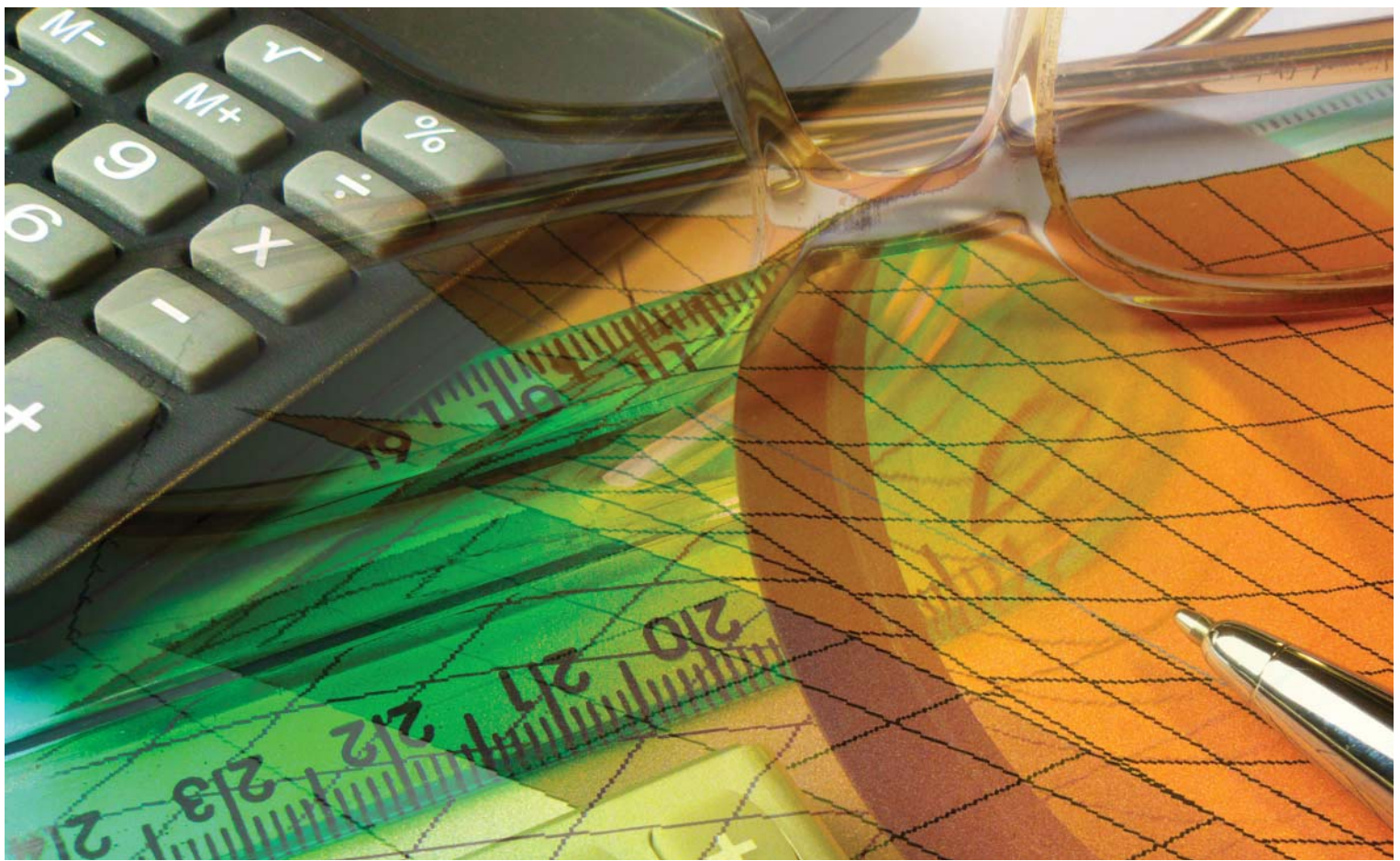


# General purpose financial statements Year ended 30 June 2013



# Council of The City of Newcastle

## General Purpose Financial Statements for the financial year ended 30 June 2013

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Council of The City of Newcastle.
- (ii) Council of The City of Newcastle 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 22 October 2013. Council has the power to amend and reissue these financial statements.
-

# Council of The City of Newcastle

## General Purpose Financial Statements for the financial year ended 30 June 2013

### 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:**

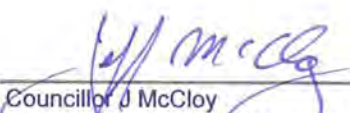
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.


**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 October 2013.**

  
Councillor J McCloy  
LORD MAYOR OF NEWCASTLE

  
Councillor  
COUNCILLOR

  
Ken Gouldthorp  
GENERAL MANAGER

  
Steve Edmonds  
RESPONSIBLE ACCOUNTING OFFICER

## Council of The City of Newcastle

## Income Statement

for the financial year ended 30 June 2013

Budget <sup>(1)</sup> 2013	\$ '000	Notes	Actual 2013	Actual 2012
<b>Income from Continuing Operations</b>				
<i>Revenue:</i>				
116,229	Rates & Annual Charges	3a	117,956	107,020
55,198	User Charges & Fees	3b	54,218	53,363
6,849	Interest & Investment Revenue	3c	10,890	11,796
11,347	Other Revenues	3d	10,810	8,294
23,705	Grants & Contributions provided for Operating Purposes	3e,f	23,632	30,724
11,079	Grants & Contributions provided for Capital Purposes	3e,f	9,721	11,017
<u>224,407</u>	<b>Total Income from Continuing Operations</b>		<u>227,227</u>	<u>222,214</u>
<b>Expenses from Continuing Operations</b>				
88,453	Employee Benefits & On-Costs	4a	94,688	92,803
4,025	Borrowing Costs	4b	4,137	3,690
41,230	Materials & Contracts	4c	40,653	51,619
40,491	Depreciation & Amortisation	4d	46,585	45,381 <sup>(2)</sup>
	Impairment	4d	1,341	-
61,410	Other Expenses	4e	37,511	30,647
	Net Losses from the Disposal of Assets	5	5,996	374
<u>235,609</u>	<b>Total Expenses from Continuing Operations</b>		<u>230,911</u>	<u>224,514</u>
<u>(11,202)</u>	<b>Operating Result from Continuing Operations</b>		<u>(3,684)</u>	<u>(2,300)</u>
<u>(11,202)</u>	<b>Net Operating Result for the Year</b>		<u>(3,684)</u>	<u>(2,300)</u>
<u>(11,202)</u>	<b>Net Operating Result attributable to Council</b>		<u>(3,684)</u>	<u>(2,300)</u>
<u>(22,281)</u>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<u>(13,405)</u>	<u>(13,317)</u>

## Notes:

(1) Original Budget as approved by Council - refer Note 16

(2) Refer note 1 (dd) in relation to comparative balances

## Council of The City of Newcastle

Statement of Comprehensive Income  
for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
<b>Net Operating Result for the year</b> (as per Income Statement)		<b>(3,684)</b>	<b>(2,300)</b>
<b>Other Comprehensive Income:</b>			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of Infrastructure, Property, Plant & Equipment	20b (ii)	(15,111)	-
Impairment (loss) reversal - Infrastructure, Property, Plant & Equipment	20b (ii)	(41)	-
Revaluations Non Current Assets Held for Sale	20b (ii)	-	(12,486) <sup>(1)</sup>
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>(15,152)</b>	<b>(12,486)</b>
<i>Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met</i>			
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	(74)
<b>Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met</b>		<b>-</b>	<b>(74)</b>
<b>Total Other Comprehensive Income for the year</b>		<b>(15,152)</b>	<b>(12,560)</b>
<b>Total Comprehensive Income for the Year</b>		<b>(18,836)</b>	<b>(14,860)</b>

## Notes:

(1) Refer note 1 (dd) in relation to comparative balances

## Council of The City of Newcastle

Statement of Financial Position  
as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	21,860	51,941
Investments	6b	86,439	42,508
Receivables	7	15,906	16,981
Inventories	8	857	837
Other	8	3,010	624
Non-current assets classified as "held for sale"	21	7,635	19,634
<b>Total Current Assets</b>		<b>135,707</b>	<b>132,525</b>
<b>Non-Current Assets</b>			
Investments	6b	114,480	89,743
Receivables	7	1,265	7,987
Infrastructure, Property, Plant & Equipment	9	1,285,358	1,273,906 <sup>(1)</sup>
Investment Property	14	11,715	13,135
Intangible Assets	23	287	689
Other	8	15	16
<b>Total Non-Current Assets</b>		<b>1,413,120</b>	<b>1,385,476</b>
<b>TOTAL ASSETS</b>		<b>1,548,827</b>	<b>1,518,001</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	24,451	24,230
Borrowings	10	4,180	3,220
Provisions	10	40,132	35,988
<b>Total Current Liabilities</b>		<b>68,763</b>	<b>63,438</b>
<b>Non-Current Liabilities</b>			
Borrowings	10	64,793	58,053
Provisions	10	7,233	8,893
<b>Total Non-Current Liabilities</b>		<b>72,026</b>	<b>66,946</b>
<b>TOTAL LIABILITIES</b>		<b>140,789</b>	<b>130,384</b>
<b>Net Assets</b>		<b>1,408,038</b>	<b>1,387,617</b>
<b>EQUITY</b>			
Retained Earnings	20	1,130,675	1,085,451
Revaluation Reserves	20	277,363	302,166
Council Equity Interest		1,408,038	1,387,617
<b>Total Equity</b>		<b>1,408,038</b>	<b>1,387,617</b>

Notes:

(1) Refer note 1 (dd) in relation to comparative balances

## Council of The City of Newcastle

Statement of Changes in Equity  
for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Total Equity
<b>2013</b>				
<b>Opening Balance</b>		1,085,451	302,166	1,387,617
Correction of Prior Period Errors	20c	39,257	-	39,257
<b>Revised Opening Balance (as at 1/7/12)</b>		<b>1,124,708</b>	<b>302,166</b>	<b>1,426,874</b>
<b>Net Operating Result for the Year</b>		(3,684)	-	(3,684)
Other Comprehensive Income				
- Revaluations: Asset Revaluation Reserves	20b (ii)	-	(15,111)	(15,111)
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(41)	(41)
<b>Other Comprehensive Income</b>		<b>-</b>	<b>(15,152)</b>	<b>(15,152)</b>
<b>Total Comprehensive Income</b>		<b>(3,684)</b>	<b>(15,152)</b>	<b>(18,836)</b>
Transfers between Equity		9,651	(9,651)	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,130,675</b>	<b>277,363</b>	<b>1,408,038</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Total Equity
<b>2012</b>				
<b>Opening Balance</b>		1,086,036	314,956	1,400,992
Correction of Prior Period Errors		1,485	-	1,485
<b>Revised Opening Balance (as at 1/7/11)</b>		<b>1,087,521</b>	<b>314,956</b>	<b>1,402,477</b>
<b>Net Operating Result for the Year</b>		(2,300)	-	(2,300)
Other Comprehensive Income				
- Revaluations: Non Current Assets Held for Sale	20b (ii)	-	(12,486)	(12,486)
- Transfers to Income Statement	20b (ii)	-	(74)	(74)
<b>Other Comprehensive Income</b>		<b>-</b>	<b>(12,560)</b>	<b>(12,560)</b>
<b>Total Comprehensive Income</b>		<b>(2,300)</b>	<b>(12,560)</b>	<b>(14,860)</b>
Transfers between Equity		230	(230)	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,085,451</b>	<b>302,166</b>	<b>1,387,617</b>

