

TABLED DOCUMENT

ITEM NO. 4

2017 – 2018 ANNUAL FINANCIAL STATEMENTS

2017 – 2018 Annual Financial Reports

ORDINARY COUNCIL MEETING 13 NOVEMBER 2018



PORT STEPHENS
C O U N C I L

Port Stephens

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

**"A great lifestyle in a
treasured environment"**



Port Stephens

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

116 Adelaide Street
Raymond Terrace NSW 2324

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

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

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

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

Port Stephens

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Port Stephens

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

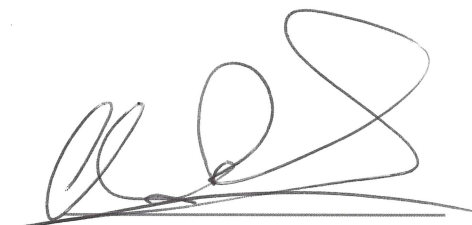
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 11 September 2018.



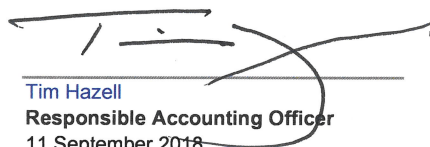
Ryan Palmer
Mayor
11 September 2018



Councillor
11 September 2018



Wayne Wallis
General Manager
11 September 2018



Tim Hazell
Responsible Accounting Officer
11 September 2018

Port Stephens

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
54,709	Rates and annual charges	3a	55,287	53,415
38,984	User charges and fees	3b	39,752	37,971
1,322	Interest and investment revenue	3c	1,417	1,192
5,374	Other revenues	3d	6,206	8,068
12,023	Grants and contributions provided for operating purposes	3e,f	13,431	16,488
5,703	Grants and contributions provided for capital purposes	3e,f	15,387	14,309
Other income:				
250	Net gains from the disposal of assets	5	816	259
615	Fair value increment on investment property	10	4,799	525
118,980	Total income from continuing operations		137,095	132,227
Expenses from continuing operations				
42,123	Employee benefits and on-costs	4a	43,104	41,795
903	Borrowing costs	4b	679	714
39,940	Materials and contracts	4c	40,980	36,275
15,235	Depreciation and amortisation	4d	14,522	14,985
13,034	Other expenses	4e	16,901	15,046
–	Revaluation decrement / impairment of IPP&E	4d	573	696
111,235	Total expenses from continuing operations		116,759	109,511
7,745	Operating result from continuing operations		20,336	22,716
7,745	Net operating result for the year		20,336	22,716
7,745	Net operating result attributable to Council		20,336	22,716
2,042	Net operating result for the year before grants and contributions provided for capital purposes		4,949	8,407

Port Stephens

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		20,336	22,716
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	20,651	(2,270)
Impairment (loss) reversal relating to IPP&E	9	—	352
Total items which will not be reclassified subsequently to the operating result		20,651	(1,918)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of available for sale investments		—	48
Total items which will be reclassified subsequently to the operating result when specific conditions are met		—	48
Total other comprehensive income for the year		20,651	(1,870)
Total comprehensive income for the year		40,987	20,846
Total comprehensive income attributable to Council		40,987	20,846

Port Stephens

Statement of Financial Position as at 30 June 2018

\$ '000	Notes	2018	Restated 2017	Restated 1 July 2016
ASSETS				
Current assets				
Cash and cash equivalents	6a	9,828	8,093	7,735
Investments	6b	40,209	40,402	25,911
Receivables	7	9,068	9,659	12,761
Inventories	8	5,849	14,313	12,277
Other	8	426	435	513
Total current assets		65,380	72,902	59,197
Non-current assets				
Investments	6b	1,033	231	244
Receivables	7	190	176	199
Inventories	8	16,622	9,241	8,077
Infrastructure, property, plant and equipment	9	930,630	890,274	884,162
Investment property	10	31,467	26,000	21,500
Intangible assets	11	1,184	1,196	1,398
Other	8	8	10	–
Total non-current assets		981,134	927,128	915,580
TOTAL ASSETS		1,046,514	1,000,030	974,777
LIABILITIES				
Current liabilities				
Payables	12	11,167	9,322	7,443
Income received in advance	12	260	605	245
Borrowings	12	3,460	2,837	3,014
Provisions	13	17,220	15,409	14,797
Total current liabilities		32,107	28,173	25,499
Non-current liabilities				
Payables	12	8	8	7
Income received in advance	12	4,798	4,884	5,145
Borrowings	12	20,371	18,721	16,698
Provisions	13	531	532	562
Total non-current liabilities		25,708	24,145	22,412
TOTAL LIABILITIES		57,815	52,318	47,911
Net assets		988,699	947,712	926,866
EQUITY				
Accumulated surplus	14	588,281	567,409	543,738
Revaluation reserves	14	400,418	380,303	383,128
Total equity		988,699	947,712	926,866

