cross Boundary

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	-	97	52	1	-	-	150	204	(2,030)	(1,676)	-
Recreation	-	404	54	3	-	-	461	785	(425)	821	-
Community Facilities	-	127	68	2	-	-	197	269	(150)	316	-
<b>Total</b>	<b>-</b>	<b>628</b>	<b>174</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>808</b>	<b>1,258</b>	<b>(2,605)</b>	<b>(539)</b>	<b>-</b>



## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised

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

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Defined Benefit Superannuation Contribution Plans

The Local Government Superannuation Scheme Pool B (the scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB 119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers. The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2015 was \$3,423,921. Additional contributions remaining are estimated at \$1,540,358.

The last valuation of the scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2015.

###### (ii) Workers Compensation

Council provides bank guarantees to the value of \$4.17 million to secure its self insurance license for Workers Compensation. The guarantee is provided to WorkCover NSW.

###### (iii) Statewide Mutual

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government. Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years. The future

realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

##### 2. Other Liabilities

###### (iii) 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 Council's intention to spend funds in the manner and timing set out in those Plans.

##### 3. Other Contingent Liabilities

Council has been named the defendant in a number of proceedings by parties seeking compensation. Due to the considerable uncertainty in legal proceedings and the need to maintain legal professional privilege, this liability cannot be accurately determined at this time and as such has not been brought to account in the financial statements. Whilst no determination can be made as to the outcome of any particular matter, Council considers that there are meritorious defences available in those matters currently the subject of litigation. Any liability, including any legal costs liability, which may arise, should not have a material adverse effect on the Council's consolidated financial position.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 19. Interests in Other Entities

\$ '000

**Joint Ventures & Associates****Note 19(a)**

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(b)**

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.

**Accounting Recognition:**

(i) Joint Operations disclosed at Note 19(b) 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(a) 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	Actual	Actual	Actual
	2015	2014	2015	2014
Associates	121	51	406	267
<b>Total</b>	<b>121</b>	<b>51</b>	<b>406</b>	<b>267</b>

**(a) Joint Ventures and Associates**

Council has incorporated the following Joint Ventures and Associates into it's consolidated Financial Statements.

**(a) Net Carrying Amounts - Council's Share**

Name of Entity	Nature of Relationship	Measurement Method	2015	2014
<a href="#">Strategic Services Australia Limited</a>	Associate	Equity	406	267
<b>Total Carrying Amounts - Material Joint Ventures and Associates</b>			<b>406</b>	<b>267</b>

**(b) Details**

Name of Entity	Principal Activity	Place of Business
Strategic Services Australia Limited	Local Government Efficiency Initiative	Thornton, NSW

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 19. Interests in Other Entities (continued)

\$ '000

(c) Relevant Interests & Fair Values	Quoted Fair Value		Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2015	2014	2015	2014	2015	2014	2015	2014
Name of Entity								
Strategic Services Australia Limited	406	267	19%	19%	19%	19%	9%	9%

Although Council has less than 20% share of voting rights in SSA, Council has determined it has significant influence through its board representation on SSA.

## (d) Summarised Financial Information for Joint Ventures &amp; Associates

	Strategic Services Australia Limited	
Statement of Financial Position	2015	2014
<b>Current Assets</b>		
Cash and Cash Equivalents	109	279
Other Current Assets	537	190
<b>Total Current Assets</b>	<b>646</b>	<b>469</b>
<b>Non-Current Assets</b>	<b>4,561</b>	<b>4,484</b>
<b>Current Liabilities</b>		
Payables	153	113
Other Current Liabilities	1,240	467
<b>Total Current Liabilities</b>	<b>1,393</b>	<b>580</b>
<b>Non-Current Liabilities</b>	<b>1,731</b>	<b>3,005</b>
<b>Net Assets</b>	<b>2,083</b>	<b>1,368</b>
<b>Reconciliation of the Carrying Amount</b>		
<b>Opening Net Assets (1 July)</b>	1,368	1,106
Profit/(Loss) for the period	621	262
Revaluation Increment	94	-
<b>Closing Net Assets</b>	<b>2,083</b>	<b>1,368</b>
<b>Council's share of Net Assets (%)</b>	<b>19.5%</b>	<b>19.5%</b>
<b>Council's share of Net Assets (\$)</b>	<b>406</b>	<b>267</b>

## Newcastle City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 19. Interests in Other Entities (continued)

## (d) Summarised Financial Information for Joint Ventures &amp; Associates (continued)

\$ '000

	Strategic Services Australia Limited	
	2015	2014
<b>Statement of Comprehensive Income</b>		
Income	2,379	1,437
Expenses	(1,778)	(1,195)
Adjustment: Unpaid Debt Guarantee Fees	20	20
<b>Profit/(Loss) from Continuing Operations</b>	<b>621</b>	<b>262</b>
Profit/(Loss) from Discontinued Operations	-	-
<b>Profit/(Loss) for Period</b>	<b>621</b>	<b>262</b>
Other Comprehensive Income	-	-
<b>Total Comprehensive Income</b>	<b>621</b>	<b>262</b>
<b>Council's share of Income (%)</b>	<b>19.5%</b>	<b>19.5%</b>
<b>Council's share of Profit/(Loss) (\$)</b>	<b>121</b>	<b>51</b>
<b>Council's share of Comprehensive Income (\$)</b>	<b>121</b>	<b>51</b>

## (e) The nature and extent of significant restrictions relating to Joint Ventures &amp; Associates

There are no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends or to repay loans or advances made by Council.

## (b) Joint Operations

## (a) Council is involved in the following Joint Operations (JO's)

Name of Joint Operation	Principal Activity	Interest in Ownership		Interest in Voting	
		2015	2014	2015	2014
Newcastle Airport Partnership	Civil Aviation Facilities	50%	50%	50%	50%

Council has entered into a joint arrangement, called the Newcastle Airport Partnership, with a principal place of business of Williamtown, NSW. Under this arrangement, decisions regarding the relevant activities of the airport require unanimous consent of the partners, as well as the partners holding rights to their share of assets and liabilities of the partnership. Council has therefore classified this arrangement as a joint operation and has included its interests in the assets, liabilities, revenue and expenses of the partnership in the appropriate line items of the balance sheet and income statement respectively.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year		1,189,032	1,130,675
a. Correction of Prior Period Errors	20 (c)	125,113	34,987
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	31
d. Net Operating Result for the Year		36,576	21,923
e. Distributions to/(Contributions from) Non-controlling Interests		-	(96)
f. Transfers between Equity		10,108	1,512
<b>Balance at End of the Reporting Period</b>		<b><u>1,360,829</u></b>	<b><u>1,189,032</u></b>

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

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	177,931	163,568
<b>Total</b>	<b><u>177,931</u></b>	<b><u>163,568</u></b>

**(ii) Reconciliation of movements in Reserves:**

<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		163,568	277,363
- Revaluations for the year	9(a)	24,585	20,288
- (Impairment of revalued assets) / Impairment reversals	9(a),(c)	(132)	(2,905)
- Transfer to Retained Earnings for Asset disposals		(10,108)	(1,512)
- Correction of Prior Period Errors	20(c)	-	(129,666)
- Other movements (SSA)		18	-
<b>- Balance at End of Year</b>		<b><u>177,931</u></b>	<b><u>163,568</u></b>

**TOTAL VALUE OF RESERVES**

<b><u>177,931</u></b>	<b><u>163,568</u></b>
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**(iii) Nature & Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2015	Actual 2014
<b>(c) Correction of Error/s relating to a Previous Reporting Period</b>			
<b>Correction of errors disclosed in this year's financial statements:</b>			
Overstated Depreciation (In prior year) <sup>1</sup>		134,283	8,809
Roads and Drainage not in existence		-	(954)
Drainage not previously recognised		-	42,488
Revaluation loss not previously recognised		-	(15,356)
Reassessment of provision for Astra Street Landfill remediation <sup>2</sup>		(9,170)	-
<b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</b>			
<b>These amounted to the following Equity Adjustments:</b>			
- Adjustments to Closing Equity - 30/6/14 (relating to adjustments for the 30/6/14 year end)		-	34,987
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<b>-</b>	<b>34,987</b>

<sup>1</sup> Overstated depreciation consisted of \$3m for the 2013/14 Financial Year<sup>2</sup> Astra Street Landfill Remediation Provision Reassessment (Refer Note 26)

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 21. Financial Result & Financial Position by Fund

Council utilises only a General Fund for its operations.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 22. "Held for Sale" Non Current Assets &amp; Disposal Groups

\$ '000	2015 Current	2015 Non Current	2014 Current	2014 Non Current
<b>(i) Non Current Assets &amp; Disposal Group Assets</b>				
<b>Non Current Assets "Held for Sale"</b>				
Land & Buildings	8,896	-	13,430	-
<b>Total Non Current Assets "Held for Sale"</b>	<b>8,896</b>	<b>-</b>	<b>13,430</b>	<b>-</b>
<b>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</b>	<b>8,896</b>	<b>-</b>	<b>13,430</b>	<b>-</b>



## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 23. Events occurring after the Reporting Date

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**\$ '000**

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Events that occur between the end of the reporting period (ending 30 June 2015) 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 27/10/15.

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 2015.