## Council of The City of Newcastle

## Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
116,229	Rates & Annual Charges		118,000	106,588
55,198	User Charges & Fees		47,195	58,799
6,849	Investment & Interest Revenue Received		11,638	12,106
34,784	Grants & Contributions		33,526	28,287
	Bonds, Deposits & Retention amounts received		388	162
11,347	Other		10,156	7,373
<b>Payments:</b>				
(88,453)	Employee Benefits & On-Costs		(94,935)	(88,154)
(41,230)	Materials & Contracts		(33,018)	(56,105)
(4,025)	Borrowing Costs		(3,954)	(3,266)
	Bonds, Deposits & Retention amounts refunded		(34)	(249)
(37,410)	Other		(37,511)	(30,216)
<b>53,289</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>51,451</b>	<b>35,325</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
130,464	Sale of Investment Securities		91,749	176,638
11,806	Sale of Infrastructure, Property, Plant & Equipment		17,408	4,209
<b>Payments:</b>				
(83,480)	Purchase of Investment Securities		(152,270)	(153,168)
(52,213)	Purchase of Infrastructure, Property, Plant & Equipment		(46,164)	(50,514)
	Purchase of Intangible Assets		(287)	(238)
<b>6,577</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(89,564)</b>	<b>(23,073)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
10,000	Proceeds from Borrowings & Advances		11,308	10,647
<b>Payments:</b>				
(2,106)	Repayment of Borrowings & Advances		(2,886)	(2,381)
	Repayment of Finance Lease Liabilities		(390)	(346)
<b>7,894</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>8,032</b>	<b>7,920</b>
<b>67,760</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(30,081)</b>	<b>20,172</b>
	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	51,941	31,769
<b>67,760</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>21,860</b>	<b>51,941</b>
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	200,919	132,251
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>222,779</b>	<b>184,192</b>
<b>Please refer to Note 11 for information on the following:</b>				
- Non Cash Financing & Investing Activities.				
- Financing Arrangements.				
- Net cash flow disclosures relating to any Discontinued Operations				



## Council of The City of Newcastle

### Notes to the Financial Statements

for the financial year ended 30 June 2013

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## Council of the City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

#### 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.

##### 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.

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.

## Council of the City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

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

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.

#### **(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 Ventures**

###### *Jointly Controlled Assets*

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings. Details of the Joint Venture are set out in Note 19.

##### **(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

## Council of the City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

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

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 uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. 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 uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

#### **(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.

## Council of the City of Newcastle

### Notes to the Financial Statements

for the financial year ended 30 June 2013

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

##### **(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.

###### **(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.

## Council of the City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

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

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 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

## Council of the City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

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

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.

##### (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

## Council of the City of Newcastle

### Notes to the Financial Statements

for the financial year ended 30 June 2013

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

Drainage	20-100years
Motor vehicles	5 years
Other plant and equipment	5-25 years
Buildings	20-60 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
Other structures	5-80 years
Newcastle Airport – Plant & Equipment	5-37 years
Newcastle Airport – Leasehold Improvements	2.5-30years

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 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



## Council of the City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

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

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.

##### ***(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 2013 was \$3,364,688. 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 2013. However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 a deficit still exists. Effective from 1 July 2013, employers are required to contribute additional contributions to assist in extinguishing this deficit. The annual amount of additional contributions payable until the deficit is extinguished is \$1,540,358. The additional contributions remitted during the year is included in the total employer contributions set out in the beginning of this paragraph.

The share of this deficit that can be broadly attributed to Council was estimated to be in the order of \$7,161,656 as at 30 June 2013.

## Council of the City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities. As a result, they have asked for significant increases in contributions to recover that deficiency. Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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**

##### **(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

## Council of the City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

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

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 accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. Newcastle City Council's assessment of the impact

of these new standards and interpretations is set out below.

- (i) AASB 9 *Financial Instruments*, AASB 2009 11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9* and transitional disclosures (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

- (ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12

## Council of the City of Newcastle

### Notes to the Financial Statements

for the financial year ended 30 June 2013

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

*Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

(v) AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7]* (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements,

## Council of the City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

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

including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

- (vi) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (*effective 1 January 2014*).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

- (vii) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (*effective 1 January 2013*).

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### **(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 5 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 of the City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

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

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

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

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

#### (dd) Comparative information

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

#### **Retained earnings adjustments**

An adjustment has been made to opening retained earnings and 11/12 comparative balances for the following items – refer Note 20 for a reconciliation of movements in retained earnings.

	\$'000
<i>Adjustments disclosed in this year's financial statements</i>	
<hr/>	
Overstated Infrastructure Depreciation <sup>(i)</sup>	9,787

(i) Overstated Infrastructure Depreciation  
Retained earnings and infrastructure, property, plant & equipment as at 30 June 2012 were overstated by \$9,787,041 due to a system calculation error in depreciation expense of road network and drainage assets. Depreciation expense was also overstated by this amount in 11/12. Corrections have been made to the 11/12 comparative balances.

#### **Reserves adjustments**

An adjustment has been made to the opening balance of the infrastructure, property, plant & equipment reserve and the 11/12 comparative balances for the following items – refer Note 20 for a reconciliation of movements in reserves.

	\$'000
<i>Adjustments disclosed in this year's financial statements</i>	
<hr/>	
Revaluations: Non Current Assets Held for Sale <sup>(i)</sup>	(12,486)

(i) Revaluations: Non Current Assets Held for Sale  
It was identified in the current financial year that the carrying amount of non current assets classified as held for sale in Note 21 as at 30 June 2012 were overstated by \$12,486,622. AASB 5 requires an entity to measure a non current asset classified as held for sale at the lower of its carrying amount and fair value less costs to sell. Where the non current asset is being actively marketed, any write-down of the asset's carrying amount can be recognised through equity to the extent that the asset has a revaluation surplus reserve. Adjustments have been made to the 11/12 comparative balances for non current assets classified as held for sale and the infrastructure, property, plant & equipment reserve to account for the error.

#### (ee) Disclaimer

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

Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

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 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Executive Management	-	-	115	2,434	2,332	1,047	(2,434)	(2,332)	(932)	-	-	8	12
City Assets	55,630	50,865	46,849	65,381	65,182	65,096	(9,751)	(14,318)	(18,247)	365	503	168,652	407,466
Liveable City	15,085	18,510	26,169	109,506	103,312	100,211	(94,421)	(84,802)	(74,042)	2,802	6,090	986,559	744,450
Future City	6,740	17,917	13,252	27,398	32,786	27,470	(20,658)	(14,868)	(14,218)	1,228	3,467	148,790	154,370
City Engagement	83	471	873	23,779	21,521	24,310	(23,696)	(21,050)	(23,436)	58	92	986	1,066
Governance	86	306	-	7,112	5,778	6,381	(7,025)	(5,472)	(6,381)	-	-	-	-
<b>Total Functions &amp; Activities</b>	<b>77,624</b>	<b>88,069</b>	<b>87,258</b>	<b>235,610</b>	<b>230,911</b>	<b>224,514</b>	<b>(157,985)</b>	<b>(142,842)</b>	<b>(137,256)</b>	<b>4,453</b>	<b>10,152</b>	<b>1,304,995</b>	<b>1,307,364</b>
General Purpose Income <sup>1</sup>	146,783	139,158	134,956	-	-	-	146,783	139,158	134,956	14,059	19,065	-	-
<b>Operating Result from Continuing Operations</b>	<b>224,407</b>	<b>227,227</b>	<b>222,214</b>	<b>235,610</b>	<b>230,911</b>	<b>224,514</b>	<b>(11,202)</b>	<b>(3,684)</b>	<b>(2,300)</b>	<b>18,512</b>	<b>29,217</b>	<b>1,304,995</b>	<b>1,307,364</b>

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

## Council of The City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

#### 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**

Lord Mayor / Council; General Manager's Office; Internal Audit and Organisational Planning (exclusive of Governance below)

##### **CITY ASSETS**

Strategic Property and Fleet Management Services; Financial Services; Information Management Services; Commercial Enterprise Services and Tourism and Economic Development Services

##### **LIVEABLE CITY**

City Presentation Services; Infrastructure Management Services; Road and Asset Maintenance Services; Place Management Services and Compliance Services

##### **FUTURE CITY**

Strategic Planning Services; Development and Building Services; Environment and Climate Change Services; Libraries; Newcastle Art Gallery and Newcastle Museum

##### **CITY ENGAGEMENT**

Human Resource Services and Customer Service; Communication and Consultation Services

##### **GOVERNANCE**

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.



## Council of The City of Newcastle

### Notes to the Financial Statements

for the financial year ended 30 June 2013

### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
<b>(a) Rates &amp; Annual Charges<sup>(1)</sup></b>			
<b>Ordinary Rates</b>			
Residential		59,230	54,086
Farmland		31	27
Business		36,408	33,288
<b>Total Ordinary Rates</b>		<b>95,669</b>	<b>87,401</b>
<b>Special Rates</b>			
Town Improvement		71	69
Main Street		1,056	1,023
<b>Total Special Rates</b>		<b>1,127</b>	<b>1,092</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		18,276	15,622
Stormwater Management Services		1,972	1,962
Waste Management Services (non-domestic)		798	827
Section 611 Charges		114	116
<b>Total Annual Charges</b>		<b>21,160</b>	<b>18,527</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>117,956</b>	<b>107,020</b>

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

**Additional Information:**

(1) Council granted 12,380 pensioner rebates during the 12/13 financial year. \$3,013,190.07 is included in Ordinary Rates & Annual Charges in respect of these rebates. Council has been reimbursed for \$1,636,702.10 by the State Government.

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
<b>(b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		2,002	1,488
<b>Total User Charges</b>		<b>2,002</b>	<b>1,488</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building - Inspection Fees			
- Regulatory/Statutory		1,892	2,076
- Subdivision Fees		533	478
- Building Inspection Fee		355	406
Private Works - Section 67		420	265
Section 603 Certificates		257	258
Dog Control / Registration Fees		128	161
Licence Fees		284	258
Inspection Fees - Food Shops		345	330
<b>Total Fees &amp; Charges - Statutory &amp; Regulatory Functions</b>		<b>4,214</b>	<b>4,232</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Art Gallery		169	156
Child Care		1,415	1,334
City Hall		563	502
Civic Theatre		1,973	2,026
Golf Courses		357	344
Fort Scratchley		280	285
Library Fees		277	338
Local Committee's		427	422
Merchant Service Fee		104	97
Ocean Baths / Inland Pools		1,095	1,024
Newcastle Airport		10,949	10,704
Park / Gardens Rents		744	627
Parking Stations / Meter Fees		6,370	6,513
Professional Services		23	15
Regional Museum		150	328
Reprographics Income		128	116
Road Restorations		31	83
RMS (formerly RTA) Charges (State Roads not controlled by Council)		3,996	5,802
Stockton Caravan Park		2,021	1,671
Tourism		49	37
Tipping Fees / Resource Recovery		15,883	14,457
Other		998	762
<b>Total Fees &amp; Charges - Other</b>		<b>48,002</b>	<b>47,643</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>54,218</b>	<b>53,363</b>

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
<b>(c) Interest &amp; Investment Revenue</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		336	350
- Interest earned on Cash & Investments (interest & coupon payments)		10,676	11,393
<b>Available for Sale Revaluation Reserves realised on Investment sale</b>		-	148
<b>Amortisation of Premiums &amp; Discounts</b>			
- "Held to Maturity" Investments		(122)	(95)
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<u>10,890</u>	<u>11,796</u>
<b>(d) Other Revenues</b>			
Fair Value Adjustments - Investment Properties	14	-	320
Rental Income - Investment Properties	14	1,246	1,404
Rental Income - Other Council Properties		1,281	1,204
Fines - Parking		3,891	2,760
Fines - Other		363	270
Legal Fees Recovery - Rates & Charges (Extra Charges)		371	270
Commissions & Agency Fees		95	93
Insurance Claim Recoveries		147	212
Insurance Recovery / Bonus		301	254
Investment Recoupment		2,905	1,000
Summerhill Waste Management - Electricity Generation		200	210
Other		10	297
<b><u>TOTAL OTHER REVENUE</u></b>		<u>10,810</u>	<u>8,294</u>

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance <sup>(1)</sup>	6,030	13,153	-	-
Financial Assistance - In Advance <sup>(1)</sup>	6,773	6,789	-	-
Pensioners' Rates Subsidies - General Component	1,256	1,277	-	-
<b>Total General Purpose</b>	<b>14,059</b>	<b>21,219</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	399	385	-	-
Community Services	2,600	2,081	-	-
Natural Disaster	-	12	-	-
Recreation & Culture	1,073	644	961	2,563
Transport (Other Roads & Bridges Funding)	228	1,076	1,612	948
Other	153	289	5	-
<b>Total Specific Purpose</b>	<b>4,453</b>	<b>4,487</b>	<b>2,578</b>	<b>3,511</b>
<b>Total Grants</b>	<b>18,512</b>	<b>25,706</b>	<b>2,578</b>	<b>3,511</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	14,923	20,509	1,053	1,558
- State Funding	3,589	5,197	1,525	1,953
	<b>18,512</b>	<b>25,706</b>	<b>2,578</b>	<b>3,511</b>

**Additional Information:**

(1) The 12/13 Financial Assistance Grant amount includes \$6,733k which relates to the 13/14 allocation and which was paid in advance. This amount was not expended in the current financial year and has been restricted in note 6(c).