Port Stephens

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018					Restated 2017				
		Accumulated surplus	Revaluation reserves			Total equity	Accumulated surplus	Revaluation reserves			Total equity
			Available - for - sale					Available - for - sale			
			IPP&E	investments	Total			IPP&E	investments	Total	
Opening balance		567,409	380,303	—	380,303	947,712	543,738	353,628	(48)	353,580	897,318
Correction of prior period errors	14 (b)	—	—	—	-	—	—	29,548	—	29,548	29,548
Restated opening balance		567,409	380,303	—	380,303	947,712	543,738	383,176	(48)	383,128	926,866
Net operating result for the year		20,336	—	—	-	20,336	22,716	—	—	—	22,716
Other comprehensive income											
— Gain (loss) on revaluation of IPP&E	9	—	20,651	—	20,651	20,651	—	(2,270)	—	(2,270)	(2,270)
— Gain (loss) on revaluation of available-for-sale investments		—	—	—	-	—	—	—	48	48	48
— Impairment (loss) reversal relating to IPP&E	9	—	—	—	-	—	—	352	—	352	352
Other comprehensive income		—	20,651	—	20,651	20,651	—	(1,918)	48	(1,870)	(1,870)
Total comprehensive income (c&d)		20,336	20,651	—	20,651	40,987	22,716	(1,918)	48	(1,870)	20,846
Transfers between equity items		536	(536)	—	(536)	—	955	(955)	—	(955)	—
Equity – balance at end of the reporting period		588,281	400,418	—	400,418	988,699	567,409	380,303	—	380,303	947,712

Port Stephens

Statement of Cash Flows for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
54,333	Rates and annual charges		55,080	53,302
38,984	User charges and fees		40,774	41,215
1,322	Investment and interest revenue received		1,239	1,137
15,726	Grants and contributions		22,779	24,940
–	Bonds, deposits and retention amounts received		62	101
5,373	Other		12,202	14,395
Payments:				
(42,290)	Employee benefits and on-costs		(44,132)	(41,789)
(39,595)	Materials and contracts		(44,308)	(39,809)
(903)	Borrowing costs		(674)	(669)
(8,388)	Other		(16,045)	(16,282)
24,562	Net cash provided (or used in) operating activities	15b	26,977	36,541
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		70,600	85,152
–	Sale of real estate assets		5,460	–
250	Sale of infrastructure, property, plant and equipment		984	1,564
–	Deferred debtors receipts		14	11
Payments:				
–	Purchase of investment securities		(71,209)	(99,582)
–	Purchase of investment property		(41)	(115)
(26,384)	Purchase of infrastructure, property, plant and equipment		(29,966)	(22,408)
–	Purchase of real estate assets		(2,957)	(2,249)
–	Purchase of intangible assets		(395)	(357)
(26,134)	Net cash provided (or used in) investing activities		(27,510)	(37,984)
Cash flows from financing activities				
Receipts:				
6,000	Proceeds from borrowings and advances		8,000	4,870
–	Proceeds from finance leases		–	(1)
Payments:				
(2,808)	Repayment of borrowings and advances		(5,732)	(3,029)
–	Repayment of finance lease liabilities		–	(39)
3,192	Net cash flow provided (used in) financing activities		2,268	1,801
1,620	Net increase/(decrease) in cash and cash equivalents		1,735	358
13,533	Plus: cash and cash equivalents – beginning of year	15a	8,093	7,735
Cash and cash equivalents – end of the year		15a	9,828	8,093
Additional Information:				
26,155	plus: Investments on hand – end of year	6b	41,242	40,633
41,308	Total cash, cash equivalents and investments		51,070	48,726

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

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n/a – not applicable

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 11/09/2018.

Council has the power to amend and reissue these financial statements.

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

Basis of preparation

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

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Rounded dollars have been used in Note 22 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

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

- (i) estimated fair values of investment properties –refer Note 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) estimated tip remediation provisions – refer Note 13,
- (iv) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

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

Monies and other assets received by Council

- (a) The Consolidated Fund

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

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General Purpose Operations
- Newcastle Airport Partnership & Newcastle Airport Pty Limited
- Section 355 Committees

Strategic Services Australia Limited has not been consolidated as it is immaterial to The Consolidated Fund. All interest in Strategic Services Australia Limited has been disclosed in Note 19.

- (b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993* (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. At this point in time Council does not hold any Trust monies or properties.

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.

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

New accounting standards and interpretations issued not yet effective

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

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

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

- AASB 9 *Financial Instruments*

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

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

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

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

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

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

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

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

- AASB 16 *Leases*

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

Port Stephens

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

Note 1. Basis of preparation (continued)

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

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

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

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	162	233	3,138	2,796	(2,977)	(2,563)	–	–	8,958	9,071
Administration	6,930	4,041	23,938	21,774	(17,007)	(17,733)	9	25	98,756	97,857
Public Order and Safety	1,952	2,577	4,741	4,497	(2,790)	(1,920)	1,100	1,055	10,627	7,067
Health	393	645	577	588	(184)	57	(3)	–	–	–
Environment	20,172	18,742	22,238	20,411	(2,067)	(1,669)	1,669	1,378	–	–
Community services and education	2,314	2,199	2,739	2,877	(425)	(678)	481	417	11,965	11,500
Housing and Community Amenities	1,294	936	4,869	4,309	(3,575)	(3,373)	–	–	206,596	200,175
Recreation and Culture	5,835	4,355	8,828	8,556	(2,993)	(4,201)	826	442	134,092	124,122
Mining, Manufacturing and Construction	1,726	1,911	1,744	1,895	(18)	16	–	–	–	–
Transport and Communication	31,338	31,754	28,243	27,046	3,096	4,708	2,480	4,035	463,675	447,424
Economic Affairs	16,977	15,415	15,704	14,762	1,274	653	742	631	111,845	102,181
General purpose income	48,002	49,419	–	–	48,002	49,419	7,217	10,033	–	–
Total functions and activities	137,095	132,227	116,759	109,511	20,336	22,716	14,521	18,016	1,046,514	1,000,030