**(ii) Events that provide evidence of conditions that arose after the Reporting Period**

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 25. Intangible Assets

\$ '000	Actual 2015	Actual 2014
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
<b>Opening Values:</b>		
Gross Book Value (1/7)	1,492	287
Accumulated Amortisation (1/7)	(120)	-
<b>Net Book Value - Opening Balance</b>	<b>1,372</b>	<b>287</b>
<b>Movements for the year</b>		
- Purchases	252	557
- Development Costs	223	648
- Amortisation charges	(169)	(120)
- Impairment charges	-	-
- Gross Book Value written off	-	(689)
- Accumulated Impairment charges written off	-	689
<b>Closing Values:</b>		
Gross Book Value (30/6)	1,967	1,492
Accumulated Amortisation (30/6)	(289)	(120)
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>1,678</u></b>	<b><u>1,372</u></b>

<sup>1</sup> The Net Book Value of Intangible Assets represent:

- Software	1,678	1,372
	<b><u>1,678</u></b>	<b><u>1,372</u></b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 26. Reinstatement, Rehabilitation &amp; Restoration Liabilities

\$ '000			
Asset/Operation	Estimated year of restoration	NPV of Provision	
		2015	2014
Summerhill Waste Management Centre	2025	14,993	3,358
Astra Street Landfill	2021	9,170	-
<b>Balance at End of the Reporting Period</b>	10(a)	<b>24,163</b>	<b>3,358</b>

Under AASB 116 - Property, Plant & 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.

During the current financial year, Council has undertaken a full re-assessment of its landfill remediation obligations. Changes in remediation practices and community expectations over recent years have led to increased requirements and after consultation with external and internal experts, Council has estimated the rehabilitation costs at both the Astra Street Landfill (closed in 1995) and the Summerhill Site (currently operational) and determined that the best estimate of rehabilitation costs as at 30 June 2015 is: Astra Street Landfill - \$9.167million and Summerhill Waste Management Centre - \$14.993million.

Astra Street Landfill - this asset is no longer in use and the estimated adjustment for rehabilitation provision relates to the prior period. The adjustment is made to prior period opening retained earnings given assumptions made on transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) in 2004 were uncertain and the asset is no longer in use.

Summerhill Waste Management Centre - this asset is currently operational and the estimate for the rehabilitation provision has been adjusted to both the Assets & Liabilities in the Balance Sheet under the revaluation model.

Both provisions have 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	3,358	3,242
Amounts capitalised to new or existing assets:		
Recalculation of Rehabilitation Provision as at 1 July 2014	20,763	-
Amortisation of discount (expensed to borrowing costs)	42	116
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>24,163</b>	<b>3,358</b>

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities (continued)

##### **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.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## 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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non Current Assets classified as "Held for Sale"

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).

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

2015	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring Fair Value Measurements</b>					
<b>Investment Properties</b>					
Commercial Office and Retail	30/06/15	-	-	13,600	13,600
<b>Total Investment Properties</b>		<b>-</b>	<b>-</b>	<b>13,600</b>	<b>13,600</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

2015	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring Fair Value Measurements</b>					
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Plant & Equipment	30/06/13	-	-	22,587	22,587
Office Equipment	30/06/13	-	-	1,587	1,587
Furniture & Fittings	30/06/13	-	-	1,320	1,320
Operational Land	30/06/13	-	-	81,750	81,750
Community Land	30/06/11	-	-	116,362	116,362
Land Under Roads	30/06/14	-	-	48,904	48,904
Land Improvements - depreciable	30/06/11	-	-	4,136	4,136
Buildings - Non Specialised	30/06/13	-	-	9,640	9,640
Buildings - Specialised	30/06/13	-	-	152,675	152,675
Other Structures	30/06/11	-	-	16,095	16,095
Roads	30/06/15	-	-	423,133	423,133
Bridges	30/06/15	-	-	29,044	29,044
Footpaths	30/06/15	-	-	106,781	106,781
Stormwater Drainage	30/06/15	-	-	196,388	196,388
Heritage Collections	30/06/11	-	-	77,816	77,816
Library Books	30/06/11	-	-	5,771	5,771
Other Assets	30/06/11	-	-	24	24
Waste Management Asset	30/06/15	-	-	10,967	10,967
Newcastle Airport	30/06/15	-	-	29,549	29,549
Swimming Pools	30/06/11	-	-	10,503	10,503
Other Open Space/Rec Assets	30/06/11	-	-	6,059	6,059
Other Infrastructure	30/06/11	-	-	19,768	19,768
<b>Total Infrastructure, Ppty, Plant &amp; Equipment</b>		<b>-</b>	<b>-</b>	<b>1,370,859</b>	<b>1,370,859</b>
<b>Non-recurring Fair Value Measurements</b>					
<b>Non Current Assets classified as "Held for Sale"</b>					
Land & Buildings	30/06/15	-	-	8,896	8,896
<b>Total NCA's classified as "Held for Sale"</b>		<b>-</b>	<b>-</b>	<b>8,896</b>	<b>8,896</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring Fair Value Measurements</b>					
<b>Investment Properties</b>					
Commercial Office and Retail	30/06/14	-	-	13,350	13,350
<b>Total Investment Properties</b>		<b>-</b>	<b>-</b>	<b>13,350</b>	<b>13,350</b>
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Plant & Equipment	30/06/13	-	-	23,104	23,104
Office Equipment	30/06/13	-	-	1,777	1,777
Furniture & Fittings	30/06/13	-	-	1,138	1,138
Operational Land	30/06/13	-	-	86,328	86,328
Community Land	30/06/11	-	-	116,683	116,683
Land Under Roads	30/06/14	-	-	42,736	42,736
Land Improvements - depreciable	30/06/11	-	-	26,484	26,484
Buildings - Non Specialised	30/06/13	-	-	10,590	10,590
Buildings - Specialised	30/06/13	-	-	150,530	150,530
Other Structures	30/06/11	-	-	26,118	26,118
Roads	30/06/11	-	-	313,322	313,322
Bridges	30/06/11	-	-	36,818	36,818
Footpaths	30/06/11	-	-	106,841	106,841
Stormwater Drainage	30/06/10	-	-	136,250	136,250
Heritage Collections	30/06/11	-	-	77,554	77,554
Library Books	30/06/11	-	-	5,619	5,619
Other Assets	30/06/11	-	-	27	27
Waste Management Asset	30/06/14	-	-	941	941
Newcastle Airport	30/06/14	-	-	23,920	23,920
<b>Total Infrastructure, Property, Plant &amp; Equipm</b>		<b>-</b>	<b>-</b>	<b>1,186,780</b>	<b>1,186,780</b>
<b>Non-recurring Fair Value Measurements</b>					
<b>Non Current Assets classified as "Held for Sale"</b>					
Land and Buildings	30/06/14	-	-	13,430	13,430
<b>Total NCA's classified as "Held for Sale"</b>		<b>-</b>	<b>-</b>	<b>13,430</b>	<b>13,430</b>



## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

##### **Valuation techniques used to derive Level 2 and Level 3 Fair Values**

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

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

##### **Investment Properties**

Council obtains independent valuations of its investment property annually. A full revaluation is done every 3 years with a desktop valuation every other year. This ensures at the end of each reporting period the financial statements reflect the most up-to-date valuation.

The best evidence of Fair Value is the current price in an active market for similar assets. The following information is used where necessary;

- Current prices in an active market for different types of properties or similar properties in a less active market;
- Discounted cash flow projections based on managements best estimates of future rental income and expenditure;

All investment property valuations are included in level 3 of the hierarchy. The key unobservable input is the price per square metre.

The fair value of the investment properties are determined by an independent, qualified valuer updated on an annual basis who has experience in the location of the properties. The Council reviews the valuation report and discusses significant movements with the valuer. As at 30 June 2015 the valuation of the investment property was performed by Baker & Magin Valuers, Director A D Magin, AAPI, Certified Practising Valuer (Business), Registered No. 2568.

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

##### **Infrastructure, Property, Plant & Equipment**

###### **Plant & Equipment, Office Equipment and Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment    Motor vehicles, trucks, tractors, ride-on mowers, street sweepers, compactors and earthmoving equipment
- Office Equipment        Computer equipment, projectors, refrigerators, cameras and photocopiers.

The key unobservable inputs to the valuation are internal factors surrounding the remaining useful life, pattern of consumption, asset condition and residual value. Where items are of a material value, Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking into account the unobservable inputs mentioned.

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

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

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

##### **Operational Land**

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is based on market value. .

Council's operational land is valued using market valuations with a comprehensive valuation completed and revalued every five years. The last valuation was undertaken at 30 June 2013 and was performed by Knight Frank Valuers Lauren Payne, AAPI, Certified Practising Valuer.

Council's operational land is reviewed for impairment and any material changes in value after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. The condition of the asset and its future cash flows are also considered when determining the fair value.

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

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

##### **Community Land**

Council's 'Community' land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and;
- Must have a plan of management for it.

Valuations of all Council's Community Land and Council managed land were based on either the Unimproved Capital Value (UCV) provided by the Valuer-General or where the Valuer-General did not provide a land value having regard to the highest and best use for this land, an average unit rate based on the land values for similar properties, land use, dimensions, land size and shape was used. As these rates are not considered to be observable market evidence they have been classified as Level 3.