Similarly, the 11/12 Financial Assistance Grant amount included \$6,789k relating to the 12/13 allocation which was paid in advance. This amount was expended in the current financial year.

Additionally another \$3,264k was included in the Financial Assistance Grant amount of \$13,153k that related to the prior period 10/11 and formed part of the disclosures for the 11/12 financial year.

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b>				
S 94 - Contributions towards amenities/services	1,177	594	1,593	-
S 94A - Fixed Development Consent Levies	-	-	1,336	1,133
<b>Total Developer Contributions</b>	<b>1,177</b>	<b>594</b>	<b>2,929</b>	<b>1,133</b>
<b>Other Contributions:</b>				
Aged Housing	-	6	-	1
Art Gallery Donations	35	5	1,536	1,406
Beach Bathing / Pools	4	4	-	-
Civic and Community Events	37	571	-	-
Community Facilities	1,018	68	-	524
Economic Development	77	-	-	-
Employees Corporate Fitness / Entitlements	914	1,004	-	-
Housing and Community Amenities	-	21	-	-
Library	-	-	204	46
Mainstreet Programs	(1)	23	-	-
Other Councils - Joint Works/Services	321	-	-	-
Parks and Gardens	79	14	13	686
Regional Museum	24	21	4	17
Roads & Drainage	1	-	2,399	3,398
RMS Contributions (Regional Roads, Block Grant)	1,434	1,378	24	211
Waste Reduction / Diversion Incentive	-	873	-	-
Other	-	436	34	84
<b>Total Other Contributions</b>	<b>3,943</b>	<b>4,424</b>	<b>4,214</b>	<b>6,373</b>
<b>Total Contributions</b>	<b>5,120</b>	<b>5,018</b>	<b>7,143</b>	<b>7,506</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>23,632</b>	<b>30,724</b>	<b>9,721</b>	<b>11,017</b>

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013	Actual 2012
<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	26,444	24,431
<b>add:</b> Grants & contributions recognised in the current period but not yet spent:	10,084	9,553
<b>less:</b> Grants & contributions recognised in a previous reporting period now spent:	(11,904)	(7,540)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>(1,820)</b>	<b>2,013</b>
<b>Unexpended and held as Restricted Assets</b>	<b>24,624</b>	<b>26,444</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	9,393	11,190
- Developer Contributions	15,231	15,254
	<b>24,624</b>	<b>26,444</b>

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		69,614	66,154
Employee Termination Costs		3,200	947
Travelling		72	51
Employee Leave Entitlements (ELE)		13,779	13,309
Superannuation		9,097	9,371
Occupational Health and Safety		912	1,082
Workers' Compensation Insurance		467	3,295
Fringe Benefit Tax (FBT)		626	517
Training Costs (other than Salaries & Wages)		674	822
Other		780	771
<b>Total Employee Costs</b>		<b>99,221</b>	<b>96,319</b>
less: Capitalised Costs		(4,533)	(3,516)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>94,688</b>	<b>92,803</b>
Number of "Equivalent Full Time" Employees at year end		<b>960</b>	<b>952</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		3,962	3,557
Charges on Hire Purchases		13	78
<b>Total Interest Bearing Liability Costs</b>		<b>3,975</b>	<b>3,635</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>3,975</b>	<b>3,635</b>
<b>(ii) Other Borrowing Costs</b>			
- Remediation Liabilities	24	162	55
<b>Total Other Borrowing Costs</b>		<b>162</b>	<b>55</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>4,137</b>	<b>3,690</b>

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		23,551	28,568
Contractor & Consultancy Costs		14,147	20,686
Auditors Remuneration <sup>(1)</sup>		120	100
Legal Expenses:			
- Legal Expenses: Planning & Development		114	364
- Legal Expenses: Other		778	738
Other		1,943	1,163
<b>Total Materials &amp; Contracts</b>		<b>40,653</b>	<b>51,619</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>40,653</b>	<b>51,619</b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by Council's Auditor PricewaterhouseCoopers			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		104	83
- Audit of regulatory returns		2	3
<b>Remuneration for audit and other assurance services</b>		<b>106</b>	<b>86</b>
<b>(ii) Taxation Services</b>			
- Tax compliance services		7	10
<b>Remuneration for taxation services</b>		<b>7</b>	<b>10</b>
<b>(iii) Other Services</b>			
- Accounting advice		7	4
<b>Remuneration for other services</b>		<b>7</b>	<b>4</b>
<b>Total Auditor Remuneration</b>		<b>120</b>	<b>100</b>



## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
<b>(d) Depreciation, Amortisation &amp; Impairment</b>					
Plant and Equipment		-	-	5,860	5,385
Office Equipment		-	-	964	958
Furniture & Fittings		-	-	237	244
Land Improvements (depreciable)		-	-	2,686	2,378
Buildings - Specialised		663	-	7,938	7,934
Other Structures		30	-	3,966	4,104
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	18,805	18,579 <sup>(1)</sup>
- Stormwater Drainage		-	-	3,657	3,460 <sup>(1)</sup>
Other Assets					
- Heritage Collections		-	-	13	12
- Library Books		-	-	1,185	1,146
- Other		-	-	2	1
Waste Management Asset	9 & 24	-	-	105	105
Newcastle Airport		-	-	1,504	1,395
Intangible Assets	23	689	-	-	-
<b>Total Depreciation &amp; Impairment Costs</b>		<b>1,382</b>	<b>-</b>	<b>46,922</b>	<b>45,701</b>
less: Capitalised Costs		-	-	(337)	(320)
less: Impairments (to)/from ARR	9	(41)	-	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>1,341</b>	<b>-</b>	<b>46,585</b>	<b>45,381</b>

Notes:

(1) Refer note 1 (dd) in relation to comparative balances

## Council of The City of Newcastle

### Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		480	451
Bank Charges		479	478
Emergency Services Levy		2,751	2,745
NSW Government Waste Levy		13,367	10,862
Councillor Expenses - Mayoral Fee		71	71
Councillor Expenses - Councillors' Fees		317	316
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		79	109
Donations, Contributions & Assistance to other organisations (Section 356)		245	44
Election Expenses		561	28
Electricity		2,371	2,141
Insurance		3,629	3,286
Newcastle Airport		4,086	3,476
Revaluation Decrements (Fair Valuation of Investment Properties)	14	1,420	-
Street Lighting		3,609	3,458
Telephone & Communications		1,337	1,190
Water		1,029	706
S355 Local Committee Working Expenses		735	745
Other		945	541
<b>Total Other Expenses</b>		<b>37,511</b>	<b>30,647</b>
less: Capitalised Costs		-	-
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>37,511</u></b>	<b><u>30,647</u></b>

## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
<b>Property, Plant &amp; Equipment - PPE</b> (excl. Investment Property)			
Proceeds from Disposal - PPE		1,375	2,973
less: Carrying Amount of PPE Assets Sold / Written Off		(6,948)	(1,256)
<b>Net Gain/(Loss) on Disposal</b>		<b>(5,573)</b>	<b>1,717</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(2,399)	(3,168)
<b>Net Gain/(Loss) on Disposal</b>		<b>(2,399)</b>	<b>(3,168)</b>
<b>Non Current Assets Classified as "Held for Sale"</b>			
Proceeds from Disposal - Non Current Assets "Held for Sale"		16,033	1,236
less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off		(14,057)	(159)
<b>Net Gain/(Loss) on Disposal</b>		<b>1,976</b>	<b>1,077</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(5,996)</u></b>	<b><u>(374)</u></b>

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	2013	2013	2012	2012
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		14,860	-	15,941	-
Cash-Equivalent Assets <sup>(1)</sup>					
- Deposits at Call		7,000	-	36,000	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>21,860</b>	<b>-</b>	<b>51,941</b>	<b>-</b>
<b>Investments (Note 6b)</b>					
Held to Maturity Investments comprised of:		-	-	-	-
- Long Term Deposits		65,444	20,000	12,936	15,500
- Negotiable Certificates of Deposit		6,000	20,000	-	12,000
- FRN's (with Maturities > 3 months)		10,002	54,751	8,997	37,497
- Bonds		4,993	19,729	20,575	24,746
<b>Total Investments</b>		<b>86,439</b>	<b>114,480</b>	<b>42,508</b>	<b>89,743</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>108,299</b>	<b>114,480</b>	<b>94,449</b>	<b>89,743</b>
<b>Reconciliation of Investments classified as "Held to Maturity"</b>					
Balance at the Beginning of the Year		42,508	89,743	63,515	88,801
Amortisation of Premiums & Discounts		(77)	(45)	(80)	(15)
Additions		100,000	52,270	109,510	43,658
Disposals (sales & redemptions)		(83,480)		(162,138)	(11,000)
Transfers between Current/Non Current		27,488	(27,488)	31,701	(31,701)
<b>Balance at End of Year</b>		<b>86,439</b>	<b>114,480</b>	<b>42,508</b>	<b>89,743</b>

Notes:

(1) Those Investments where time to maturity (from date of purchase) is &lt; 3 mths.

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	108,299	114,480	94,449	89,743
<b>attributable to:</b>				
External Restrictions (refer below)	18,107	21,967	18,028	17,129
Internal Restrictions (refer below)	71,528	92,513	74,007	70,321
Unrestricted	18,664	-	2,414	2,293
	<b>108,299</b>	<b>114,480</b>	<b>94,449</b>	<b>89,743</b>

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of Restrictions

**External Restrictions - Included in Liabilities**

Self Insurance Claims (A)	8,713	884	(176)	9,421
<b>External Restrictions - Included in Liabilities</b>	<b>8,713</b>	<b>884</b>	<b>(176)</b>	<b>9,421</b>

**External Restrictions - Other**

Developer Contributions - General (B)	15,254	2,978	(3,001)	15,231
Specific Purpose Unexpended Grants (C)	11,190	-	(2,057)	9,133
Domestic Waste Management (D)	-	2,964		2,964
Stormwater Management (D)	-	3,325	-	3,325
<b>External Restrictions - Other</b>	<b>26,444</b>	<b>9,267</b>	<b>(5,058)</b>	<b>30,653</b>
<b>Total External Restrictions</b>	<b>35,157</b>	<b>10,151</b>	<b>(5,234)</b>	<b>40,074</b>

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Replacement of Plant & Vehicle	15,193	12,558	(5,742)	22,009
Asset Preservation	37,939	11,692	(14,192)	35,439
Employees Leave Entitlement	10,001	2,822	(3,197)	9,626
Deposits, Retentions & Bonds	847	325		1,172
Acquisition of Land and Property enhancement	47,589	25,155	(12,096)	60,648
Contribution to specific works programs	14,198	11,052	(9,674)	15,576
Newcastle Airport	8,561	34		8,595
Unexpended Loans	10,000	10,976	(10,000)	10,976
<b>Total Internal Restrictions</b>	<b>144,328</b>	<b>74,614</b>	<b>(54,901)</b>	<b>164,041</b>
<b>TOTAL RESTRICTIONS</b>	<b>179,485</b>	<b>84,765</b>	<b>(60,135)</b>	<b>204,115</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.