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meeting of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public Order and Safety

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

Health

Includes immunisation, food control, health centres etc.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

Housing and Community Amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Recreation and Culture

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

Mining, Manufacturing and Construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

Transport and Communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

Economic Affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Port Stephens

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	31,259	30,300
Farmland	795	836
Business	7,589	7,313
Total ordinary rates	39,643	38,449
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	12,961	12,303
Waste management services (non-domestic)	2,664	2,654
Section 611 charges	19	9
Total annual charges	15,644	14,966
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>55,287</u>	<u>53,415</u>

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

Accounting policy for rates and annual charges

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

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

Port Stephens

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	1,474	1,342
Total specific user charges	1,474	1,342
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building inspection fees	309	355
Building services	1,070	1,060
Private works – section 67	167	169
Shop inspection fees	176	175
Section 149 certificates (EPA Act)	216	232
Section 603 certificates	179	188
Subdivision fees	247	230
Total fees and charges – statutory/regulatory	2,364	2,409
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Animal control	49	59
Cemeteries	167	164
Child care	1,477	1,349
Fire and emergency services levy (FESL) implementation	4	122
Holiday parks	11,075	10,636
Leisure centre	87	84
Library	118	114
Newcastle airport partnership	15,125	14,139
Parking meters	606	490
Parks, gardens and other community services	1	8
RMS (formerly RTA) charges (state roads not controlled by Council)	4,687	4,747
Sewerage management fees	572	569
Telecentre	–	17
Waste disposal tipping fees	424	307
Other	1,522	1,415
Total fees and charges – other	35,914	34,220
TOTAL USER CHARGES AND FEES	39,752	37,971

Accounting policy for user charges and fees

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	162	153
– Cash and investments	924	717
– Newcastle airport partnership	331	320
Other	–	2
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,417</u>	<u>1,192</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	162	153
General Council cash and investments	662	490
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	262	229
Newcastle airport partnership	331	320
<u>Total interest and investment revenue recognised</u>	<u>1,417</u>	<u>1,192</u>

Accounting policy for interest and investment revenue

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	10	2,718	2,653
Rental income – other council properties		490	497
Ex gratia rates		60	65
Fines – parking		224	260
Fines – other		249	312
Legal fees recovery – rates and charges (extra charges)		111	163
Legal fees recovery – other		61	64
Commissions and agency fees		230	196
Emergency relief		699	1,889
Events and promotions		107	71
Insurance claim recoveries		158	542
Long service leave receipts		134	55
Private works		307	400
Other		658	901
<u>TOTAL OTHER REVENUE</u>		<u>6,206</u>	<u>8,068</u>

Accounting policy for other revenue

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

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

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

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

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

Port Stephens

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	3,279	6,237	–	–
Payment in advance – future year allocation				
Financial assistance	3,373	3,218	–	–
Other				
Pensioners' rates subsidies – general component	565	578	–	–
Total general purpose	7,217	10,033	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	245	242	–	–
Bushfire and emergency services	1,110	1,179	20	–
Child care	173	191	–	–
Environmental protection	519	670	–	–
Family day care	129	118	–	–
Flood restoration	–	–	567	72
Heritage and cultural	–	10	–	–
Horticultural heritage trust	6	30	–	–
Library	208	195	89	112
LIRS subsidy	67	76	–	–
Newcastle airport partnership	–	–	262	261
Recreation and culture	22	3	1,138	603
Street lighting	72	71	–	–
Transport (roads to recovery)	1,109	1,168	–	–
Transport	–	501	1,193	2,218
Youth development	73	74	–	–
Weed control	143	91	–	–
Other	20	67	139	31
Total specific purpose	3,896	4,686	3,408	3,297
Total grants	11,113	14,719	3,408	3,297
Grant revenue is attributable to:				
– Commonwealth funding	8,149	11,842	433	–
– State funding	2,942	2,877	2,975	3,297
– Other funding	22	–	–	–
	11,113	14,719	3,408	3,297

Port Stephens

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		868	459	4,936	2,993
Total developer contributions – cash		868	459	4,936	2,993
Total developer contributions	23	868	459	4,936	2,993
Other contributions:					
Cash contributions					
Bushfire services		–	–	329	910
Economic development and tourism		38	29	–	–
Environmental projects		145	164	–	–
Parking		–	–	46	–
Recreation and culture		5	–	25	229
Risk management		232	103	–	–
RMS contributions (regional roads, block grant)		1,027	1,014	–	–
Other		3	–	–	–
Total other contributions – cash		1,450	1,310	400	1,139
Non-cash contributions					
Dedications – subdivisions (other than by s7.11)		–	–	6,643	6,880
Total other contributions – non-cash		–	–	6,643	6,880
Total other contributions		1,450	1,310	7,043	8,019
Total contributions		2,318	1,769	11,979	11,012
TOTAL GRANTS AND CONTRIBUTIONS		13,431	16,488	15,387	14,309