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

##### **Land Under Roads**

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment and Council recognised this asset for the first time in financial year 2008/09. The Land under

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

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Roads was valued in accordance with the Australian Accounting Standard AASB 116 Property, Plant and Equipment, the Code of Accounting Practice and Financial Reporting June 2014, and completed by Council's Manager Rates.

Values were determined using the adjacent site method derived from the Code of Accounting Practice and Financial Reporting. This asset class is classified as Level 3 asset as significant inputs used in the adjacent site valuation methodology are unobservable.

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

#### **Land Improvements - Depreciable**

The land improvements asset class consists of sports field drainage, landscaping, turf, irrigation and other small land improvements. These assets may be located on parks, reserves and sporting fields.

'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

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

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

#### **Buildings – Non Specialised and Specialised**

Non-specialised buildings include commercial and general purpose buildings for which there is a secondary market. While specialised buildings are buildings designed for a specific limited purpose. Such buildings would include specialised buildings to house specialised infrastructure or plant and some heritage properties.

#### **Non Specialised Buildings**

The market sale approach to the valuation of assets comprises reference to market evidence of the sale of the identical and or similar assets. The valuation aspects are generally, but not limited to, the location, size, condition, style and utility of the asset.

Replacement cost, asset condition, remaining useful life and building components are some of the inputs used in fair value determination. Since most of these inputs require judgement and are unobservable, the asset class has been classified as Level 3.

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

#### **Specialised Buildings**

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors such as the remaining useful life of the asset, condition, pattern of consumption and residual value.

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

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

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

##### **Other Structures**

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

This asset class comprises of Council's outdoor shelters, memorials, monuments, floodlighting systems, Summerhill disposal cells, fencing and other smaller structures.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and by componentising its significant parts where applicable. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

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

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

##### **Roads**

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

This asset class comprises the following Road components – Surface, Pavement, Kerb & Gutter, Excavation and Roadside Furniture.

The cost approach was utilised to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's Asset System. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement which impacted significantly on the final determination of fair value.

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

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

##### **Bridges**

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

Bridges were valued in house by experienced Council Engineering staff with condition data and unit rates updated by an Independent external consultant - Tasman Associates. This asset class is componentised into significant parts, comprising of the Bridge Substructure, Superstructure, Handrail/Guardrail and tunnel excavation, each with differing useful lives.

In order to apply fair valuation and condition based depreciation, the replacement cost has been determined for each component with unit rates supplied updated by Tasman Associates. Other input estimates like the

## Newcastle City Council

### Notes to the Financial Statements for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

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useful life, condition ratings (1 – 5 rating), residual value and pattern of consumption have been used in the valuation of these assets and require significant professional judgement, therefore this asset class has been categorised as Level 3.

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

##### **Footpaths**

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

This asset class comprises the following Road components – Footpaths.

Replacement costs (unit rates) and useful lives of Councils footpaths were determined using technical knowledge. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement which impacted significantly on the final determination of fair value

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

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

##### **Drainage Infrastructure**

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

Council's Drainage Assets comprise pits, pipes, culverts, stormwater quality improvement devices, headwalls, open channels - civil, constructed water courses and excavation used to collect, store and remove stormwater.

The cost approach estimated the replacement cost for each asset with different useful lives and taking into account a range of factors. Inputs such as estimates of the pattern of consumption, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived underground assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

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

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

##### **Swimming Pools**

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

This asset class comprises of Council's outdoor swimming pool and ocean bath shells.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and by componentising its significant parts where applicable. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

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

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

##### **Other Open Space/Recreational Assets**

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

This asset class comprises of Council's outdoor skate facilities, sporting facilities, play grounds and other smaller recreational assets.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and by componentising its significant parts where applicable. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

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

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

##### **Other Infrastructure**

The other infrastructure asset class consists of ground level car parks, retaining walls, sea walls, boat ramps and other infrastructure assets. These assets may be located on parks, reserves and sporting fields.

'Other infrastructure' assets were valued in-house using the cost approach by experienced Council engineers and asset management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

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

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

##### **Heritage Collections**

Assets within this class comprise of Art Gallery and Museum collections. The carrying amount of the Museum assets is assumed to approximate fair value due to the nature of the items, whilst market value is used to determine the fair value of the Art Gallery Collection on a 5 year cycle.

Where items are of a material value, Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption and estimated remaining useful life.

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

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

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

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##### **Library Books**

This asset category comprises of assets such as Media, Fiction, Non Fiction, Rare/Research Books and Local Studies. Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Where items are of a material value, Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

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

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

##### **Other Assets**

This asset category comprises of specific Council assets such as the Council Crest, the Lord Mayors Robes and the Chain of Office. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs to the valuation are internal factors surrounding the remaining useful life, pattern of consumption, asset condition and residual value. Where items are of a material value, Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking into account the unobservable inputs mentioned.

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

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

##### **Waste Management Asset - Summerhill**

The Summerhill Waste Management Centre encompasses a landfilling operation as well as a wide range of waste disposal services, resource recovery services, recycled and reclaimed products, and waste management educational activities. It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill site.

Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

An Evaluation of Costs for the Landfill Closure and Post Closure Management was prepared by Summerhill's Senior Management during 2015. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

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

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

## Newcastle City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 27. Fair Value Measurement (continued)

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##### **Newcastle Airport**

Council is involved in a joint operation with Port Stephens Council for the operation of civil aviation facilities at Newcastle Airport. The legal structure of the entity controlling the assets and operations of the Airport is now structured as a partnership. The Partners are Newcastle City Council (NCC) and Port Stephens Council (PSC). Under this structure NCC and PSC hold the rights to their share of the assets and their share of the obligations in the partnership.

This asset category comprises of Property, Plant, Equipment and Infrastructure assets. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs to the valuation are internal factors surrounding the remaining useful life, pattern of consumption, asset condition and residual value. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

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

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##### **Non Current Assets classified as "Held for Sale"**

Non-current assets 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.

An impairment loss is recognised for any initial or subsequent write-down of the asset 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, 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 is recognised at the date of de-recognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale and are presented separately from the other assets in the statement of financial position. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

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

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## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

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

The following tables present the changes in Level 3 Fair Value Asset Classes.

	Investment Property	Plant & Equipment	Office Equipment	Furniture and Fittings	Total
<b>Opening Balance - 1/7/13</b>	-	-	-	-	-
Adoption of AASB 13	11,715	25,604	1,639	1,349	40,307
Transfers from/(to) another asset class	-	792	55	-	847
Purchases (GBV)	-	3,596	1,204	217	5,017
Disposals (WDV)	-	(1,038)	(258)	(206)	(1,502)
Depreciation & Impairment	-	(5,850)	(863)	(222)	(6,935)
FV Gains - Income Statement <sup>1</sup>	1,635	-	-	-	1,635
<b>Closing Balance - 30/6/14</b>	<b>13,350</b>	<b>23,104</b>	<b>1,777</b>	<b>1,138</b>	<b>39,369</b>
Transfers from/(to) another asset class	-	381	-	53	434
Purchases (GBV)	121	5,187	762	351	6,421
Disposals (WDV)	-	(315)	(1)	-	(316)
Depreciation & Impairment	-	(5,769)	(953)	(222)	(6,944)
FV Gains - Income Statement <sup>1</sup>	129	-	-	-	129
Other movement rounding	-	(1)	2	-	1
<b>Closing Balance - 30/6/15</b>	<b>13,600</b>	<b>22,587</b>	<b>1,587</b>	<b>1,320</b>	<b>39,094</b>
<sup>1</sup> FV Gains recognised in the Income Statement relating to assets still on hand at year end total:					
YE 13/14	1,635	-	-	-	1,635
YE 14/15	129	-	-	-	129
	Operational Land	Community Land	Land Under Roads	Land Improvements Depreciable	Total
<b>Opening Balance - 1/7/13</b>	-	-	-	-	-
Adoption of AASB 13	97,154	116,256	13,845	25,935	253,190
Transfers from/(to) another asset class	(7,347)	-	(903)	2,047	(6,203)
Purchases (GBV)	965	444	9,505	1,009	11,923
Disposals (WDV)	(1,970)	(17)	-	-	(1,987)
Depreciation & Impairment	(2,473)	-	-	(2,508)	(4,981)
FV Gains - Other Comprehensive Income	-	-	20,288	-	20,288
Other movement rounding	(1)	-	1	1	1
<b>Closing Balance - 30/6/14</b>	<b>86,328</b>	<b>116,683</b>	<b>42,736</b>	<b>26,484</b>	<b>272,231</b>
Transfers from/(to) another asset class	1,595	(25)	-	(22,758)	(21,188)
Purchases (GBV)	-	281	6,167	2,778	9,226
Disposals (WDV)	(6,224)	(577)	-	-	(6,801)
Depreciation & Impairment	51	-	-	(2,369)	(2,318)
Other movement rounding	-	-	1	1	2
<b>Closing Balance - 30/6/15</b>	<b>81,750</b>	<b>116,362</b>	<b>48,904</b>	<b>4,136</b>	<b>251,152</b>