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

## Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		4,972	702	5,281	437
Interest & Extra Charges		594	132	655	420
User Charges & Fees		7,475	-	5,875	-
Accrued Revenues					
- Interest on Investments		1,652	-	1,484	-
Government Grants & Subsidies		32	-	2,603	-
Infringement Processing Bureau - NSW State Govt.		757	493	709	343
Lehman Brothers		-	-	-	8,781
Net GST Receivable		678	-	734	-
RMS Contributions		-	-	121	-
<b>Total</b>		<b>16,160</b>	<b>1,327</b>	<b>17,462</b>	<b>9,981</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(58)	-	(62)	-
Interest & Extra Charges		(16)	-	(13)	-
User Charges & Fees		(85)	-	(340)	-
Infringement Processing Bureau - NSW State Govt.		(95)	(62)	(66)	(25)
Lehman Brothers		-	-	-	(1,969)
<b>Total Provision for Impairment - Receivables</b>		<b>(254)</b>	<b>(62)</b>	<b>(481)</b>	<b>(1,994)</b>
<b>TOTAL NET RECEIVABLES</b>		<b>15,906</b>	<b>1,265</b>	<b>16,981</b>	<b>7,987</b>
<b>Externally Restricted Receivables</b>					
Domestic Waste Management		964	-	863	-
Stormwater Management		128	-	126	-
Other					
- Special Rates		66	-	122	-
<b>Total External Restrictions</b>		<b>1,158</b>	<b>-</b>	<b>1,111</b>	<b>-</b>
<b>Unrestricted Receivables</b>		<b>14,748</b>	<b>1,265</b>	<b>15,870</b>	<b>7,987</b>
<b>TOTAL NET RECEIVABLES</b>		<b>15,906</b>	<b>1,265</b>	<b>16,981</b>	<b>7,987</b>

## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		857	-	837	-
<b>Total Inventories</b>		<b>857</b>	<b>-</b>	<b>837</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		3,010	15	624	16
<b>Total Other Assets</b>		<b>3,010</b>	<b>15</b>	<b>624</b>	<b>16</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>3,867</b>	<b>15</b>	<b>1,461</b>	<b>16</b>

**Externally Restricted Assets**

There are no restrictions applicable to the above assets.



Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

Note 9. Infrastructure, Property, Plant & Equipment

	as at 30/6/2012						Asset Movements during the Reporting Period										as at 30/6/2013			
	At Cost	At Fair Value	Accumulated Dep'n	Carrying Value (1)	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Losses (recognised in P/L)	Impairment Losses (recognised in Equity)	WIP Transfers	Adjustments & Transfers	TfIs from/(to) "Held for Sale" category	Revaluation Decrements to Equity (A/RK)	Revaluation Increments to Equity (A/RK)	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value	
																				At Cost
Capital Work in Progress	27,273	-	1	27,272	3,737	-	-	-	-	(24,866)	-	-	-	-	6,123	-	-	-	6,123	
Plant & Equipment	49,610	49,610	24,018	25,592	6,394	(255)	(5,860)	-	364	23	-	-	-	-	53,092	26,834	-	-	26,258	
Office Equipment	-	14,037	12,347	1,690	413	-	(964)	-	500	-	-	-	-	-	12,908	11,269	-	-	1,639	
Furniture & Fittings	-	7,476	6,292	1,184	304	(10)	(237)	-	-	108	-	-	-	-	7,661	6,332	-	-	1,349	
Land:																				
- Operational Land	-	84,809	-	84,809	1,361	(337)	-	-	-	(851)	(2,039)	-	-	14,211	97,154	-	-	-	97,154	
- Community Land	-	119,764	-	119,764	330	(2,032)	-	-	-	(1,806)	-	-	-	-	116,256	-	-	-	116,256	
- Land under Roads (post 30/6/08)	-	11,279	-	11,279	2,566	-	-	-	-	-	-	-	-	-	13,845	-	-	-	13,845	
Land Improvements - depreciable	-	95,328	64,081	31,247	1,173	-	(2,686)	-	1,177	(4,976)	-	-	-	-	92,241	66,306	-	-	25,935	
Buildings - Non Specialised	-	700	-	700	-	-	-	-	-	-	-	-	(11,671)	-	11,137	-	-	-	11,137	
Buildings - Specialised	-	331,011	187,669	143,342	1,994	(4,313)	(7,938)	(41)	21,670	18,365	(20)	(17,651)	-	-	250,508	95,544	178	-	154,786	
Other Structures	-	56,309	33,315	22,994	2,777	(30)	(3,966)	-	1,013	4,418	-	-	-	-	72,688	45,437	45	-	27,206	
Infrastructure:																				
- Roads, Bridges, Footpaths	-	1,144,085	539,977	604,108	17,536	(2,331)	(18,805)	-	42	-	-	-	-	-	1,156,288	555,738	-	-	600,550	
- Stormwater Drainage	-	165,777	67,735	98,042	2,194	(69)	(3,657)	-	7	-	-	-	-	-	167,858	71,341	-	-	96,517	
Other Assets:																				
- Heritage Collections	-	73,074	763	72,311	1,679	-	(13)	-	113	1,891	-	-	-	-	76,789	808	-	-	75,981	
- Library Books	-	19,463	13,412	6,051	858	-	(1,185)	-	-	-	-	-	-	-	20,321	14,597	-	-	5,724	
- Other	-	62	30	32	-	-	(2)	-	-	-	-	-	-	-	62	32	-	-	30	
Waste Management Asset	-	2,782	1,631	1,151	-	-	(105)	-	-	-	-	-	-	-	2,782	1,736	-	-	1,046	
Newcastle Airport	-	29,329	6,991	22,338	2,848	-	(1,504)	-	-	140	-	-	-	-	32,176	8,354	-	-	23,822	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>27,273</b>	<b>2,204,895</b>	<b>958,262</b>	<b>1,273,906</b>	<b>46,164</b>	<b>(9,347)</b>	<b>(46,322)</b>	<b>(652)</b>	<b>(41)</b>	<b>-</b>	<b>39,420</b>	<b>(2,059)</b>	<b>(29,322)</b>	<b>14,211</b>	<b>6,123</b>	<b>2,183,786</b>	<b>904,328</b>	<b>223</b>	<b>1,285,358</b>	

Notes:  
(1) Refer note 1 (dd) in relation to comparative balances

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$9,681,000) and New Assets (\$9,785,000).  
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		16,514	-	13,688	-
Payments Received In Advance		2,071	-	5,647	-
Accrued Expenses:					
- Salaries & Wages		1,873	-	1,721	-
- Other Expenditure Accruals		2,793	-	2,304	-
Security Bonds, Deposits & Retentions		1,200	-	847	-
Other		-	-	23	-
<b>Total Payables</b>		<b>24,451</b>	<b>-</b>	<b>24,230</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>(1)</sup>		3,747	63,616	2,805	57,444
Government Advances		98	878	-	-
Hire Purchase Liabilities		335	299	415	609
<b>Total Borrowings</b>		<b>4,180</b>	<b>64,793</b>	<b>3,220</b>	<b>58,053</b>
<b>Provisions</b>					
<b>Employee Benefits:</b>					
Annual Leave		8,990	-	8,679	-
Sick Leave		9,531	-	9,171	-
Long Service Leave		17,778	691	16,596	863
Sub Total - Aggregate Employee Benefits		36,299	691	34,446	863
Self Insurance - Workers Compensation		850	3,300	1,280	4,950
Asset Remediation/Restoration (Future Works) <sup>24</sup>		-	3,242	-	3,080
Other		2,983	-	262	-
<b>Total Provisions</b>		<b>40,132</b>	<b>7,233</b>	<b>35,988</b>	<b>8,893</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>68,763</b>	<b>72,026</b>	<b>63,438</b>	<b>66,946</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2013		2012	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Domestic Waste Management		2,129	782	2,533	721
Self Insurance		850	3,300	1,280	4,950
Liabilities relating to externally restricted assets		2,979	4,082	3,813	5,671
<b>Total Liabilities relating to restricted assets</b>		<b>2,979</b>	<b>4,082</b>	<b>3,813</b>	<b>5,671</b>
<b>Total Liabilities relating to Unrestricted Assets</b>		<b>65,784</b>	<b>67,944</b>	<b>59,625</b>	<b>61,275</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>		<b>68,763</b>	<b>72,026</b>	<b>63,438</b>	<b>66,946</b>

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

Notes:

(1) Loans are secured over the General Rating Income of Council

## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

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

\$ '000	Actual 2013	Actual 2012
(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 - Employee Benefits	25,885	24,090
	<u>25,885</u>	<u>24,090</u>

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

Class of Provision	2012			2013		
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement	Unused amounts reversed	Closing Balance as at 30/6/13
Annual Leave	8,679	5,874	(5,563)	-	-	8,990
Sick Leave	9,171	1,381	(1,021)	-	-	9,531
Long Service Leave	17,459	3,014	(2,004)	-	-	18,469
Self Insurance	6,230	175	(175)	(2,080)	-	4,150
Asset Remediation	3,080	162	-	-	-	3,242
Other	262	3,229	(508)	-	-	2,983
<b>TOTAL</b>	<b>44,881</b>	<b>13,835</b>	<b>(9,271)</b>	<b>(2,080)</b>	<b>-</b>	<b>47,365</b>

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self Insurance Provisions represent both (i) claims incurred but not reported and (ii) claims reported & estimated as a result of Council's being a self insurer up to certain levels of excess.
- c. 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.

## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	21,860	51,941
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>21,860</b>	<b>51,941</b>
 <b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>(3,684)</b>	<b>(2,300)</b>
Adjust for non cash items:			
Depreciation & Amortisation		46,585	45,381
Net Losses/(Gains) on Disposal of Assets		5,996	374
Non Cash Capital Grants and Contributions		(5,521)	(8,313)
Impairment Losses Recognition - I,PP&E		1,341	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(2,905)	(1,000)
- Investment Properties		1,420	(320)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- "Held to Maturity" Financial Assets		122	(53)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		9,956	175
Increase/(Decrease) in Provision for Doubtful Debts		(2,159)	(1,399)
Decrease/(Increase) in Inventories		(20)	(91)
Decrease/(Increase) in Other Assets		(2,385)	(224)
Increase/(Decrease) in Payables		200	778
Increase/(Decrease) in accrued Interest Payable		21	(13)
Increase/(Decrease) in Employee Leave Entitlements		1,681	1,673
Increase/(Decrease) in Other Provisions		803	889
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>51,451</b>	<b>35,557</b>
 <b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Other Dedications		(5,521)	8,313
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>(5,521)</b>	<b>8,313</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>
 Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		350	350
<b>Total Financing Arrangements Utilised</b>		<b>350</b>	<b>350</b>
 <b>(ii) Secured Loan Liabilities</b>			
Loans are secured by a mortgage over future years Rate Revenue only.			

## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

## Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
<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		918	678
Plant & Equipment		331	1,068
Other		1,008	3,385
<b>Total Commitments</b>		<b>2,257</b>	<b>5,131</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		2,257	5,131
<b>Total Payable</b>		<b>2,257</b>	<b>5,131</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		2,257	5,131
<b>Total Sources of Funding</b>		<b>2,257</b>	<b>5,131</b>

**(b) Finance Lease Commitments****(i) Commitments under Finance Leases at the Reporting Date are payable as follows:**

Within the next year		367	472
Later than one year and not later than 5 years		315	676
<b>Total Minimum Lease Payments</b>		<b>682</b>	<b>1,148</b>
less: Future Finance Charges		(48)	(124)
<b>Amount Recognised as a Liability</b>		<b>634</b>	<b>1,024</b>

**(ii) Finance Lease Liability Recognised represent;**

Current Liabilities		335	415
Non-Current Liabilities		299	609
<b>Total Finance Lease Liabilities Disclosed</b>		<b>634</b>	<b>1,024</b>

Finance leases are in place for property, plant and equipment with terms ranging from 3 - 10 years in length. No debt covenants or other such agreements are in place.

**(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		1,626	791
Later than one year and not later than 5 years		2,759	2,368
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>4,385</b>	<b>3,159</b>

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

- Office Equipment with lease terms ranging from 5 - 6 years in length
- 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
- 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

## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 2012    2011	
<b>Local Government Industry Indicators - Consolidated</b>				
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<u>116,442</u>	<b>2.92</b>	3.15	2.88
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<u>39,899</u>			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<u>7,275</u>	<b>3.50%</b>	3.26%	3.38%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	<u>207,933</u>			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<u>117,956</u>	<b>51.91%</b>	48.16%	45.68%
Income from Continuing Operations	<u>227,227</u>			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<u>6,326</u>	<b>5.05%</b>	5.92%	5.35%
Rates, Annual & Extra Charges Collectible	<u>125,381</u>			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup>	<u>9,681</u>	<b>31.85%</b>	25.60%	16.08%
Depreciation, Amortisation & Impairment	<u>30,400</u>			

## Notes

<sup>(1)</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>(2)</sup> Refer to Note 10(a).

<sup>(3)</sup> Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

<sup>(4)</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 and infrastructure assets only.

## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

## Note 14. Investment Properties

\$ '000	Notes	Actual 2013	Actual 2012
<b>(a) Investment Properties at Fair value</b>			
<b>Investment Properties on Hand</b>		<u>11,715</u>	<u>13,135</u>
<b>Reconciliation of Annual Movement:</b>			
<b>Opening Balance</b>		13,135	12,815
- Net Gain/(Loss) from Fair Value Adjustments		<u>(1,420)</u>	<u>320</u>
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<u>11,715</u>	<u>13,135</u>

**(b) Valuation Basis**

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

The 2012 revaluations were based on Independent Assessments made by:  
Baker & Magin Valuers - Associate members of the Australian Property Institute

**(c) Contractual Obligations at Reporting Date**

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

**(d) Leasing Arrangements**

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 due:

Within 1 year	989	1,453
Later than 1 year but less than 5 years	3,493	4,656
Later than 5 years	<u>12,350</u>	<u>2,225</u>
<b>Total Minimum Lease Payments Receivable</b>	<u>16,832</u>	<u>8,334</u>

**(e) Amounts Recognised in Profit & Loss for Investment Property**

<b>Rental Income from Investment Properties:</b>		
- Minimum Lease Payments	1,246	1,404
<b>Direct Operating Expenses on Investment Properties:</b>		
- that generated rental income	<u>(218)</u>	<u>(409)</u>
<b>Net Revenue Contribution from Investment Properties</b>	<b>1,028</b>	<b>995</b>
plus:		
<b>Fair Value Movement for year</b>	<u>(1,420)</u>	<u>320</u>
<b>Total Income attributable to Investment Properties</b>	<u>(392)</u>	<u>1,315</u>

## Council of The City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

#### 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	
	2013	2012	2013	2012
<b>Financial Assets</b>				
Cash and Cash Equivalents	21,860	51,941	21,874	51,941
Investments				
- "Held to Maturity"	200,919	132,251	202,573	133,805
Receivables	17,171	24,968	17,171	26,710
<b>Total Financial Assets</b>	<b>239,950</b>	<b>209,160</b>	<b>241,618</b>	<b>212,456</b>
<b>Financial Liabilities</b>				
Payables	24,412	18,583	24,412	24,230
Loans / Advances	68,339	60,249	68,959	61,273
Hire Purchase Liabilities	634	1,024	634	1,024
<b>Total Financial Liabilities</b>	<b>93,385</b>	<b>79,856</b>	<b>94,005</b>	<b>86,527</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt 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.



## Council of The City of Newcastle

### Notes to the Financial Statements

for the financial year ended 30 June 2013

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (b) Cash & Cash Equivalents, Financial assets "At Fair Value through 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 major risk associated with Investments is 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.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is 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 its independent advisors Amicus Advisory Pty Ltd in relation to its investment placements in Cash Equivalents & Investments. Independent advice is recommended as part of the Division of Local Government Best Practice Guidelines.

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>2013</b>				
Possible impact of a 1% movement in Interest Rates	1,056	1,056	(1,056)	(1,056)
<b>2012</b>				
Possible impact of a 1% movement in Interest Rates	1,855	1,855	(1,855)	(1,855)

## Council of The City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) 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 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:

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	-	11,813	-	21,508
Overdue	5,674	-	5,718	217
	<u>5,674</u>	<u>11,813</u>	<u>5,718</u>	<u>21,725</u>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2013	2012
Balance at the beginning of the year			2,475	3,876
+ new provisions recognised during the year			110	330
- amounts already provided for & written off this year			(227)	(90)
- amounts provided for but recovered during the year			-	-
- previous impairment losses reversed			(2,042)	(1,640)
<b>Balance at the end of the year</b>			<u>316</u>	<u>2,475</u>

## Council of The City of Newcastle

### Notes to the Financial Statements

for the financial year ended 30 June 2013

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (d) Payables & 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.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity 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>2013</b>									
Trade/Other Payables	1,200	21,180	-	-	-	-	-	22,380	24,412
Loans & Advances	-	8,172	7,358	7,169	7,051	7,092	73,358	110,200	68,339
Hire Purchase Liabilities	-	367	244	61	9	-	-	681	634
<b>Total Financial Liabilities</b>	<b>1,200</b>	<b>29,719</b>	<b>7,602</b>	<b>7,230</b>	<b>7,060</b>	<b>7,092</b>	<b>73,358</b>	<b>133,261</b>	<b>93,385</b>
<b>2012</b>									
Trade/Other Payables	847	23,383	-	-	-	-	-	24,230	24,230
Loans & Advances	-	6,763	6,761	5,951	5,766	5,652	71,924	102,817	60,249
Hire Purchase Liabilities	-	473	360	238	48	9	-	1,128	1,024
<b>Total Financial Liabilities</b>	<b>847</b>	<b>30,619</b>	<b>7,121</b>	<b>6,189</b>	<b>5,814</b>	<b>5,661</b>	<b>71,924</b>	<b>128,175</b>	<b>85,503</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:

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	24,412		24,230	
Loans & Advances - Fixed Interest Rate	63,628	6.53%	54,974	6.79%
Loans & Advances - Variable Interest Rate	4,711	5.32%	5,275	6.13%
Hire Purchase Liabilities	634	7.30%	1,024	7.31%
	<u>93,385</u>		<u>85,503</u>	

## Council of The City of Newcastle

### Notes to the Financial Statements

for the financial year ended 30 June 2013

#### Note 16. Material Budget Variations

Council's Original Financial Budget for 12/13 was adopted by the Council on 15 May 2012.

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	2013 Budget	2013 Actual	2013 ----- Variance* -----		
<b>REVENUES</b>					
<b>Interest &amp; Investment Revenue</b>	<b>6,849</b>	<b>10,890</b>	<b>4,041</b>	59%	<b>F</b>
Revenue was greater than budget mainly due to a conservative estimate being forecast in the 2012-2013 budget in anticipation of financial market conditions and further RBA cash decreases.					
<b>Capital Grants &amp; Contributions</b>	<b>11,079</b>	<b>9,721</b>	<b>(1,358)</b>	(12%)	<b>U</b>
Capital Grants and Contributions received were lower than anticipated primarily in the areas of Roads & Drainage and those relating to Community Facilities.					
<b>EXPENSES</b>					
<b>Depreciation &amp; Amortisation</b>	<b>40,491</b>	<b>46,585</b>	<b>(6,094)</b>	(15%)	<b>U</b>
Depreciation and amortisation was greater than budgeted due to the ongoing impact of Council's fair value revaluation program and associated movements within Council's asset portfolio.					
<b>Other Expenses</b>	<b>61,410</b>	<b>37,511</b>	<b>23,899</b>	39%	<b>F</b>
Material budget variations relating to this category are attributable to Council's commitment to ongoing budget reductions as well as the cancellation of corporate projects and programs. Additional budget variations are attributable to the NSW State Government Waste Levy and Waste Disposal.					

Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

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.

**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	
Traffic Facilities	140	203	-	7	-	-	350	659	(7,783)	(6,774)	-
Open Space	2,004	555	-	65	-	-	2,624	2,555	(10,573)	(5,394)	-
Community Facilities	1,836	252	-	63	-	-	2,151	808	(2,268)	691	-
Other - Bikeways	22	-	-	1	-	-	23	-	-	23	-
Other - Studies	143	-	-	5	-	-	148	-	-	148	-
S94 Management	31	30	-	-	(40)	-	21	128	-	149	-
BGH Place Management	(190)	31	-	-	-	-	(159)	86	-	(73)	-
Regional Open Space	21	26	-	1	-	-	48	37	-	85	-
Section 94A Plan	11,247	1,417	-	322	(2,961)	-	10,025	-	(28,855)	(18,830)	-
<b>S94 Contributions - under a Plan</b>	<b>15,254</b>	<b>2,514</b>	<b>-</b>	<b>464</b>	<b>(3,001)</b>	<b>-</b>	<b>15,231</b>	<b>4,273</b>	<b>(49,479)</b>	<b>(29,975)</b>	<b>-</b>
<b>Total Contributions</b>	<b>15,254</b>	<b>2,514</b>	<b>-</b>	<b>464</b>	<b>(3,001)</b>	<b>-</b>	<b>15,231</b>	<b>4,273</b>	<b>(49,479)</b>	<b>(29,975)</b>	<b>-</b>

Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

**S94 CONTRIBUTIONS - UNDER A PLAN**

Section 94 Contributions Plan No. 4

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 Facilities (Blue Gum Hills)	140	203	-	7	-	-	350	659	(7,783)	(6,774)	-
<b>Total</b>	<b>140</b>	<b>203</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>350</b>	<b>659</b>	<b>(7,783)</b>	<b>(6,774)</b>	<b>-</b>

Section 94 Contributions Plan No. 1 - 2005 BGH

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	2,004	555	-	65	-	-	2,624	2,555	(10,573)	(5,394)	-
Community Facilities	1,836	252	-	63	-	-	2,151	808	(2,268)	691	-
Other - Bikeways	22	-	-	1	-	-	23	-	-	23	-
Other - Studies	143	-	-	5	-	-	148	-	-	148	-
S94 Management	31	30	-	-	(40)	-	21	128	-	149	-
BGH Place Management	(190)	31	-	-	-	-	(159)	86	-	(73)	-
Regional Open Space	21	26	-	1	-	-	48	37	-	85	-
<b>Total</b>	<b>3,867</b>	<b>894</b>	<b>-</b>	<b>135</b>	<b>(40)</b>	<b>-</b>	<b>4,856</b>	<b>3,614</b>	<b>(12,841)</b>	<b>(4,371)</b>	<b>-</b>

Section 94A Plan

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	11,247	1,417	-	322	(2,961)	-	10,025	-	(28,855)	(18,830)	-
<b>Total</b>	<b>11,247</b>	<b>1,417</b>	<b>-</b>	<b>322</b>	<b>(2,961)</b>	<b>-</b>	<b>10,025</b>	<b>-</b>	<b>(28,855)</b>	<b>(18,830)</b>	<b>-</b>

## Council of The City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000

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 2013 was \$3,364,688.