Accounting policy for contributions

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

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

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

Port Stephens

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	124	371
Add: operating grants received for the provision of goods and services in a future period	37	–
Less: operating grants recognised in a previous reporting period now spent	(24)	(247)
Unexpended and held as restricted assets (operating grants)	137	124
Capital grants		
Unexpended at the close of the previous reporting period	144	264
Add: capital grants recognised in the current period but not yet spent	–	–
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent	(4)	(120)
Unexpended and held as restricted assets (capital grants)	140	144
Contributions		
Unexpended at the close of the previous reporting period	15,333	13,933
Add: contributions recognised in the current period but not yet spent	154	1,400
Add: contributions received for the provision of goods and services in a future period	–	–
Less: contributions recognised in a previous reporting period now spent	–	–
Unexpended and held as restricted assets (contributions)	15,487	15,333

Port Stephens

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	28,950	28,352
Salaries and wages – Newcastle airport partnership	2,798	2,429
Travel and other allowances	2,407	2,386
Employee leave entitlements (ELE)	7,220	6,784
Superannuation	3,772	3,724
Workers' compensation insurance	672	644
Fringe benefit tax (FBT)	36	29
Training costs (other than salaries and wages)	607	393
Protective clothing	173	131
Conferences	131	137
Corporate uniform	10	1
Occupational health and safety	32	31
Other	22	23
Total employee costs	46,830	45,064
Less: capitalised costs	(3,726)	(3,269)
TOTAL EMPLOYEE COSTS EXPENSED	43,104	41,795

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

(b) Borrowing costs		
	2018	2017
(i) Interest bearing liability costs		
Interest on overdraft	2	–
Interest on loans	576	527
Interest – Newcastle airport partnership	200	234
Total interest bearing liability costs	778	761
Less: capitalised costs	(104)	(92)
Total interest bearing liability costs expensed	674	669
(ii) Other borrowing costs		
Interest applicable on interest free (and favourable) loans to Council	5	45
Total other borrowing costs	5	45
TOTAL BORROWING COSTS EXPENSED	679	714

Accounting policy for borrowing costs

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

Port Stephens

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	7,634	6,917
Contractor and consultancy costs		
– Waste collection and disposal contract	11,100	10,844
– Other contractor and consultancy costs	18,656	16,958
Auditors remuneration ⁽²⁾	137	115
Legal expenses:		
– Legal expenses	2,779	651
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	521	681
Other	153	109
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>40,980</u>	<u>36,275</u>

Operating leases

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

1. Operating lease payments are attributable to:

Computers	521	681
	<u>521</u>	<u>681</u>

2. Auditor remuneration

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

Auditors of the Council – NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	76	75
Remuneration for audit and other assurance services	<u>76</u>	<u>75</u>
Total Auditor-General remuneration	<u>76</u>	<u>75</u>

Non NSW Auditor-General audit firms:

(i) Audit and other assurance services

Internal audit services: PKF Lawler	61	40
Remuneration for audit and other assurance services	<u>61</u>	<u>40</u>
Total remuneration of non NSW Auditor-General audit firms	<u>61</u>	<u>40</u>
Total Auditor remuneration	<u>137</u>	<u>115</u>

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,424	1,822
Office equipment		277	192
Furniture and fittings		18	34
Land improvements (depreciable)		25	18
Infrastructure:			
– Buildings – specialised		4,892	5,144
– Other structures		317	234
– Roads		2,710	2,649
– Bridges		12	12
– Footpaths		119	119
– Stormwater drainage		191	188
– Swimming pools		309	307
– Other open space/recreational assets		846	827
– Other infrastructure		314	268
Other assets:			
– Heritage collections		2	2
– Library books		127	127
– Car parks		523	518
– Newcastle airport partnership		1,824	1,784
– Other		186	192
Intangible assets	12	406	548
Total depreciation and amortisation costs		14,522	14,985
Impairment / revaluation decrement of IPP&E			
Land		573	–
Infrastructure:			
– Buildings – specialised		–	696
Total IPP&E impairment / revaluation decrement costs / (reversals)		573	696
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		15,095	15,681

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible assets.

Impairment of non-financial assets

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

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

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Bad and doubtful debts	3	10
Bank charges	263	247
Contributions/levies to other levels of government		
– Lands department levy (holiday parks)	514	365
– NSW rural fire service levy	476	464
– Waste levy	1,758	1,773
Councillor expenses – mayoral fee	61	60
Councillor expenses – councillors' fees	173	170
Councillors' expenses (incl. mayor) – other (excluding fees above)	109	68
Donations, contributions and assistance to other organisations (Section 356)	951	936
Election expenses	431	–
Electricity and heating	1,616	1,318
Insurance	1,540	1,693
Memberships	112	149
Newcastle airport partnership	7,100	6,139
Street lighting	1,182	1,063
Telephone and communications	291	284
Other	321	307
Total other expenses	16,901	15,046
<u>TOTAL OTHER EXPENSES</u>	<u>16,901</u>	<u>15,046</u>