## Newcastle City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

## Fair value measurements using significant unobservable inputs (Level 3) (continued)

The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Buildings Non Specialised	Buildings Specialised	Other Structures	Roads	Total
<b>Opening Balance - 1/7/13</b>	-	-	-	-	-
Adoption of AASB 13	11,137	154,786	27,206	600,550	793,679
Transfers from/(to) another asset class	(800)	971	490	(144,650)	(143,989)
Purchases (GBV)	508	1,960	1,715	11,753	15,936
Disposals (WDV)	(255)	(349)	(35)	(1,487)	(2,126)
Depreciation & Impairment	-	(6,838)	(3,258)	(19,040)	(29,136)
Prior Period Adjustment (Note 20)	-	-	-	(133,804)	(133,804)
<b>Closing Balance - 30/6/14</b>	<b>10,590</b>	<b>150,530</b>	<b>26,118</b>	<b>313,322</b>	<b>500,560</b>
Transfers from/(to) another asset class	(581)	2,888	(13,912)	(226)	(11,831)
Purchases (GBV)	580	5,581	7,051	11,346	24,558
Disposals (WDV)	(950)	(112)	-	(2,284)	(3,346)
Depreciation & Impairment	-	(6,210)	(3,163)	(10,181)	(19,554)
FV Gains - Other Comprehensive Income	-	-	-	44,767	44,767
Fair Value Dep'n Adjustment	-	-	-	66,390	66,390
Other movement rounding	1	(2)	1	(1)	(1)
<b>Closing Balance - 30/6/15</b>	<b>9,640</b>	<b>152,675</b>	<b>16,095</b>	<b>423,133</b>	<b>601,543</b>
	Bridges	Footpaths	Stormwater Drainage	Swimming Pools	Total
<b>Opening Balance - 1/7/13</b>	-	-	-	-	-
Adoption of AASB 13	-	-	96,517	-	96,517
Transfers from/(to) another asset class	36,817	107,027	(203)	-	143,641
Purchases (GBV)	-	-	1,070	-	1,070
Disposals (WDV)	-	-	(51)	-	(51)
Depreciation & Impairment	-	-	(3,514)	-	(3,514)
Prior Period Adjustment (Note 20)	-	(186)	42,431	-	42,245
<b>Closing Balance - 30/6/14</b>	<b>36,817</b>	<b>106,841</b>	<b>136,250</b>	<b>-</b>	<b>279,908</b>
Transfers from/(to) another asset class	(9,337)	4,371	10,112	10,503	15,649
Purchases (GBV)	31	4,290	4,656	-	8,977
Disposals (WDV)	(17)	(419)	(988)	-	(1,424)
Depreciation & Impairment	(1,521)	(4,283)	(2,301)	-	(8,105)
FV Gains - Other Comprehensive Income	(4,915)	(31,113)	15,846	-	(20,182)
Fair Value Dep'n Adjustment	7,986	27,094	32,814	-	67,894
Other movement rounding	-	-	(1)	-	(1)
<b>Closing Balance - 30/6/15</b>	<b>29,044</b>	<b>106,781</b>	<b>196,388</b>	<b>10,503</b>	<b>342,716</b>

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

\$ '000

## Fair value measurements using significant unobservable inputs (Level 3) (continued)

The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Other Open Space/Rec Assets	Other Infrastruct.	Heritage Collections	Library Books	Total
<b>Opening Balance - 1/7/13</b>	-	-	-	-	-
Adoption of AASB 13	-	-	75,981	5,724	81,705
Purchases (GBV)	-	-	1,605	923	2,528
Disposals (WDV)	-	-	-	-	-
Depreciation & Impairment	-	-	(32)	(1,027)	(1,059)
Other movement (rounding)	-	-	-	(1)	(1)
<b>Closing Balance - 30/6/14</b>	<b>-</b>	<b>-</b>	<b>77,554</b>	<b>5,619</b>	<b>83,173</b>
Transfers from/(to) another asset class	6,059	19,768	-	-	25,827
Purchases (GBV)	-	-	294	844	1,138
Depreciation & Impairment	-	-	(32)	(692)	(724)
<b>Closing Balance - 30/6/15</b>	<b>6,059</b>	<b>19,768</b>	<b>77,816</b>	<b>5,771</b>	<b>109,414</b>
		Waste Mgmt Asset	Newcastle Airport	Other Assets	Total
<b>Opening Balance - 1/7/13</b>		-	-	-	-
Adoption of AASB 13		1,046	23,822	30	24,898
Purchases (GBV)		-	1,661	-	1,661
Disposals (WDV)		-	(2)	-	(2)
Depreciation & Impairment		(105)	(1,561)	(2)	(1,668)
Other movement (rounding)		-	-	(1)	(1)
<b>Closing Balance - 30/6/14</b>		<b>941</b>	<b>23,920</b>	<b>27</b>	<b>24,888</b>
Purchases (GBV)		-	7,688	-	7,688
Disposals (WDV)		-	(61)	-	(61)
Depreciation & Impairment		(1,567)	(1,997)	(2)	(3,566)
Recalculated Base		11,593	-	-	11,593
Other movement (rounding)		-	(1)	(1)	(2)
<b>Closing Balance - 30/6/15</b>		<b>10,967</b>	<b>29,549</b>	<b>24</b>	<b>40,540</b>

## Newcastle City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

**Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.**

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

**Investment Properties**

<b>Class</b>	<b>Fair Value</b> (30/6/15) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Investment Properties	13,600	Market Value	<ul style="list-style-type: none"> <li>• Estimated Rental Value (rate per square metre)</li> <li>• Rental Yield</li> <li>• Capitalisation rates of similar properties</li> </ul>	<ul style="list-style-type: none"> <li>• \$ per sqm</li> <li>• 5% - 7%</li> <li>• 5% - 10%</li> </ul>	Significant changes in the market value, estimated rental yield and recent sales prices of similar properties would result in significant changes to Fair Value measurement.

**I,PP&E**

<b>Class</b>	<b>Fair Value</b> (30/6/15) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Plant & Equipment	22,587	Cost Approach	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> <li>• 1 to 25 years</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.
Office Equipment	1,587	Cost Approach	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> <li>• 1 to 10 years</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.
Furniture & Fittings	1,320	Cost Approach	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> <li>• 1 to 10 years</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.
Operational Land	81,750	Market Value	<ul style="list-style-type: none"> <li>• Total Value of land</li> </ul>	<ul style="list-style-type: none"> <li>• Unit Rates (\$ per sq metre) variable dependent on site</li> </ul>	Significant changes in the rate per square metre would result in significant changes to Fair Value measurement.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

<b>Class</b>	<b>Fair Value</b> (30/6/15) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Community Land	116,362	Valuer General (VG) Valuation or Adjacent Site VG Valuation	<ul style="list-style-type: none"> <li>Average Unit Rate based on VG Valuations</li> </ul>	<ul style="list-style-type: none"> <li>VG Assessment</li> </ul>	Significant changes in the unimproved capital value would result in significant changes to Fair Value measurement.
Land Under Roads	48,904	Adjacent site valuation	<ul style="list-style-type: none"> <li>Average Unit Rate based on Adjacent site valuation</li> </ul>	<ul style="list-style-type: none"> <li>Unit Rates (\$ per square metre) based on adjacent site.</li> </ul>	Significant changes in the unimproved capital value would result in significant changes to Fair Value measurement.
Land Improvements – Depreciable	4,136	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 80 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.
Buildings – Non Specialised	9,640	Market Value	<ul style="list-style-type: none"> <li>Market Value</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>Very poor to excellent</li> </ul>	Significant changes in the market value, asset condition and recent sales prices of similar properties would result in significant changes to Fair Value measurement.
Buildings – Specialised	152,675	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 100 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.
Other Structures	16,095	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 80 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.
Roads	423,133	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 120 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition or pattern of consumption effecting the remaining useful life would result in significant changes to Fair Value measurement.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

<b>Class</b>	<b>Fair Value</b> (30/6/15) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Bridges	29,044	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 50 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition or pattern of consumption effecting the remaining useful life would result in significant changes to Fair Value measurement.
Footpaths	106,781	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 50 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition or pattern of consumption effecting the remaining useful life would result in significant changes to Fair Value measurement.
Stormwater Drainage	196,388	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 100 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition or pattern of consumption effecting the remaining useful life would result in significant changes to Fair Value measurement.
Swimming Pools	10,503	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 100 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.
Other Open Space/ Recreational Assets	6,059	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 80 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.
Other Infrastructure	19,768	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 80 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.

## Newcastle City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2015

## Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/15) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Heritage Collections	77,816	Market Value/Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life (Museum Collection assets only)</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 100 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the market value (Art Collection) or gross replacement value (Museum collection), asset condition, pattern of consumption (Museum collection) effecting the remaining useful life (Museum collection) or residual value would result in significant changes to Fair Value measurement.
Library Books	5,771	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 100 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.
Other Assets	24	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 80 years</li> <li>Very poor to excellent</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.
Waste Management Asset	10,967	Cost Approach	<ul style="list-style-type: none"> <li>Discount Rate</li> <li>Cost escalation rate</li> </ul>	<ul style="list-style-type: none"> <li>2.95%</li> <li>3%</li> </ul>	Significant changes in the discount rate and cost escalation rate would result in significant changes to Fair Value measurement.
Newcastle Airport	29,549	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>1 to 100 years</li> </ul>	Significant changes in the gross replacement value, asset condition, and pattern of consumption effecting the remaining useful life or residual value would result in significant changes to Fair Value measurement.