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 2013.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$7,161,656 as at 30 June 2013

##### 2. Other Liabilities

###### (ii) 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 receiving 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 for parties who seek compensation for property and employment related matters. The amount of this liability cannot be accurately determined at this time and as such has not been brought to account in the financial statements. Further details have not been disclosed as it would be prejudicial to Council.

## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

## Note 19. Controlled Entities, Associated Entities &amp; Interests in Joint Ventures

\$ '000

## Joint Venture Operations

## (a) Council is involved in the following Joint Venture Operations (JVO)

Name of Operation	Principal Activity	Councils Interests in Outputs of JVO's
Newcastle Airport Limited	Civil Aviation Facilities	50.00%
Hunter Councils Limited	Local Government Efficiency Initiative	19.49%

## (b1) Council Assets employed in Newcastle Airport Limited

	2013	2012
<b>Council's share of assets &amp; liabilities employed in the Operations</b>		
<b>Current Assets:</b>		
Cash & Cash Equivalents	8,595	8,561
Receivables	1,726	1,678
Inventories	-	-
Other Assets	80	60
<b>Non-Current Assets</b>		
Property, Plant & Equipment	23,822	22,338
Other Assets	15	17
<b>Total Assets</b>	<b>34,238</b>	<b>32,654</b>
<b>Current Liabilities:</b>		
Payables	3,436	2,554
Borrowings	1,291	983
Provisions	204	171
Other Liabilities	-	-
<b>Non-Current Liabilities</b>		
Borrowings	4,055	4,499
Provisions	59	65
<b>Total Liabilities</b>	<b>9,045</b>	<b>8,272</b>
<b>Total Net Assets (Jointly Owned)</b>	<b>25,193</b>	<b>24,382</b>

## (c1) Share of Joint Venture Operations Expenditure Commitments

	2013	2012
<b>Capital Commitments</b>		
Payable Not Later than 1 Year	228	2,054
Payable Later than 1 Year but not later than 5 Years	-	-
Payable Later than 5 Years	-	-
<b>Total Capital Commitments</b>	<b>228</b>	<b>2,054</b>

## Finance Lease Commitments

Payable Not Later than 1 Year	367	415
Payable Later than 1 Year but not later than 5 Years	314	609
Payable Later than 5 Years	-	-
<b>Total Operating Expenditure Commitments</b>	<b>681</b>	<b>1,024</b>

## (d1) Contingent Liabilities of Joint Venture Operations

	2013	2012
Share of Contingent Liabilities incurred jointly with other Participants	100%	100%
Share of Contingent Liabilities for which Council is severally liable	100%	100%



## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

## Note 19. Controlled Entities, Associated Entities &amp; Interests in Joint Ventures

\$ '000

## Joint Venture Operations (continued)

	2013	2012
<b>(b2) Council Assets employed in Hunter Councils Limited</b>		
<b>Council's share of assets &amp; liabilities employed in the Operations</b>		
<b>Current Assets:</b>		
Cash & Cash Equivalents	32	25
Receivables	34	29
Inventories	2	1
Other Assets	-	-
<b>Non-Current Assets</b>		
Property, Plant & Equipment	654	655
Other Assets	-	-
<b>Total Assets</b>	<b>722</b>	<b>710</b>
<b>Current Liabilities:</b>		
Payables	20	19
Borrowings	12	40
Provisions	35	6
Other Liabilities	13	10
<b>Non-Current Liabilities</b>		
Borrowings	425	497
Provisions	1	-
<b>Total Liabilities</b>	<b>506</b>	<b>572</b>
<b>Total Net Assets (Jointly Owned)</b>	<b>216</b>	<b>138</b>
<b>(c2) Share of Joint Venture Operations Expenditure Commitments</b>	<b>2013</b>	<b>2012</b>
<b>Capital Commitments</b>		
Payable Not Later than 1 Year	-	-
Payable Later than 1 Year but not later than 5 Years	-	-
Payable Later than 5 Years	-	-
<b>Total Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Finance Lease Commitments</b>		
Payable Not Later than 1 Year	-	-
Payable Later than 1 Year but not later than 5 Years	-	-
Payable Later than 5 Years	-	-
<b>Total Operating Expenditure Commitments</b>	<b>-</b>	<b>-</b>
<b>(d2) Contingent Liabilities of Joint Venture Operations</b>	<b>2013</b>	<b>2012</b>
Share of Contingent Liabilities incurred jointly with other Participants	100%	100%
Share of Contingent Liabilities for which Council is severally liable	100%	100%

## Council of The City of Newcastle

## Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year		1,085,451	1,086,036
- Correction of Prior Period Errors	20c	39,257	1,485
- Net Operating Result for the Year		(3,684)	(2,300)
- Transfers between Equity		9,651	230
<b>Balance at End of the Reporting Period</b>		<u><u>1,130,675</u></u>	<u><u>1,085,451</u></u>
<b>(b) Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		277,363	302,166
- "Available for Sale" Financial Investments Revaluation Reserve		-	-
<b>Total</b>		<u><u>277,363</u></u>	<u><u>302,166</u></u>
<b>(ii) Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		302,166	314,882
- Revaluations for the year	9	(15,111)	-
- Impairment of revalued assets (incl. impairment reversals)	9	(41)	-
- Transfer to Retained Earnings for Asset disposals		(9,651)	(230)
- Revaluations: Non Current Assets Held for Sale <sup>(1)</sup>		-	(12,486)
<b>- Balance at End of Year</b>		<u><u>277,363</u></u>	<u><u>302,166</u></u>
<b>"Available for Sale" Financial Investments Revaluation Reserve</b>			
- Opening Balance		-	74
- Transfer of "Available for Sale" values to the P&L for disposals		-	(74)
<b>- Balance at End of Year</b>		<u><u>-</u></u>	<u><u>-</u></u>
<b>TOTAL VALUE OF RETAINED EARNINGS &amp; RESERVES</b>		<u><u>1,408,038</u></u>	<u><u>1,387,617</u></u>
<b>(iii) Nature &amp; Purpose of Reserves</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			
<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		39,398	-
Buildings not previously recognised		3,459	-
Buildings not in existence		(943)	-
Operational Land not previously recognised		2,285	-
Operational Land not in existence		(4,942)	-
Drainage not previously recognised		-	1,485
		<u><u>39,257</u></u>	<u><u>1,485</u></u>

Notes:

(1) Refer note 1 (dd) in relation to comparative balances

## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

## Note 21. "Held for Sale" Non Current Assets &amp; Disposal Groups

<u>\$ '000</u>	<u>2013</u> <u>Current</u>	<u>2012</u> <u>Current</u>
<b>Non Current Assets "Held for Sale"</b>		
Land & Buildings	<u>7,635</u>	<u>19,634</u> <sup>(1)</sup>
<b>Total Non Current Assets "Held for Sale"</b>	<u><b>7,635</b></u>	<u><b>19,634</b></u>
<b><u>TOTAL NON CURRENT ASSETS</u></b>		
<b><u>CLASSIFIED AS "HELD FOR SALE"</u></b>	<u><b>7,635</b></u>	<u><b>19,634</b></u>

Council had parcels of land & buildings which it has made a decision to dispose of.

## Notes:

<sup>1</sup> Refer note 20 (c) in relation to comparative balances

## Council of The City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

#### Note 22. Events occurring after the Reporting Period

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\$ '000

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Events that occur between the end of the reporting period (ending 30 June 2013) 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 22/10/13.

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 2013.

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

Newcastle Airport received notification from the Australian Securities and Investments Commission (ASIC) that the request for change in company structure had been approved. This change enables the company, now Newcastle Airport Pty Limited, to independently raise debt and ensures a sustainable and long-term company structure. It also enables Council the ability to receive dividends from the Airport's profits, if the funds are available.

## Council of The City of Newcastle

Notes to the Financial Statements  
for the financial year ended 30 June 2013

## Note 23. Intangible Assets

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 \$ '000
 

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Intangible Assets represent identifiable non-monetary assets without physical substance.

	Actual 2013 Carrying Amount	Actual 2012 Carrying Amount
<b>Intangible Assets are as follows;</b>		
<b>Opening Values:</b>		
Gross Book Value	689	451
<b>Net Book Value - Opening Balance</b>	<b>689</b>	<b>451</b>
<b>Movements for the year</b>		
- Purchases	134	156
- Development Costs	153	82
- Impairment charges	(689)	-
<b>Closing Values:</b>		
Gross Book Value	287	689
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>287</u></b>	<b><u>689</u></b>

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

- Software	287	689
	<b><u>287</u></b>	<b><u>689</u></b>

## Council of The City of Newcastle

### Notes to the Financial Statements for the financial year ended 30 June 2013

#### Note 24. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2013	2012
Summerhill Waste Management Centre	2023	3,242	3,080
<b>Balance at End of the Reporting Period</b>		<b>3,242</b>	<b>3,080</b>

10(a)

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.

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

#### Reconciliation of movement in Provision for year:

Balance at beginning of year	3,080	2,644
Amounts capitalised to new or existing assets:		
- Summerhill Waste Management Centre	-	381
Amortisation of discount (expensed to borrowing costs)	162	55
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>3,242</b>	<b>3,080</b>

#### Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.



## 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 Newcastle City Council (the Council), which comprises the statement of financial position as at 30 June 2013 and the income statement, 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.

#### ***Councillor's 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. These 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 judgement, 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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Liability limited by a scheme approved under Professional Standards Legislation.



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:

- (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 aspects, the Council's financial position as at 30 June 2013 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

A handwritten signature in black ink that reads 'C. Mara' with a stylized flourish at the end.

Caroline Mara  
Partner

Newcastle  
31 October 2013





The Mayor  
Councillor J McCloy  
Newcastle City Council  
PO Box 489  
NEWCASTLE NSW 2300

31 October 2013

Dear Councillor McCloy

**Report on the conduct of the audit for year ended 30 June 2013 – Section 417(3)**

We have completed our audit of the financial reports of Newcastle City Council for the year ended 30 June 2013 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 aspects, the financial reports are presented fairly in accordance with Australian Accounting Standards as well as the 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 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 result declined from a \$2,300k deficit in the previous year to a \$3,684k deficit in the current year. The result before capital grants and contributions was a deficit of \$13,405k compared with a deficit of \$13,317k in the previous year.

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### Cash and Investments position

Council's overall cash and investments position increased from \$184,192k to \$222,779k during the period under review. The following table highlights the composition of cash:

	<b>June 2013</b>	<b>June 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Externally restricted	40,074	35,157
Internally restricted	164,041	144,328
Unrestricted	18,664	4,707
<b>Total</b>	<b>\$222,779</b>	<b>\$184,192</b>

### Working Capital

At 30 June 2013, Council's working capital (current assets less current liabilities) stood at \$66,944k compared to \$69,087 at 30 June 2012. The total current assets that Council is expected to realise in the coming year exceeded the total current liabilities that will need to be met by this amount. This is referred to as the current asset ratio and is a measure of the liquidity of Council. The unrestricted current ratio, another measure of liquidity is also provided below. Council's cash balance has decreased while the current investments balance has increased. Prima facie, this places Council in a sound financial position however, it must be remembered that this balance includes items which are restricted in their use as per Note 6(c) of the financial statements.