Accounting policy for other expenses

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		300	1,295
Less: carrying amount of property assets sold/written off		(214)	(942)
Net gain/(loss) on disposal		86	353
Plant and equipment	9		
Proceeds from disposal – plant and equipment		684	221
Less: carrying amount of plant and equipment assets sold/written off		(1,980)	(257)
Net gain/(loss) on disposal		(1,296)	(37)
Newcastle airport partnership	9		
Proceeds from disposal – infrastructure		–	49
Less: carrying amount of infrastructure assets sold/written off		(22)	(107)
Net gain/(loss) on disposal		(22)	(58)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		5,460	–
Less: carrying amount of real estate assets sold/written off		(3,412)	–
Net gain/(loss) on disposal		2,048	–
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		70,600	42,576
Less: carrying amount of financial assets sold/redeemed/matured		(70,600)	(42,576)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		816	259

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	9,828	5,093
Cash-equivalent assets		
– Short-term deposits	–	3,000
Total cash and cash equivalents	9,828	8,093

Accounting policy for cash and cash equivalents

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

Port Stephens

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

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'Held to maturity'	40,209	1,033	40,402	231
Total investments	40,209	1,033	40,402	231
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>50,037</u>	<u>1,033</u>	<u>48,495</u>	<u>231</u>
Held to maturity investments				
Long term deposits	40,209	1,033	40,402	231
Total	40,209	1,033	40,402	231

Accounting policy for investments

Classification

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

(a) Held to maturity investments

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

Recognition and de-recognition

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

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

Port Stephens

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	50,037	1,033	48,495	231
attributable to:				
External restrictions (refer below)	25,684	1,033	25,222	231
Internal restrictions (refer below)	24,353	–	23,273	–
	50,037	1,033	48,495	231

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Deferred revenue	–	198
Deposits, retentions and bonds	818	756
External restrictions – included in liabilities	818	954

External restrictions – other

Developer contributions – general	15,487	15,333
Specific purpose unexpended grants	277	268
Domestic waste management	6,493	6,007
Carparking meters crown lands	558	653
Crown holiday parks	3,085	2,238
External restrictions – other	25,899	24,499
Total external restrictions	26,717	25,453

Internal restrictions

Asset rehabilitation	407	174
Drainage reserve	–	204
Election reserve	100	400
Federal assistance grant in advance	3,373	3,218
Fleet	1,095	700
Newcastle airport partnership	15,057	13,845
Other waste services reserve	612	435
Parking meters	407	241
Section 355C committees	896	977
Sustainable energy and water reserve	250	250
Unexpended loan funds	2,000	2,795
Ward funds	2	34
Community Loans	154	–
Total internal restrictions	24,353	23,273

TOTAL RESTRICTIONS

51,070	48,726
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Port Stephens

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	2,406	–	2,200	–
Interest and extra charges	216	–	191	–
User charges and fees	507	–	437	–
Private works	1,025	–	424	–
Contributions to works	45	–	50	–
Accrued revenues				
– Interest on investments	318	–	165	–
– Other income accruals	2,280	–	3,243	–
Deferred debtors	–	–	14	–
Government grants and subsidies	172	–	13	–
Net GST receivable	465	–	518	–
Newcastle airport partnership	1,634	–	1,599	–
RMS contributions	–	–	805	–
Other debtors	–	196	–	228
Total	9,068	196	9,659	228
Less: provision for impairment				
Other debtors	–	(6)	–	(52)
Total provision for impairment – receivables	–	(6)	–	(52)
TOTAL NET RECEIVABLES	9,068	190	9,659	176
Externally restricted receivables				
Domestic waste management	705	–	522	–
Total external restrictions	705	–	522	–
Internally restricted receivables				
Community Loans	46	–	200	–
Receivables – Newcastle Airport Partnership	1,634	–	1,599	–
Commercial properties	3,171	–	2,730	–
Other Waste Reserve	–	–	1,060	–
Administration building reserve	895	–	741	–
Internally restricted receivables	5,746	–	6,330	–
Unrestricted receivables	2,617	190	2,807	176
TOTAL NET RECEIVABLES	9,068	190	9,659	176

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	52	48
+ new provisions recognised during the year	–	6
– amounts already provided for and written off this year	(42)	(2)
– amounts provided for but recovered during the year	(4)	–
Balance at the end of the year	6	52

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

For loans and receivables the amount of 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) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Real estate for resale (refer below)	5,653	13,102	14,116	5,721
Stores and materials	196	—	197	—
Bio banking credits	—	3,520	—	3,520
Total inventories at cost	5,849	16,622	14,313	9,241
TOTAL INVENTORIES	5,849	16,622	14,313	9,241
(b) Other assets				
Prepayments	426	8	435	10
TOTAL OTHER ASSETS	426	8	435	10

There are no restrictions applicable to the above assets.