**The Valuation Process for Level 3 Fair Value Measurements**

The valuation process has been detailed in the accompanying notes for all asset classes within Level 3.

**Highest and best use**

All of Council's non financial assets are considered to being utilised for their highest and best use for provision of Council services specific to Council operations.



## **Newcastle City Council**

### **Independent auditor's report to the Council – s417(2) Report on the general purpose financial statements**

#### **Report on the financial statements**

We have audited the accompanying financial statements of the Newcastle City Council, which comprise the statement of financial position as at 30 June 2015 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

#### *Councillors' responsibility for the financial statements*

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial statements.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in notes 2(a) and 16 and the Projections disclosed in note 17 to the financial statements, nor the attached Special Schedules, and accordingly, we express no opinion on them.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Auditor's opinion:***

In our opinion:

- (a) 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); and
- (b) the financial statements:
  - (i) have been presented, in all material respects, in accordance with the requirements of this Division
  - (ii) are consistent with the Council's accounting records
  - (iii) present fairly, in all material respects, the Council's financial position as at 30 June 2015 and its Financial Performance and its Cash Flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*C. Mara*

Caroline Mara  
Partner

Newcastle  
16 October 2015



**Private & Confidential**

The Mayor  
Councillor Nuatali Nelmes  
Newcastle City Council  
PO Box 489  
NEWCASTLE NSW 2300

Dear Councillor Nelmes

**Report on the conduct of the Audit for year ended 30 June 2015 –  
Section 417(3)**

We have completed our audit of the financial reports of the Council for the year ended 30 June 2015, in accordance with Section 415 of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial reports are presented fairly in accordance with Australian Accounting Standards as well as statutory requirements so as to present a view which is consistent with our understanding of the **Council's financial position, the results of its operations and its cash flows.**

This report should be read in conjunction with our audit opinion on the general purpose financial statements provided under Section 417(2) of the Local Government Act 1993.

Flowing from our audit, there are a number of comments we wish to raise concerning the trends in Council's finances. These are set out below.

**Operating result**

**Council's operating surplus** improved by \$14.7 million on the previous year to a \$36.6 million surplus in the current period. The net operating result before Capital Contributions was a surplus of \$12.5 million **against the previous year's surplus** of \$3.9 million.

**Cash and investments position**

**Council's overall cash position** improved from \$242.3 million to \$274.7 million during the period under review. The following table highlights the composition of cash.

	<b>June 2015</b>	<b>June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Externally restricted	49,073	47,655
Internally restricted	165,747	166,419
Unrestricted	59,887	28,230
<b>Total</b>	<b>\$274,707</b>	<b>\$242,304</b>

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### ***Working capital***

Council's net current assets improved from \$77.5 million to \$94.0 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Net current assets	94,019	77,514
Less: External restrictions	(20,331)	(21,664)
Internal restrictions	(51,906)	(58,779)
<b>Available working capital</b>	<b>21,782</b>	<b>(2,929)</b>

The effective unrestricted or available working capital upon which Council could build its 2016 budget was \$19.7 million.

### ***Performance indicators***

The financial reports disclose of a number of indicators in Note 13 and these are detailed below:

	<b>2015</b> <b>%</b>	<b>2014</b> <b>%</b>
Operating Performance Ratio	5.8	0.9
Own Source Operating Revenue Ratio	82.9	86.5
Unrestricted Current Ratio	372	322
Debt Service Cover Ratio	831	413
Rates Outstanding Ratio	4.3	4.6
Cash Expense Cover Ratio	9.6	8.7

The Operating Performance Ratio improved to move above the industry benchmark of 0%.

The Own Source Operating Revenue Ratio declined to 82.9% but remained above the industry benchmark of 60%.

The Unrestricted Current Ratio improved and remained above the industry benchmark of 150%.

The Debt Service Cover Ratio improved on prior year and exceeded the industry benchmark of 200%.

The Rates Outstanding Ratio improved and remained below the industry benchmark of 5%.

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 9.6 months should cash inflows cease. This compares very favourably with the industry benchmark of 3 months.

Council is considered to be in a sound and stable financial position.



**General**

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager and his staff for the cooperation and courtesy extended to us during the course of our audit.

Yours faithfully

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*C. Mara*

Caroline Mara  
Partner

Newcastle  
16 October 2015

# Newcastle City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2015

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# Newcastle City Council

## Special Schedules

for the financial year ended 30 June 2015

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

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#### 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.

## Newcastle City Council

Special Schedule No. 1 - Net Cost of Services  
for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>2,594</b>	<b>153</b>	-	<b>(2,441)</b>
<b>Administration</b>	<b>39,419</b>	<b>10,001</b>	-	<b>(29,418)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	2,842	-	-	<b>(2,842)</b>
Beach Control	3,040	-	-	<b>(3,040)</b>
Enforcement of Local Govt. Regulations	463	485	-	<b>22</b>
Other	1,569	361	-	<b>(1,208)</b>
<b>Total Public Order &amp; Safety</b>	<b>7,914</b>	<b>846</b>	-	<b>(7,068)</b>
<b>Health</b>	<b>149</b>	-	-	<b>(149)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	299	48	-	<b>(251)</b>
Other Environmental Protection	2,716	1,279	-	<b>(1,437)</b>
Solid Waste Management	38,657	45,895	898	<b>8,136</b>
Street Cleaning	2,479	-	-	<b>(2,479)</b>
Stormwater Management	6,737	-	-	<b>(6,737)</b>
<b>Total Environment</b>	<b>50,888</b>	<b>47,222</b>	<b>898</b>	<b>(2,768)</b>
<b>Community Services and Education</b>				
Aged Persons and Disabled	931	235	-	<b>(696)</b>
Children's Services	1,428	1,210	-	<b>(218)</b>
<b>Total Community Services &amp; Education</b>	<b>2,359</b>	<b>1,445</b>	-	<b>(914)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	104	98	-	<b>(6)</b>
Public Conveniences	412	-	-	<b>(412)</b>
Street Lighting	3,082	546	-	<b>(2,536)</b>
Town Planning	2,654	332	3,737	<b>1,415</b>
Other Community Amenities	776	3	-	<b>(773)</b>
<b>Total Housing and Community Amenities</b>	<b>7,028</b>	<b>979</b>	<b>3,737</b>	<b>(2,312)</b>

## Newcastle City Council

Special Schedule No. 1 - Net Cost of Services (continued)  
for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	7,143	763	45	(6,335)
Museums	2,224	450	57	(1,717)
Art Galleries	2,051	306	130	(1,615)
Community Centres and Halls	2,589	1,157	2,179	747
Other Cultural Services	4,072	3,133	-	(939)
Sporting Grounds and Venues	1,124	1,001	-	(123)
Swimming Pools	2,350	109	-	(2,241)
Parks & Gardens (Lakes)	16,877	626	2,877	(13,374)
Other Sport and Recreation	119	268	-	149
<b>Total Recreation and Culture</b>	<b>38,549</b>	<b>7,813</b>	<b>5,288</b>	<b>(25,448)</b>
<b>Mining, Manufacturing and Construction</b>				
Building Control	19,191	2,975	-	(16,216)
<b>Total Mining, Manufacturing and Const.</b>	<b>19,191</b>	<b>2,975</b>	<b>-</b>	<b>(16,216)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	20,845	582	7,969	(12,294)
Urban Roads - Regional	5,945	6,997	-	1,052
Parking Areas	3,867	9,540	-	5,673
Footpaths	9,301	-	-	(9,301)
Aerodromes	9,690	11,625	-	1,935
<b>Total Transport and Communication</b>	<b>49,648</b>	<b>28,744</b>	<b>7,969</b>	<b>(12,935)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	1,556	2,519	-	963
Other Economic Affairs	3,187	3,838	6,166	6,817
<b>Total Economic Affairs</b>	<b>4,743</b>	<b>6,357</b>	<b>6,166</b>	<b>7,780</b>
<b>Totals – Functions</b>	<b>222,482</b>	<b>106,535</b>	<b>24,058</b>	<b>(91,889)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>	<b>-</b>	<b>128,344</b>	<b>-</b>	<b>128,344</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>-</b>	<b>121</b>	<b>-</b>	<b>121</b>
<b>NET OPERATING RESULT<sup>(1)</sup></b>	<b>222,482</b>	<b>235,000</b>	<b>24,058</b>	<b>36,576</b>

(1) As reported in the Income Statement

(2) Includes: Rates &amp; Annual Charges (incl. Ex Gratia, excl. Water &amp; Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) &amp; Interest on overdue Rates &amp; Annual Charges



## Newcastle City Council

### Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose) for the financial year ended 30 June 2015

\$'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
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-						-	-	
Treasury Corporation	-	-	-						-	-	
Other State Government	98	781	<b>879</b>	1,024	98		77	200	1,605	<b>1,805</b>	
Public Subscription		-	-						-	-	
Financial Institutions	2,497	57,441	<b>59,938</b>		2,499		3,878	2,352	55,087	<b>57,439</b>	
Joint Venture - PSC		6,251	<b>6,251</b>				252		6,251	<b>6,251</b>	
<b>Total Loans</b>	<b>2,595</b>	<b>64,473</b>	<b>67,068</b>	<b>1,024</b>	<b>2,597</b>	-	<b>4,207</b>	<b>2,552</b>	<b>62,943</b>	<b>65,495</b>	
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-						-	-	
Government Advances	-	-	-						-	-	
Hire Purchase Agreements	230	69	<b>299</b>	69	252			60	56	<b>116</b>	
Deferred Payments	-	-	-						-	-	
<b>Total Long Term Debt</b>	<b>230</b>	<b>69</b>	<b>299</b>	<b>69</b>	<b>252</b>	-	-	<b>60</b>	<b>56</b>	<b>116</b>	
<b>Total Debt</b>	<b>2,825</b>	<b>64,542</b>	<b>67,367</b>	<b>1,093</b>	<b>2,849</b>	-	<b>4,207</b>	<b>2,612</b>	<b>62,999</b>	<b>65,611</b>	

Notes: Excludes (i) Internal Loans & (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).