### Performance Indicators

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

	<b>June 2013</b>	<b>June 2012</b>
Unrestricted Current Ratio	2.92	3.15
Debt Service Ratio	3.50%	3.26%
Rate & Annual Charges Coverage Ratio	51.91%	48.16%
Rates, Annual Charges, Interest & Extra Charges outstanding Ratio	5.05%	5.92%
Building & Infrastructure Renewals Ratio	31.85%	25.60%

The unrestricted Current Ratio is 2.92 and remains well above the accepted benchmark for the industry of 1.50.

The Debt Service Ratio remained relatively stable at 3.5% of revenue but remains well below the industry benchmark of 10% showing lower leverage.



The Rates & Annual Charges Coverage Ratio was relatively stable at 52% of total revenue.

The Rates, Annual Charges, Interest & Extra Charges Outstanding Ratio has decreased to 5.05% of collectibles and now is close to the industry benchmark of 5%.

The Buildings & Infrastructure Renewals Ratio indicates that key infrastructure is being renewed at 31.85% of the rate at which it is depreciating.

The above indicators show that Council's financial position has is relatively stable compared to the prior year. Against industry benchmarks the asset renewal ratio is significantly lower than desired.

**General**

The books of accounts and records inspected by us have been kept in a reasonable manner.

We thank the General Manager and his staff for the cooperation and courtesy extended to us during the course of the audit.

Yours faithfully

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*C. Mara*

Caroline Mara  
Partner

Newcastle  
31 October 2013

# Council of The City of Newcastle

SPECIAL SCHEDULES  
for the year ended 30 June 2013

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# Council of The City of Newcastle

## Special Schedules

for the financial year ended 30 June 2013

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<sup>1</sup> Special Schedules are not audited.

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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,
  - the Department of Environment, Climate Change and Water, and
  - the Division of Local Government (DLG).
- (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.

## Council of The City of Newcastle

## Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from Continuing Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
<b>Governance</b>	<b>5,778</b>	<b>306</b>	-	<b>(5,472)</b>
<b>Administration</b>	<b>30,926</b>	<b>12,486</b>	-	<b>(18,440)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	2,917	4	-	<b>(2,913)</b>
Beach Control	2,995	-	-	<b>(2,995)</b>
Enforcement of Local Govt. Regulations	1,538	356	-	<b>(1,182)</b>
Animal Control	826	138	-	<b>(688)</b>
Other	1,073	159	-	<b>(914)</b>
<b>Total Public Order &amp; Safety</b>	<b>9,349</b>	<b>657</b>	-	<b>(8,692)</b>
<b>Health</b>	<b>287</b>	<b>128</b>	-	<b>(159)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	505	48	-	<b>(457)</b>
Other Environmental Protection	5,437	1,666	-	<b>(3,771)</b>
Solid Waste Management	32,557	19,057	-	<b>(13,500)</b>
Street Cleaning	2,577	-	-	<b>(2,577)</b>
Stormwater Management	6,008	-	-	<b>(6,008)</b>
<b>Total Environment</b>	<b>47,084</b>	<b>20,771</b>	-	<b>(26,313)</b>
<b>Community Services and Education</b>				
Administration & Education	595	83	-	<b>(512)</b>
Aged Persons and Disabled	443	90	11	<b>(342)</b>
Children's Services	4,874	2,974	-	<b>(1,900)</b>
<b>Total Community Services &amp; Education</b>	<b>5,912</b>	<b>3,147</b>	<b>11</b>	<b>(2,754)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	26	93	-	<b>67</b>
Public Conveniences	627	-	-	<b>(627)</b>
Street Lighting	3,616	446	-	<b>(3,170)</b>
Town Planning	4,249	2,905	1,367	<b>23</b>
Other Community Amenities	949	206	340	<b>(403)</b>
<b>Total Housing and Community Amenities</b>	<b>9,467</b>	<b>3,650</b>	<b>1,707</b>	<b>(4,110)</b>

## Council of The City of Newcastle

Special Schedule No. 1 - Net Cost of Services (continued)  
for the financial year ended 30 June 2013

\$'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	9,055	809	203	(8,043)
Museums	3,247	497	4	(2,746)
Art Galleries	2,634	322	2,036	(276)
Community Centres and Halls	3,102	673	-	(2,429)
Other Cultural Services	5,137	2,003	245	(2,889)
Sporting Grounds and Venues	3,769	532	-	(3,237)
Swimming Pools	4,975	1,276	-	(3,699)
Parks & Gardens (Lakes)	18,700	585	151	(17,964)
Other Sport and Recreation	360	897	-	537
<b>Total Recreation and Culture</b>	<b>50,979</b>	<b>7,594</b>	<b>2,639</b>	<b>(40,746)</b>
<b>Mining, Manufacturing and Construction</b>				
Building Control	5,551	2,601	-	(2,950)
<b>Total Mining, Manufacturing and Const.</b>	<b>5,551</b>	<b>2,601</b>	<b>-</b>	<b>(2,950)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	26,817	584	5,359	(20,874)
Urban Roads - Regional	5,566	5,419	-	(147)
Bridges on UR - Local	1,527	-	-	(1,527)
Parking Areas	5,109	4,800	-	(309)
Footpaths	8,180	-	5	(8,175)
Aerodromes	8,910	11,298	-	2,388
Other Transport & Communication	231	32	-	(199)
<b>Total Transport and Communication</b>	<b>56,340</b>	<b>22,133</b>	<b>5,364</b>	<b>(28,843)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	4,446	2,021	-	(2,425)
Other Economic Affairs	4,792	2,854	-	(1,938)
<b>Total Economic Affairs</b>	<b>9,238</b>	<b>4,875</b>	<b>-</b>	<b>(4,363)</b>
<b>Totals – Functions</b>	<b>230,911</b>	<b>78,348</b>	<b>9,721</b>	<b>(142,842)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>		<b>139,158</b>		<b>139,158</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>NET OPERATING RESULT<sup>(1)</sup></b>	<b>230,911</b>	<b>217,506</b>	<b>9,721</b>	<b>(3,684)</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

Council of The City of Newcastle

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)  
for the financial year ended 30 June 2013

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>											
Other State Government	-	-	-	976				22	98	878	976
Financial Institutions	1,927	52,713	54,640	10,000	1,988			3,728	2,791	59,861	62,652
Joint Venture - PSC	878	4,729	5,607		896			212	956	3,755	4,711
<b>Total Loans</b>	<b>2,805</b>	<b>57,442</b>	<b>60,247</b>	<b>10,976</b>	<b>2,884</b>	<b>-</b>	<b>-</b>	<b>3,962</b>	<b>3,845</b>	<b>64,494</b>	<b>68,339</b>
<b>Other Long Term Debt</b>											
Hire Purchase Agreements	415	609	1,024	26	416			13	335	299	634
<b>Total Long Term Debt</b>	<b>415</b>	<b>609</b>	<b>1,024</b>	<b>26</b>	<b>416</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>335</b>	<b>299</b>	<b>634</b>
<b>Total Debt</b>	<b>3,220</b>	<b>58,051</b>	<b>61,271</b>	<b>11,002</b>	<b>3,300</b>	<b>-</b>	<b>-</b>	<b>3,975</b>	<b>4,180</b>	<b>64,793</b>	<b>68,973</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).





## Council of The City of Newcastle

## Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual <sup>(1)</sup> 12/13	Forecast <sup>(3)</sup> 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16	Forecast <sup>(3)</sup> 16/17
<b>(i) OPERATING BUDGET</b>					
Income from continuing operations	213,330	205,633	215,348	231,430	248,280
Expenses from continuing operations	235,611	235,546	237,403	236,109	243,271
<b>Operating Result from Continuing Operations</b>	<b><u>(22,280)</u></b>	<b><u>(29,913)</u></b>	<b><u>(22,055)</u></b>	<b><u>(4,679)</u></b>	<b><u>5,009</u></b>
<b>(ii) CAPITAL BUDGET</b>					
New Capital Works <sup>(2)</sup>	34,587	20,361	19,893	22,451	22,388
Replacement/Refurbishment of Existing Assets	17,625	25,000	30,000	31,000	37,000
<b>Total Capital Budget</b>	<b><u>52,213</u></b>	<b><u>45,361</u></b>	<b><u>49,893</u></b>	<b><u>53,451</u></b>	<b><u>59,388</u></b>
<b>Funded by:</b>					
– Loans	10,000	10,000			
– Asset sales	11,806	800	13,308	3,800	11,956
– Reserves	19,328	27,846	29,757	42,693	40,351
– Grants/Contributions	11,079	6,715	6,828	6,958	7,081
	<b><u>52,213</u></b>	<b><u>45,361</u></b>	<b><u>49,893</u></b>	<b><u>53,451</u></b>	<b><u>59,388</u></b>

**Notes:**

(1) From 12/13 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

# Council of The City of Newcastle

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2013

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## Council of The City of Newcastle

### Special Purpose Financial Statements for the financial year ended 30 June 2013

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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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## Council of The City of Newcastle

### Special Purpose Financial Statements

for the financial year ended 30 June 2013

### 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:**

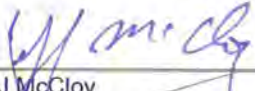
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.

**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 October 2013.**




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Councillor J McCloy  
LORD MAYOR OF NEWCASTLE




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Councillor  
COUNCILLOR




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Ken Gouldthorp  
GENERAL MANAGER




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Steve Edmonds  
RESPONSIBLE ACCOUNTING OFFICER

## Council of The City of Newcastle

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

\$ '000	Waste Management Collection Service		Waste Management Disposal Service	
	Category 1		Category 1	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
<b>Income from continuing operations</b>				
Access charges	11,290	10,402	6,527	6,201
User charges	2,402	1,945	19,341	16,775
Profit from the sale of assets	277	-	4	-
<b>Total income from continuing operations</b>	<b>13,969</b>	<b>12,347</b>	<b>25,872</b>	<b>22,976</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	2,139	2,888	2,044	1,893
Borrowing costs	-	-	162	437
Materials and contracts	9,595	10,619	20,938	19,226
Depreciation and impairment	302	206	2,464	1,086
Calculated taxation equivalents	-	-	29	29
<b>Total expenses from continuing operations</b>	<b>12,036</b>	<b>13,713</b>	<b>25,637</b>	<b>22,671</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>1,933</b>	<b>(1,366)</b>	<b>235</b>	<b>305</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>1,933</b>	<b>(1,366)</b>	<b>235</b>	<b>305</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>1,933</b>	<b>(1,366)</b>	<b>235</b>	<b>305</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(580)	-	(71)	(92)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,353</b>	<b>(1,366)</b>	<b>165</b>	<b>214</b>
<b>plus Opening Retained Profits</b>	<b>1,307</b>	<b>2,673</b>	<b>13,354</b>	<b>13,020</b>
- Taxation equivalent payments	-	-	29	29
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	580	-	71	92
<b>Closing Retained Profits</b>	<b>3,240</b>	<b>1,307</b>	<b>13,618</b>	<b>13,354</b>
<b>Return on Capital %</b>	<b>1223.4%</b>	<b>-371.2%</b>	<b>31.5%</b>	<b>32.8%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Council of The City of Newcastle