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current

(i) Other disclosures

Details for real estate development

Residential		–	2,860	862	2,548
Industrial/commercial		5,653	10,242	13,254	3,173
Total real estate for resale		5,653	13,102	14,116	5,721

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs		773	12,866	11,774	2,513
Development costs		4,880	236	2,342	3,208
Total costs		5,653	13,102	14,116	5,721
Total real estate for resale		5,653	13,102	14,116	5,721

Movements:

Real estate assets at beginning of the year		14,116	5,721	12,060	4,557
– Purchases and other costs		2,738	219	2,056	193
– Transfers in from (out to) Note 9		–	–	–	971
– WDV of sales (expense)	5	(3,412)	–	–	–
– Transfer between current/non-current		(7,162)	7,162	–	–
– Transfers in from (out to) Note 10		(627)	–	–	–
Total real estate for resale		5,653	13,102	14,116	5,721

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Port Stephens

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

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Adjustments and transfers	Tfrs from/(to) intangible assets (Note 11)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	959	(1)	960	23	3,406	–	–	–	(272)	–	–	–	4,190	74	4,116
Plant and equipment	17,960	8,472	9,488	19	1,415	(770)	(1,424)	–	–	–	–	–	17,587	8,859	8,728
Office equipment	1,626	878	748	129	600	(1)	(277)	–	–	–	–	–	2,327	1,129	1,199
Furniture and fittings	1,125	1,047	78	–	45	–	(18)	–	–	–	–	–	1,171	1,065	106
Land:															
– Operational land	30,282	–	30,282	2	8	(214)	–	(573)	(354)	–	–	8,077	37,801	572	37,229
– Community land	71,353	–	71,353	–	489	–	–	–	–	–	–	–	71,842	–	71,842
– Land held for bio banking	1,143	–	1,143	–	–	–	–	–	290	–	(827)	–	607	–	607
– Land under roads (post 1/7/08)	1,922	–	1,922	–	–	–	–	–	64	–	–	–	1,985	–	1,985
Land improvements – depreciable	1,012	383	629	–	168	–	(25)	–	1,314	–	–	–	2,780	695	2,085
Infrastructure:															
– Buildings – specialised	148,890	65,810	83,080	304	3,896	(767)	(4,892)	–	(1,346)	–	–	13,385	177,270	83,610	93,660
– Other structures	5,295	1,531	3,764	27	413	–	(317)	–	220	–	–	16	6,303	2,181	4,122
– Roads	447,718	52,231	395,487	10,793	3,782	(258)	(2,710)	–	–	–	–	–	462,034	54,941	407,093
– Bridges	11,408	308	11,100	(0)	–	–	(12)	–	–	–	–	–	11,408	320	11,088
– Footpaths	31,362	3,363	27,999	498	1,038	–	(119)	–	–	–	–	–	32,898	3,482	29,416
– Stormwater drainage	193,759	5,794	187,965	2,256	1,813	(19)	(191)	–	–	–	–	–	197,809	5,985	191,824
– Swimming pools	8,151	4,400	3,751	38	–	–	(309)	–	–	–	–	–	8,190	4,710	3,480
– Other open space/recreational assets	28,284	11,124	17,160	152	1,452	–	(846)	–	24	–	–	–	29,941	11,998	17,943
– Other infrastructure	9,136	3,399	5,737	22	608	(165)	(314)	–	116	–	–	–	9,716	3,712	6,004
Other assets:															
– Heritage collections	230	70	160	1	–	–	(2)	–	–	–	–	–	232	72	159
– Library books	4,968	2,991	1,977	250	–	–	(127)	–	–	–	–	–	5,218	3,117	2,101
– Car parks	11,234	7,739	3,495	4	180	–	(523)	–	–	–	–	–	11,417	8,263	3,154
– Newcastle airport partnership	43,640	14,406	29,234	–	2,805	(22)	(1,824)	–	–	(262)	–	–	46,068	16,123	29,945
– Other	5,488	2,726	2,762	18	205	–	(186)	–	(56)	–	–	–	5,527	2,782	2,744
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,076,945	186,671	890,274	14,536	22,324	(2,216)	(14,116)	(573)	–	(262)	(827)	21,478	1,144,320	213,690	930,630

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Transportation assets		Stormwater assets	
Sealed roads: surface	20	Drains	80 to 100
Sealed roads: structure	50	Culverts	50 to 80
Unsealed roads	20	Flood control structures	80 to 100
Bridge: concrete	100		
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	40		
Other infrastructure assets			
Bulk earthworks	20		
Swimming pools	50		
Unsealed roads	20		
Other open space/recreational assets	20		
Other infrastructure	20		

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

Land under roads

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

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

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Crown reserves

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

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

Rural Fire Service assets

Under section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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".

Council will only recognise Rural Fire Service assets which it deems to have control of. This includes the construction of buildings and assets that are purchased and reside in the LGA. Plant and equipment not purchased or constructed is not recognised as an asset.

Port Stephens

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

Note 10. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>31,467</u>	<u>26,000</u>
Reconciliation of annual movement:		
Opening balance	26,000	21,500
– Capitalised expenditure – this year	41	115
– Net gain/(loss) from fair value adjustments	4,799	525
– Transfers from/(to) inventories (Note 8)	627	–
– Transfers from/(to) owner occupied (Note 9)	–	3,860
CLOSING BALANCE – INVESTMENT PROPERTY	<u>31,467</u>	<u>26,000</u>
(b) Valuation basis		
The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.		
The 2018 revaluations were based on independent assessments made by: Sean Fox who is an employee of Knight Frank Newcastle and Certified Practising Valuer (without limitation). API No. 67552.		
(c) Leasing arrangements – Council as lessor		
The investment property are leased to tenants under long-term operating leases with rentals payable monthly.		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	1,959	2,227
Later than 1 year but less than 5 years	4,120	3,645
Later than 5 years	2,832	1,395
Total minimum lease payments receivable	<u>8,911</u>	<u>7,267</u>
(d) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	2,718	2,653
Direct operating expenses on investment property:		
– that generated rental income	(532)	(519)
Net revenue contribution from investment property	<u>2,186</u>	<u>2,134</u>
plus:		
Fair value movement for year	4,799	525
Total income attributable to investment property	<u>6,985</u>	<u>2,659</u>