Special Schedule No. 7 - Report on Infrastructure Assets  
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings	Council Offices / Administration Centres	846	689	278	9,177	0%	80%	9%	11%	0%
	Council Works Depot	314	224	134	5,994	1%	68%	30%	1%	0%
	Council Public Halls	-	231	145	8,534	25%	39%	35%	1%	0%
	Libraries	-	500	139	17,127	0%	97%	3%	0%	0%
	Cultural Facilities	23,618	1,758	520	50,641	4%	84%	11%	0%	1%
	Other Buildings	1,804	744	471	19,451	2%	41%	56%	1%	0%
	Specialised Buildings	9,039	2,138	2,551	61,122	21%	41%	34%	4%	0%
	<b>sub total</b>	<b>35,621</b>	<b>6,284</b>	<b>4,238</b>	<b>172,046</b>	<b>10.1%</b>	<b>62.2%</b>	<b>25.2%</b>	<b>2.2%</b>	<b>0.3%</b>
Other Structures	Other Structures	2,162	398	130	4,058	45%	6%	47%	1%	1%
	<b>sub total</b>	<b>2,162</b>	<b>398</b>	<b>130</b>	<b>4,058</b>	<b>45.0%</b>	<b>6.0%</b>	<b>47.0%</b>	<b>1.0%</b>	<b>1.0%</b>
Roads	Sealed Roads Surface	15,196	1,683	3,005	75,492	16%	45%	35%	4%	0%
	Sealed Roads Structure	5,032	2,792	796	163,538	16%	47%	33%	4%	0%
	Bridges	357	92	-	21,934	7%	77%	15%	1%	0%
	Footpaths	747	1,773	1,292	106,780	4%	68%	28%	0%	0%
	Kerb and Gutter	1,600	1,082	499	60,544	3%	58%	38%	1%	0%
	Other Road Assets	431	269	316	17,266	5%	90%	5%	0%	0%
	<b>sub total</b>	<b>23,363</b>	<b>7,691</b>	<b>5,908</b>	<b>445,554</b>	<b>10.5%</b>	<b>56.3%</b>	<b>30.8%</b>	<b>2.3%</b>	<b>0.0%</b>

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater Drainage	Stormwater Conduits	22,765	381	60	102,432	63%	22%	8%	6%	1%
	Inlet and Junction Pits	233	140	201	43,868	0%	74%	25%	1%	0%
	Head Walls	25	4	-	963	0%	41%	52%	7%	0%
	Other	1,517	23	120	5,178	54%	23%	20%	3%	0%
	<b>sub total</b>	<b>24,540</b>	<b>548</b>	<b>381</b>	<b>152,441</b>	<b>44.2%</b>	<b>37.1%</b>	<b>13.6%</b>	<b>4.5%</b>	<b>0.7%</b>
Open Space/ Recreational Assets	Swimming Pools	4,309	361	123	10,503	39%	0%	35%	10%	16%
	Other Open Space/ Rec Assets	837	148	111	11,236	56%	26%	18%	0%	0%
	<b>sub total</b>	<b>5,146</b>	<b>509</b>	<b>234</b>	<b>21,739</b>	<b>47.8%</b>	<b>13.4%</b>	<b>26.2%</b>	<b>4.8%</b>	<b>7.7%</b>
Other	Other	3,159	468	32	13,583	50%	6%	27%	15%	2%
	<b>sub total</b>	<b>3,159</b>	<b>468</b>	<b>32</b>	<b>13,583</b>	<b>50.0%</b>	<b>6.0%</b>	<b>27.0%</b>	<b>15.0%</b>	<b>2.0%</b>
	<b>TOTAL - ALL ASSETS</b>	<b>93,991</b>	<b>15,898</b>	<b>10,923</b>	<b>809,421</b>	<b>18.6%</b>	<b>51.7%</b>	<b>26.3%</b>	<b>3.0%</b>	<b>0.4%</b>

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".  
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.  
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.  
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

## Newcastle City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2015

\$ '000	Amounts	Indicator	Prior Periods	
	2015	2015	2014	2013
<b>Infrastructure Asset Performance Indicators Consolidated</b>				
<b>1. Building, Infrastructure &amp; Other Structures Renewals Ratio</b>				
Asset Renewals (Building, Infrastructure & Other Structures) <sup>(1)</sup>	<u>19,730</u>	<b>71.33%</b>	50.21%	31.85%
Depreciation, Amortisation & Impairment	<u>27,659</u>			
<b>2. Infrastructure Backlog Ratio</b>				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>93,991</u>	<b>9.65%</b>	9.94%	10.66%
Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>974,222</u>			
<b>3. Asset Maintenance Ratio</b>				
Actual Asset Maintenance	<u>10,923</u>	<b>0.69</b>	0.85	0.50
Required Asset Maintenance	<u>15,898</u>			
<b>4. Capital Expenditure Ratio</b>				
Annual Capital Expenditure	<u>50,791</u>	<b>1.24</b>	1.04	0.79
Annual Depreciation	<u>41,125</u>			

## Notes

<sup>(1)</sup> Asset Renewals represent the replacement &/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. Asset Renewals include building, infrastructure & Other Structure assets only.

<sup>(2)</sup> Written Down Value

Newcastle City Council

Special Schedule No. 7 - Report on Infrastructure Assets Voluntary Disclosure at Cost  
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Required Annual Renewal refer (4)	Actual Renewal	Cost	Assets in Condition as a % of Cost				
								1	2	3	4	5
								refer (4) & (5)				
Buildings	Council Offices / Administration Centres	846	689	278	962	156	9,709	0%	81%	8%	11%	0%
	Council Works Depot	314	224	134	272	7	10,718	1%	61%	35%	3%	0%
	Council Public Halls	-	231	145	281	-	13,727	16%	38%	43%	3%	0%
	Libraries	-	500	139	707	48	25,171	0%	96%	4%	0%	0%
	Cultural Facilities	23,618	1,758	520	2,460	2,149	89,423	2%	82%	14%	0%	2%
	Other Buildings	1,804	744	471	993	111	27,665	2%	42%	55%	1%	0%
	Specialised Buildings	9,039	2,138	2,551	2,568	1,424	101,407	13%	38%	41%	7%	1%
	<b>sub total</b>	<b>35,621</b>	<b>6,284</b>	<b>4,238</b>	<b>8,243</b>	<b>3,895</b>	<b>277,820</b>	<b>6.4%</b>	<b>60.2%</b>	<b>29.1%</b>	<b>3.3%</b>	<b>1.0%</b>
Other Structures	Other Structures	2,162	398	130	660	61	13,293	15%	13%	56%	1%	15%
	<b>sub total</b>	<b>2,162</b>	<b>398</b>	<b>130</b>	<b>660</b>	<b>61</b>	<b>13,293</b>	<b>15.0%</b>	<b>13.0%</b>	<b>56.0%</b>	<b>1.0%</b>	<b>15.0%</b>
Roads	Sealed Roads Surface	15,196	1,683	3,005	5,281	4,827	158,440	8%	35%	44%	13%	0%
	Sealed Roads Structure	5,032	2,792	796	2,190	1,365	262,842	10%	39%	40%	11%	0%
	Bridges	357	92	-	346	61	34,559	5%	72%	21%	2%	0%
	Footpaths	747	1,773	1,292	3,339	1,532	166,967	3%	61%	35%	1%	0%
	Kerb and Gutter	1,600	1,082	499	1,274	1,058	101,883	2%	47%	49%	2%	0%
	Other Road Assets	431	269	316	1,266	727	25,311	4%	86%	8%	0%	2%
	<b>sub total</b>	<b>23,363</b>	<b>7,691</b>	<b>5,908</b>	<b>13,696</b>	<b>9,570</b>	<b>750,002</b>	<b>6.5%</b>	<b>47.2%</b>	<b>39.0%</b>	<b>7.2%</b>	<b>0.1%</b>

Special Schedule No. 7 - Report on Infrastructure Assets Voluntary Disclosure at Cost (continued)