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

\$ '000	Civic Theatre & Playhouse		City Hall	
	Category 2		Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
<b>Income from continuing operations</b>				
User charges	1,789	1,701	802	895
<b>Total income from continuing operations</b>	<b>1,789</b>	<b>1,701</b>	<b>802</b>	<b>895</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	584	668	741	803
Materials and contracts	2,157	1,860	1,277	886
Depreciation and impairment	998	1,098	1,080	1,189
Loss on sale of assets	-	-	2	-
Calculated taxation equivalents	23	31	33	32
<b>Total expenses from continuing operations</b>	<b>3,762</b>	<b>3,657</b>	<b>3,133</b>	<b>2,910</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,973)</b>	<b>(1,956)</b>	<b>(2,331)</b>	<b>(2,015)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(1,973)</b>	<b>(1,956)</b>	<b>(2,331)</b>	<b>(2,015)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(1,973)</b>	<b>(1,956)</b>	<b>(2,331)</b>	<b>(2,015)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,973)</b>	<b>(1,956)</b>	<b>(2,331)</b>	<b>(2,015)</b>
plus Opening Retained Profits	(891)	1,034	7,975	9,958
- Taxation equivalent payments	23	31	33	32
<b>Closing Retained Profits</b>	<b>(2,841)</b>	<b>(891)</b>	<b>5,677</b>	<b>7,975</b>
Return on Capital %	-17.7%	-16.9%	-16.6%	-13.7%
Subsidy from Council	2,394	-	2,862	-

## Council of The City of Newcastle

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

	Off Street Parking Stations Category 2		Commercial Properties Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
<b>\$ '000</b>				
<b>Income from continuing operations</b>				
User charges	1,048	2,050	1,246	1,307
<b>Total income from continuing operations</b>	<b>1,048</b>	<b>2,050</b>	<b>1,246</b>	<b>1,307</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	488	574	33	11
Materials and contracts	473	702	220	415
Depreciation and impairment	421	820	-	-
Loss on sale of assets	5,344	-	-	-
Calculated taxation equivalents	52	121	70	73
<b>Total expenses from continuing operations</b>	<b>6,778</b>	<b>2,217</b>	<b>323</b>	<b>499</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(5,730)</b>	<b>(167)</b>	<b>923</b>	<b>808</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(5,730)</b>	<b>(167)</b>	<b>923</b>	<b>808</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(5,730)</b>	<b>(167)</b>	<b>923</b>	<b>808</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(277)	(242)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(5,730)</b>	<b>(167)</b>	<b>646</b>	<b>566</b>
<b>plus Opening Retained Profits</b>	11,733	11,779	18,711	17,830
- Taxation equivalent payments	52	121	70	73
- Corporate taxation equivalent	-	-	277	242
<b>Closing Retained Profits</b>	<b>6,055</b>	<b>11,733</b>	<b>19,704</b>	<b>18,711</b>
<b>Return on Capital %</b>	<b>-124.8%</b>	<b>-0.8%</b>	<b>7.9%</b>	<b>6.3%</b>
<b>Subsidy from Council</b>	<b>5,903</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Council of The City of Newcastle

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

\$ '000	Stockton Caravan Park Category 1		Beresfield Golf Course Category 2	
	Actual	Actual	Actual	Actual
	2013	2012	2013	2012
<b>Income from continuing operations</b>				
User charges	2,021	1,671	357	344
<b>Total income from continuing operations</b>	<b>2,021</b>	<b>1,671</b>	<b>357</b>	<b>344</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	91	37	91	30
Borrowing costs	-	1	-	-
Materials and contracts	1,197	1,140	137	167
Depreciation and impairment	185	76	12	14
Calculated taxation equivalents	14	14	-	-
Debt guarantee fee (if applicable)	21	-	-	-
<b>Total expenses from continuing operations</b>	<b>1,508</b>	<b>1,268</b>	<b>240</b>	<b>211</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>513</b>	<b>403</b>	<b>117</b>	<b>133</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>513</b>	<b>403</b>	<b>117</b>	<b>133</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>513</b>	<b>403</b>	<b>117</b>	<b>133</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(154)	(121)	(35)	(40)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>359</b>	<b>282</b>	<b>82</b>	<b>93</b>
<b>plus Opening Retained Profits</b>	9,573	9,156	2,892	2,759
- Taxation equivalent payments	14	14	-	-
- Debt guarantee fees	21	-	-	-
- Corporate taxation equivalent	154	121	35	40
<b>Closing Retained Profits</b>	<b>10,121</b>	<b>9,573</b>	<b>3,009</b>	<b>2,892</b>
<b>Return on Capital %</b>	<b>6.2%</b>	<b>6.4%</b>	<b>6.5%</b>	<b>7.3%</b>
<b>Subsidy from Council</b>	-	-	-	-

## Council of The City of Newcastle

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

as at 30 June 2013

\$ '000	Waste Management Collection Service		Waste Management Disposal Service	
	Category 1		Category 1	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	4,256	2,194	16,250	14,531
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>4,256</b>	<b>2,194</b>	<b>16,250</b>	<b>14,531</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	158	368	1,260	2,262
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>158</b>	<b>368</b>	<b>1,260</b>	<b>2,262</b>
<b>TOTAL ASSETS</b>	<b>4,414</b>	<b>2,562</b>	<b>17,510</b>	<b>16,793</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	5	11	27	24
Interest bearing liabilities	-	-	-	-
Provisions	1,146	1,235	598	546
<b>Total Current Liabilities</b>	<b>1,151</b>	<b>1,246</b>	<b>625</b>	<b>570</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	23	9	3,267	2,869
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>23</b>	<b>9</b>	<b>3,267</b>	<b>2,869</b>
<b>TOTAL LIABILITIES</b>	<b>1,174</b>	<b>1,255</b>	<b>3,892</b>	<b>3,439</b>
<b>NET ASSETS</b>	<b>3,240</b>	<b>1,307</b>	<b>13,618</b>	<b>13,354</b>
<b>EQUITY</b>				
Retained earnings	3,240	1,307	13,618	13,354
Revaluation reserves	-	-	-	-
Council equity interest	<b>3,240</b>	<b>1,307</b>	<b>13,618</b>	<b>13,354</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>3,240</b>	<b>1,307</b>	<b>13,618</b>	<b>13,354</b>

## Council of The City of Newcastle

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

as at 30 June 2013

\$ '000	Civic Theatre & Playhouse		City Hall	
	Category 2		Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	117	168	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>117</b>	<b>168</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	11,159	11,554	14,079	14,735
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>11,159</b>	<b>11,554</b>	<b>14,079</b>	<b>14,735</b>
<b>TOTAL ASSETS</b>	<b>11,276</b>	<b>11,722</b>	<b>14,079</b>	<b>14,735</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	6,738	5,278	8,146	6,520
Interest bearing liabilities	-	-	-	-
Provisions	159	118	252	239
<b>Total Current Liabilities</b>	<b>6,897</b>	<b>5,396</b>	<b>8,398</b>	<b>6,759</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	5	2	4	1
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>5</b>	<b>2</b>	<b>4</b>	<b>1</b>
<b>TOTAL LIABILITIES</b>	<b>6,902</b>	<b>5,398</b>	<b>8,402</b>	<b>6,760</b>
<b>NET ASSETS</b>	<b>4,374</b>	<b>6,324</b>	<b>5,677</b>	<b>7,975</b>
<b>EQUITY</b>				
Retained earnings	(2,841)	(891)	5,677	7,975
Revaluation reserves	7,215	7,215	-	-
Council equity interest	4,374	6,324	5,677	7,975
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>4,374</b>	<b>6,324</b>	<b>5,677</b>	<b>7,975</b>

## Council of The City of Newcastle

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

as at 30 June 2013

\$ '000	Off Street Parking Stations		Commercial Properties	
	Category 2		Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	3,530	4,908	8,000	5,902
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>3,530</b>	<b>4,908</b>	<b>8,000</b>	<b>5,902</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	4,593	20,046	11,715	12,815
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>4,593</b>	<b>20,046</b>	<b>11,715</b>	<b>12,815</b>
<b>TOTAL ASSETS</b>	<b>8,123</b>	<b>24,954</b>	<b>19,715</b>	<b>18,717</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	4	12	-	-
Interest bearing liabilities	-	-	-	-
Provisions	88	107	11	6
<b>Total Current Liabilities</b>	<b>92</b>	<b>119</b>	<b>11</b>	<b>6</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	2	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>92</b>	<b>121</b>	<b>11</b>	<b>6</b>
<b>NET ASSETS</b>	<b>8,031</b>	<b>24,833</b>	<b>19,704</b>	<b>18,711</b>
<b>EQUITY</b>				
Retained earnings	6,055	11,733	19,704	18,711
Revaluation reserves	1,976	13,100	-	-
Council equity interest	<b>8,031</b>	<b>24,833</b>	<b>19,704</b>	<b>18,711</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>8,031</b>	<b>24,833</b>	<b>19,704</b>	<b>18,711</b>

## Council of The City of Newcastle

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

as at 30 June 2013

\$ '000	Stockton Caravan Park		Beresfield Golf Course	
	Category 1		Category 2	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	3,202	3,668	1,818	1,675
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>3,202</b>	<b>3,668</b>	<b>1,818</b>	<b>1,675</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	8,332	6,322	1,801	1,813
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>8,332</b>	<b>6,322</b>	<b>1,801</b>	<b>1,813</b>
<b>TOTAL ASSETS</b>	<b>11,534</b>	<b>9,990</b>	<b>3,619</b>	<b>3,488</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	2	2	1	8
Interest bearing liabilities	98	-	-	-
Provisions	31	12	31	11
<b>Total Current Liabilities</b>	<b>131</b>	<b>14</b>	<b>32</b>	<b>19</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	878	-	-	-
Provisions	1	-	1	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>879</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,010</b>	<b>14</b>	<b>33</b>	<b>19</b>
<b>NET ASSETS</b>	<b>10,524</b>	<b>9,976</b>	<b>3,586</b>	<b>3,469</b>
<b>EQUITY</b>				
Retained earnings	10,121	9,573	3,009	2,892
Revaluation reserves	403	403	577	577
Council equity interest	<b>10,524</b>	<b>9,976</b>	<b>3,586</b>	<b>3,469</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>10,524</b>	<b>9,976</b>	<b>3,586</b>	<b>3,469</b>

## Council of The City of Newcastle

### Special Purpose Financial Statements for the financial year ended 30 June 2013

#### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
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## Council of the City of Newcastle

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

#### Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division 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 Division 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*

##### Category 2

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

##### d. Civic Theatre and Playhouse

*Operation of entertainment theatre*

##### 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*

## Council of the City of Newcastle

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2013

#### Note 1. Significant Accounting Policies

##### Monetary Amounts

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

##### (i) Taxation Equivalent Charges

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

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

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

##### Notional Rate Applied %

Corporate Income Tax Rate – **30%**

Land Tax – The first **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

##### 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.



## Council of the City of Newcastle

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

#### Note 1. Significant Accounting Policies

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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.

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 3.77% at 30/6/13.

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 report

#### Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Newcastle City Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2013, the Income Statements by Business Activity for the year then ended, Notes to the financial report for the business activities identified by Council and the Statement by Councillors and Management for Council for the year ended 30 June 2013.

#### *Councillor's responsibility for the financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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 report.

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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*Auditor's opinion*

In our opinion, the financial report presents fairly, in all material respects, the financial position by Business Activities of Newcastle City Council as of 30 June 2013 and its financial performance by Business Activities for the year then ended in accordance with the requirement of those applicable Accounting Standards detailed in Note 1 to the financial report, 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 report, which describes the basis of accounting. The financial report has 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 report may not be suitable for another purpose. Our report is intended solely for the Council.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'C. Mara' with a stylized flourish at the end.

Caroline Mara  
Partner

Newcastle  
31 October 2013