Accounting policy for investment property

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

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	2,627	2,185
Accumulated amortisation (1/7)	(1,431)	(787)
Net book value – opening balance	1,196	1,398
Movements for the year		
– Purchases	133	357
– Transfers from note 9	262	–
– Amortisation charges	(406)	(549)
– Gross book value written off	–	(10)
Closing values:		
Gross book value (30/6)	3,021	2,627
Accumulated amortisation (30/6)	(1,837)	(1,431)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>¹	<u>1,184</u>	<u>1,196</u>
¹ The net book value of intangible assets represent:		
– Software	971	1,196
– Newcastle Airport Partnership	213	–
	1,184	1,196

Accounting policy for intangible assets

IT development and software

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

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

Port Stephens

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

Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services	6,002	–	4,233	–
Accrued expenses:				
– Other expenditure accruals	2,494	8	2,799	8
Security bonds, deposits and retentions	818	–	756	–
Unclaimed monies	8	–	2	–
Rates in advance	978	–	844	–
Other	867	–	688	–
Total payables	11,167	8	9,322	8
Income received in advance				
Payments received in advance	9	–	198	–
Deferred income – Newcastle airport partnership	251	4,798	407	4,884
Total income received in advance	260	4,798	605	4,884
Borrowings				
Loans – secured ¹	3,460	14,121	2,837	12,471
Other – Newcastle airport partnership	–	6,250	–	6,250
Total borrowings	3,460	20,371	2,837	18,721
TOTAL PAYABLES AND BORROWINGS	14,887	25,177	12,764	23,613
(a) Payables and borrowings relating to restricted assets				
	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	1,825	1,441	1,742	2,128
Other	818	–	756	–
Crown holiday park reserve	34	34	154	68
Payables and borrowings relating to externally restricted assets	2,677	1,475	2,652	2,196
Internally restricted assets				
Drainage reserve	144	–	564	143
Newcastle airport partnership	2,623	10,898	2,267	11,167
Payables and borrowings relating to internally restricted assets	2,767	10,898	2,831	11,310
Total payables and borrowings relating to restricted assets	5,444	12,373	5,483	13,506
Total payables and borrowings relating to unrestricted assets	9,443	12,804	7,281	10,107
TOTAL PAYABLES AND BORROWINGS	14,887	25,177	12,764	23,613

¹. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

Port Stephens

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

Note 12. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	378	378
	378	378

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	15,308	2,268	–	5	–	17,581
Other – Newcastle airport partnership	6,250	–	–	–	–	6,250
TOTAL	21,558	2,268	–	5	–	23,831

\$ '000	2018	2017
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(d) Financing arrangements

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

Bank overdraft facilities ⁽¹⁾	2,500	5,000
Credit cards/purchase cards	2,235	2,200
Master lease facilities	–	1,000
Total financing arrangements	4,735	8,200
Drawn facilities as at balance date:		
– Credit cards/purchase cards	4	–
Total drawn financing arrangements	4	–
Undrawn facilities as at balance date:		
– Bank overdraft facilities	2,500	5,000
– Credit cards/purchase cards	2,231	2,200
– Lease facilities	–	1,000
Total undrawn financing arrangements	4,731	8,200

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance 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.

Port Stephens

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

Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	3,628	–	3,386	–
Sick leave	3,142	–	3,204	–
Long service leave	6,769	531	6,611	532
Flexi time / RDO leave	256	–	211	–
Other – redundancy	–	–	397	–
Sub-total – aggregate employee benefits	13,795	531	13,809	532
Asset remediation/restoration:				
Asset remediation/restoration (future works)	1,600	–	1,600	–
Sub-total – asset remediation/restoration	1,600	–	1,600	–
Other provisions:				
Other	1,825	–	–	–
<u>TOTAL PROVISIONS</u>	<u>17,220</u>	<u>531</u>	<u>15,409</u>	<u>532</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	1,600	–	1,600	–
Provisions relating to externally restricted assets	1,600	–	1,600	–
Internally restricted assets				
Drainage	1,825	–	–	–
Provisions relating to internally restricted assets	1,825	–	–	–
Total provisions relating to restricted assets	3,425	–	1,600	–
Total provisions relating to unrestricted assets	13,795	531	13,809	532
<u>TOTAL PROVISIONS</u>	<u>17,220</u>	<u>531</u>	<u>15,409</u>	<u>532</u>

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	8,477	8,716
	8,477	8,716

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

	Legal costs provision	Other provisions Asset remediation	Total
2018			
At beginning of year	–	1,600	1,600
Changes to provision:			
Additional provisions	1,825	–	1,825
Total other provisions at end of year	1,825	1,600	3,425
2017			
At beginning of year	–	1,600	1,600
Total other provisions at end of year	–	1,600	1,600

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip.

Legal costs provision

Council has a legal obligation to pay legal costs as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required when legal proceedings are finalised.