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Required Annual Renewal refer (4)	Actual Renewal	Cost	Assets in Condition as a % of Cost				
								1	2	3	4	5
								refer (4) & (5)				
Stormwater Drainage	Stormwater Conduits	22,765	381	60	1,860	1,719	152,478	43%	17%	10%	16%	14%
	Inlet and Junction Pits	233	140	201	702	411	56,053	0%	65%	31%	4%	0%
	Head Walls	25	4	-	19	668	1,493	0%	29%	53%	15%	3%
	Other	1,517	23	120	145	1,529	9,074	33%	17%	25%	9%	16%
	<b>sub total</b>	<b>24,540</b>	<b>548</b>	<b>381</b>	<b>2,726</b>	<b>4,327</b>	<b>219,098</b>	<b>31.3%</b>	<b>29.4%</b>	<b>16.3%</b>	<b>12.6%</b>	<b>10.4%</b>
Open Space/ Recreational Assets	Swimming Pools	4,309	361	123	180	1,877	16,062	26%	0%	37%	9%	28%
	Other Open Space/ Rec Assets	837	148	111	338	432	26,688	29%	37%	30%	3%	1%
	<b>sub total</b>	<b>5,146</b>	<b>509</b>	<b>234</b>	<b>518</b>	<b>2,309</b>	<b>42,750</b>	<b>27.9%</b>	<b>23.1%</b>	<b>32.6%</b>	<b>5.3%</b>	<b>11.1%</b>
Other	Other	3,159	468	32	1,261	416	49,127	18%	10%	40%	28%	4%
	<b>sub total</b>	<b>3,159</b>	<b>468</b>	<b>32</b>	<b>1,261</b>	<b>416</b>	<b>49,127</b>	<b>18.0%</b>	<b>10.0%</b>	<b>40.0%</b>	<b>28.0%</b>	<b>4.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>93,991</b>	<b>15,898</b>	<b>10,923</b>	<b>27,104</b>	<b>20,578</b>	<b>1,352,090</b>	<b>11.7%</b>	<b>44.6%</b>	<b>33.3%</b>	<b>7.9%</b>	<b>2.6%</b>

Notes:

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2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very Poor</b>	Urgent renewal/upgrading required
- (6). The renewal for the Buildings and Structure is based on lifecycle costs where as the maintenance program is based on a 3 year average.
- (7). The renewal for the Roads is based on one year projections where as the maintenance program is based on a 10 year average.
- (8). The renewal for the Stormwater Drainage is based on one year projections where as the maintenance program is based on a 5 year average.

Currently the required annual renewal is based upon condition of the asset class data set held in the asset management system. As detailed in the Strategic Asset Management Plans there will be a higher degree of required renewal in future years that is not reflected in the short term view presented above.

## Newcastle City Council

### Special Schedule No. 8 - Financial Projections as at 30 June 2015

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Special Schedule 8 data is now being collected in the Financial Data Return.

## Newcastle City Council

## Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	103,685	107,902
Plus or minus Adjustments <sup>(2)</sup>	b	837	(477)
<b>Notional General Income</b>	c = (a + b)	<b>104,522</b>	<b>107,425</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	8.00%
or Rate peg percentage	e	2.30%	2.40%
or Crown land adjustment (incl. rate peg percentage)	f	3.05%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = d x (c-g)	-	8,594
or plus Rate peg amount	i = c x e	-	-
or plus Crown land adjustment and rate peg amount	j = c x f	3,188	-
<b>sub-total</b>	k = (c+g+h+i+j)	<b>107,710</b>	<b>116,019</b>
plus (or minus) last year's Carry Forward Total	l	18	1
less Valuation Objections claimed in the previous year	m	-	(176)
<b>sub-total</b>	n = (l + m)	<b>18</b>	<b>(175)</b>
<b>Total Permissible income</b>	o = k + n	<b>107,728</b>	<b>115,844</b>
less Notional General Income Yield	p	107,902	115,741
<b>Catch-up or (excess) result</b>	q = o - p	<b>(174)</b>	<b>103</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	176	-
less Unused catch-up <sup>(5)</sup>	s	-	-
<b>Carry forward to next year</b>	t = q + r - s	<b>2</b>	<b>103</b>

**Notes**

- 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.
- 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.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 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.
- 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.
- 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 councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.





## **Newcastle City Council**

### **Independent auditor's report Report on the Special Schedule No. 9**

#### **Report on the Special Schedule No. 9**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Newcastle City Council ("the Council") for the year ended 30 June 2016.

#### **Responsibility of Council for Special Schedule No. 9**

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Audit Opinion***

In our opinion, Special Schedule No. 9 of Newcastle City Council for 2015/16 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

***Restriction on distribution***

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the council and the Division of Local Government.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*C. Mara*

Caroline Mara  
Partner

Newcastle  
16 October 2015

# Newcastle City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2015

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## Newcastle City Council

### Special Purpose Financial Statements for the financial year ended 30 June 2015

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<b>4. Auditor's Report</b>	

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#### Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 & 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 over \$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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

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## Newcastle City Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2015

### 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 & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

**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 22 September 2015.**



Councillor Nuatali Nelmes  
MAYOR

14/10/15



Councillor  
COUNCILLOR



Ken Gouldthorp  
GENERAL MANAGER



Glen Cousins  
RESPONSIBLE ACCOUNTING OFFICER

## Newcastle City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

\$ '000	Waste Management Collection Service		Waste Management Disposal Service	
	Category 1		Category 1	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>Income from continuing operations</b>				
Access charges	11,762	11,352	8,574	7,830
User charges	3,234	2,955	24,434	25,600
Profit from the sale of assets	-	17	-	13
<b>Total income from continuing operations</b>	<b>14,996</b>	<b>14,324</b>	<b>33,008</b>	<b>33,443</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	3,328	3,013	1,931	2,089
Borrowing costs	-	-	-	116
Materials and contracts	7,307	6,559	24,454	25,717
Depreciation and impairment	219	363	3,044	1,776
Loss on sale of assets	-	-	-	3
Calculated taxation equivalents	-	-	41	42
<b>Total expenses from continuing operations</b>	<b>10,854</b>	<b>9,935</b>	<b>29,470</b>	<b>29,743</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>4,142</b>	<b>4,389</b>	<b>3,538</b>	<b>3,700</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>4,142</b>	<b>4,389</b>	<b>3,538</b>	<b>3,700</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>4,142</b>	<b>4,389</b>	<b>3,538</b>	<b>3,700</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,243)	(1,317)	(1,061)	(1,110)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,899</b>	<b>3,072</b>	<b>2,477</b>	<b>2,590</b>
plus Opening Retained Profits	7,629	3,240	17,360	13,618
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	41	42
- Corporate taxation equivalent	1,243	1,317	1,061	1,110
<b>Closing Retained Profits</b>	<b>11,771</b>	<b>7,629</b>	<b>20,939</b>	<b>17,360</b>
Return on Capital %	552.3%	10450.0%	21.3%	320.4%
Subsidy from Council	-	-	-	-

## Newcastle City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

\$ '000	Civic Theatre & Playhouse		City Hall	
	Category 1		Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>Income from continuing operations</b>				
User charges	2,719	2,021	808	848
<b>Total income from continuing operations</b>	<b>2,719</b>	<b>2,021</b>	<b>808</b>	<b>848</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	1,668	709	684	796
Materials and contracts	1,576	1,832	403	1,815
Depreciation and impairment	855	862	878	900
Loss on sale of assets	-	-	-	218
Calculated taxation equivalents	6	15	35	34
<b>Total expenses from continuing operations</b>	<b>4,105</b>	<b>3,418</b>	<b>2,000</b>	<b>3,763</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,386)</b>	<b>(1,397)</b>	<b>(1,192)</b>	<b>(2,915)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(1,386)</b>	<b>(1,397)</b>	<b>(1,192)</b>	<b>(2,915)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(1,386)</b>	<b>(1,397)</b>	<b>(1,192)</b>	<b>(2,915)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,386)</b>	<b>(1,397)</b>	<b>(1,192)</b>	<b>(2,915)</b>
plus Opening Retained Profits	(4,223)	(2,841)	2,796	5,677
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	6	15	35	34
<b>Closing Retained Profits</b>	<b>(5,603)</b>	<b>(4,223)</b>	<b>1,639</b>	<b>2,796</b>
Return on Capital %	-8.5%	-8.2%	-6.4%	-14.3%
Subsidy from Council	1,880	2,003	1,751	3,641

## Newcastle City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

\$ '000	Off Street Parking Stations Category 2		Commercial Properties Category 2	
	Actual	Actual	Actual	Actual
	2015	2014	2015	2014
<b>Income from continuing operations</b>				
User charges	490	489	1,039	1,276
Other income	-	-	-	1,635
<b>Total income from continuing operations</b>	<b>490</b>	<b>489</b>	<b>1,039</b>	<b>2,911</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	200	219	46	37
Materials and contracts	166	179	330	501
Depreciation and impairment	10	11	-	-
Loss on sale of assets	-	4	-	-
Calculated taxation equivalents	26	27	49	52
<b>Total expenses from continuing operations</b>	<b>402</b>	<b>440</b>	<b>425</b>	<b>590</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>88</b>	<b>49</b>	<b>614</b>	<b>2,321</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>88</b>	<b>49</b>	<b>614</b>	<b>2,321</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>88</b>	<b>49</b>	<b>614</b>	<b>2,321</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(26)	(15)	(184)	(696)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>62</b>	<b>34</b>	<b>430</b>	<b>1,625</b>
plus Opening Retained Profits	6,131	6,055	22,077	19,704
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	26	27	49	52
- Corporate taxation equivalent	26	15	184	696
<b>Closing Retained Profits</b>	<b>6,245</b>	<b>6,131</b>	<b>22,740</b>	<b>22,077</b>
Return on Capital %	3.3%	1.6%	n/a	n/a
Subsidy from Council	-	60	-	-



## Newcastle City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

\$ '000	Stockton Caravan Park Category 1		Beresfield Golf Course Category 2	
	Actual	Actual	Actual	Actual
	2015	2014	2015	2014
<b>Income from continuing operations</b>				
User charges	2,519	2,037	268	372
<b>Total income from continuing operations</b>	<b>2,519</b>	<b>2,037</b>	<b>268</b>	<b>372</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	108	47	24	47
Materials and contracts	1,403	1,210	127	186
Depreciation and impairment	173	186	44	39
Loss on sale of assets	-	174	-	-
Calculated taxation equivalents	13	14	-	-
Debt guarantee fee (if applicable)	77	44	-	-
<b>Total expenses from continuing operations</b>	<b>1,774</b>	<b>1,675</b>	<b>195</b>	<b>272</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>745</b>	<b>362</b>	<b>73</b>	<b>100</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>745</b>	<b>362</b>	<b>73</b>	<b>100</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>745</b>	<b>362</b>	<b>73</b>	<b>100</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(224)	(109)	(22)	(30)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>521</b>	<b>253</b>	<b>51</b>	<b>70</b>
<b>plus Opening Retained Profits</b>	3,170	2,750	1,812	1,712
<b>plus Adjustments for amounts unpaid:</b>				
- Taxation equivalent payments	13	14	-	-
- Debt guarantee fees	77	44	-	-
- Corporate taxation equivalent	224	109	22	30
<b>Closing Retained Profits</b>	<b>4,005</b>	<b>3,170</b>	<b>1,885</b>	<b>1,812</b>
<b>Return on Capital %</b>	<b>6.7%</b>	<b>3.5%</b>	<b>4.9%</b>	<b>4.9%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>

## Newcastle City Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Waste Management Collection Service		Waste Management Disposal Service	
	Category 1		Category 1	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	12,500	8,802	5,215	20,208
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>12,500</b>	<b>8,802</b>	<b>5,215</b>	<b>20,208</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	750	42	16,631	1,191
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>750</b>	<b>42</b>	<b>16,631</b>	<b>1,191</b>
<b>TOTAL ASSETS</b>	<b>13,250</b>	<b>8,844</b>	<b>21,846</b>	<b>21,399</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	198	26	258	41
Interest bearing liabilities	-	-	-	-
Provisions	1,245	1,150	645	627
<b>Total Current Liabilities</b>	<b>1,443</b>	<b>1,176</b>	<b>903</b>	<b>668</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	3,358
Interest bearing liabilities	-	-	-	-
Provisions	36	39	4	13
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>36</b>	<b>39</b>	<b>4</b>	<b>3,371</b>
<b>TOTAL LIABILITIES</b>	<b>1,479</b>	<b>1,215</b>	<b>907</b>	<b>4,039</b>
<b>NET ASSETS</b>	<b>11,771</b>	<b>7,629</b>	<b>20,939</b>	<b>17,360</b>
<b>EQUITY</b>				
Retained earnings	11,771	7,629	20,939	17,360
Revaluation reserves	-	-	-	-
Council equity interest	11,771	7,629	20,939	17,360
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>11,771</b>	<b>7,629</b>	<b>20,939</b>	<b>17,360</b>

## Newcastle City Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Civic Theatre & Playhouse		City Hall	
	Category 1		Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	91	55	-	-
Inventories	18	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>109</b>	<b>55</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	16,368	17,011	18,518	20,385
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>16,368</b>	<b>17,011</b>	<b>18,518</b>	<b>20,385</b>
<b>TOTAL ASSETS</b>	<b>16,477</b>	<b>17,066</b>	<b>18,518</b>	<b>20,385</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	19,615	18,877	18,351	19,009
Interest bearing liabilities	-	-	-	-
Provisions	235	187	224	275
<b>Total Current Liabilities</b>	<b>19,850</b>	<b>19,064</b>	<b>18,575</b>	<b>19,284</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	10	5	4	5
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>10</b>	<b>5</b>	<b>4</b>	<b>5</b>
<b>TOTAL LIABILITIES</b>	<b>19,860</b>	<b>19,069</b>	<b>18,579</b>	<b>19,289</b>
<b>NET ASSETS</b>	<b>(3,383)</b>	<b>(2,003)</b>	<b>(61)</b>	<b>1,096</b>
<b>EQUITY</b>				
Retained earnings	(5,603)	(4,223)	1,639	2,796
Revaluation reserves	2,220	2,220	(1,700)	(1,700)
Council equity interest	(3,383)	(2,003)	(61)	1,096
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>(3,383)</b>	<b>(2,003)</b>	<b>(61)</b>	<b>1,096</b>

## Newcastle City Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Off Street Parking Stations		Commercial Properties	
	Category 2		Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	6,134	5,625	9,726	9,339
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>6,134</b>	<b>5,625</b>	<b>9,726</b>	<b>9,339</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	2,661	3,071	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	13,600	13,350
Intangible Assets	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>2,661</b>	<b>3,071</b>	<b>13,600</b>	<b>13,350</b>
<b>TOTAL ASSETS</b>	<b>8,795</b>	<b>8,696</b>	<b>23,326</b>	<b>22,689</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	-	1	571	602
Interest bearing liabilities	-	-	-	-
Provisions	51	65	14	9
<b>Total Current Liabilities</b>	<b>51</b>	<b>66</b>	<b>585</b>	<b>611</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	1	1
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>TOTAL LIABILITIES</b>	<b>51</b>	<b>66</b>	<b>586</b>	<b>612</b>
<b>NET ASSETS</b>	<b>8,744</b>	<b>8,630</b>	<b>22,740</b>	<b>22,077</b>
<b>EQUITY</b>				
Retained earnings	6,245	6,131	22,740	22,077
Revaluation reserves	2,499	2,499	-	-
Council equity interest	<b>8,744</b>	<b>8,630</b>	<b>22,740</b>	<b>22,077</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>8,744</b>	<b>8,630</b>	<b>22,740</b>	<b>22,077</b>

## Newcastle City Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

	Stockton Caravan Park Category 1		Beresfield Golf Course Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>\$ '000</b>				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	1,693	1,063
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>	<b>1,693</b>	<b>1,063</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	11,066	10,483	1,475	2,047
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>11,066</b>	<b>10,483</b>	<b>1,475</b>	<b>2,047</b>
<b>TOTAL ASSETS</b>	<b>11,066</b>	<b>10,483</b>	<b>3,168</b>	<b>3,110</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	4,411	5,600	-	1
Interest bearing liabilities	200	98	-	-
Provisions	31	21	7	21
<b>Total Current Liabilities</b>	<b>4,642</b>	<b>5,719</b>	<b>7</b>	<b>22</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	1,605	780	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>1,605</b>	<b>780</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>6,247</b>	<b>6,499</b>	<b>7</b>	<b>22</b>
<b>NET ASSETS</b>	<b>4,819</b>	<b>3,984</b>	<b>3,161</b>	<b>3,088</b>
<b>EQUITY</b>				
Retained earnings	4,005	3,170	1,885	1,812
Revaluation reserves	814	814	1,276	1,276
Council equity interest	<b>4,819</b>	<b>3,984</b>	<b>3,161</b>	<b>3,088</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>4,819</b>	<b>3,984</b>	<b>3,161</b>	<b>3,088</b>

## Newcastle City Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to 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 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & 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 & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of 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 & 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 Management Collection Services**  
*Collection of commercial, domestic and other waste*
- b. Waste Management Disposal Services**  
*Waste disposal site activities*
- c. Stockton Caravan Park**  
*Operation of caravan park and swimming centre*
- d. Civic Theatre and Playhouse**  
*Operation of entertainment theatre*

##### Category 2

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

- e. City Hall**  
*Provision of conference, reception and entertainment Facilities*
- f. Off Street Parking Stations**  
*Commercially operated parking stations*
- g. Commercial Properties**  
*Commercial rental properties*
- h. Beresfield Golf Course**  
*Operation of golf course and entertainment facilities*

#### Monetary Amounts

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

## Newcastle City Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

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

##### (i) Taxation Equivalent Charges

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

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

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

##### Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, 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 each reported Business Activity.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of 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 positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date.

##### Local Government Rates & 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 & 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 the 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 where 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 the council in any given financial year.

## Newcastle City Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

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

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The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

#### **(iii) Return on Investments (Rate of Return)**

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

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

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

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**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.01% at 30/6/15.

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

#### **(iv) Dividends**

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





## **Newcastle City Council**

### **Independent auditor's report Report on the special purpose financial statements**

#### **Report on the financial statements**

We have audited the accompanying financial statements, being the special purpose financial statements, of Newcastle City Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2015, the Income Statements by Business Activity for the year then ended, Notes to the financial statements for the Business Activities identified by Council and the Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 30 June 2015.

#### *Councillors' responsibility for the financial report*

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial statements, are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Councillors responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to error or fraud.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Auditor's opinion:*

In our opinion, the financial statements presents fairly, in all material respects, the financial position by Business Activity of Newcastle City Council as of 30 June 2015 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

*Basis of Accounting and Restriction on Distribution and Use*

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Council.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*C. Mara*

Caroline Mara  
Partner

Newcastle  
16 October 2015