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Provision for legal costs

Liabilities for legal costs expected to be wholly settled within 12 months after the end of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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

Port Stephens

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

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Available-for-sale investments revaluation reserve

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

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

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

Nature of prior-period error

Council has recognised the value of Crown Land deemed to be under its control for the first time.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2016) and taking the adjustment through to the infrastructure, property, plant and equipment revaluation reserve at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2016

	Original Balance 1 July, 2016	Impact Increase/ (decrease)	Restated Balance 1 July, 2016
Statement of Financial Position			
Infrastructure, property, plant and equipment	854,614	29,548	884,162
Total Assets	945,229	29,548	974,777
Total Liabilities	47,911	–	47,911
Accumulated Surplus	543,738	–	543,738
Revaluation Reserve	353,580	29,548	383,128
Total equity	897,318	29,548	926,866

Port Stephens

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

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

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

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

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Financial Position			
Infrastructure, property, plant and equipment	860,726	29,548	890,274
Total assets	970,482	29,548	1,000,030
Total liabilities	52,318	–	52,318
Accumulated Surplus	567,409	–	567,409
Revaluation Reserve	350,755	29,548	380,303
Total equity	918,164	29,548	947,712

Port Stephens

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

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	9,828	8,093
Balance as per the Statement of Cash Flows		9,828	8,093
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		20,336	22,716
Adjust for non-cash items:			
Depreciation and amortisation		14,522	14,985
Net losses/(gains) on disposal of assets		(816)	(259)
Non-cash capital grants and contributions		(6,643)	(6,880)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– investment property		(4,799)	(525)
– Revaluation decrements / impairments of IPP&E direct to P&L		573	696
– Other		–	(512)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		5	45
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		609	3,954
Increase/(decrease) in provision for doubtful debts		(46)	3
Decrease/(increase) in inventories		1	20
Decrease/(increase) in other assets		11	68
Increase/(decrease) in payables		1,769	73
Increase/(decrease) in other accrued expenses payable		(305)	1,230
Increase/(decrease) in other liabilities		(50)	344
Increase/(decrease) in employee leave entitlements		(15)	582
Increase/(decrease) in other provisions		1,825	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		26,977	36,540
(c) Non-cash investing and financing activities			
Dedicated subdivisions		6,643	6,880
Total non-cash investing and financing activities		6,643	6,880

Port Stephens

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

Note 16. Interests in other entities

\$ '000

(a) Joint arrangements

(i) Joint operations

(a) Council is involved in the following joint operations (JO's)

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2018	2017	2018	2017
Newcastle Airport Partnership and Newcastle Airport Pty Ltd	Domestic Airport Operation	Williamstown	50%	50%	50%	50%

(b) Council assets employed in the joint operations

	2018	2017
Council's share of assets jointly owned with other partners		
Current assets	16,810	15,528
Current liabilities	(2,924)	(2,267)
Property, plant and equipment	30,187	29,235
Other non-current assets	29	10
Non-current liabilities	(10,926)	(11,168)
Total net assets employed – Council and jointly owned	33,176	31,338

(c) Share of joint operations expenditure commitments

	2018	2017
Capital commitments		
Payable not later than 1 year	1,317	484
Total capital commitments	1,317	484

(d) Contingent liabilities of joint operations

	2018	2017
Share of contingent liabilities incurred jointly with other participants	100%	100%
Share of contingent liabilities for which Council is severally liable	100%	100%

Accounting policy for joint arrangements

The Council has determined that it has joint operations.

Joint operations

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(b) Subsidiaries, joint arrangements and associates not recognised

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

Name of entity/operation	Principal activity/type of entity	2018	2018
		Net profit	Net assets
Strategic Services Australia Limited (formerly known as Hunter Councils Limited)	Council Support Services Joint Venture	352	641

Reasons for non-recognition

The Joint Venture has not been recognised as part of Council's financial performance or financial position as it has been deemed immaterial for the purposes of consolidation.

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	238	50
Plant and equipment	659	311
Newcastle airport	1,317	515
Other	1,622	5,584
Total commitments	3,836	6,460
These expenditures are payable as follows:		
Within the next year	3,836	6,460
Total payable	3,836	6,460

(b) Operating lease commitments (non-cancellable)

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

Within the next year	249	270
Total non-cancellable operating lease commitments	249	270

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

Computer and printing equipment. Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to operating leases:

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

(c) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 16(a).

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme and makes contributions as determined by the superannuation scheme's trustees.

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

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Port Stephens

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

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

LIABILITIES NOT RECOGNISED: (continued)

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$661,396.06.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017. However, the position is monitored annually and the actuary has estimated that, as at 30 June 2018, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$308,000.

Council's expected contributions to the Fund for the next annual reporting period is \$684,501.12.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* excluding member accounts and reserves in both assets and liabilities.

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED: (continued)

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$1,026,000 as at 30 June 2018.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government. Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Port Stephens

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

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

2. Other liabilities

(i) Third party claims

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Port Stephens

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

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

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines (continued)

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

(iii) Legal Matters

Council is dealing with general legal matters as part of normal operations. No specific disclosure is made as these matters do not represent a significant and probable outflow of resources other than those already provided for.

Port Stephens

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

Note 19. 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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	9,828	8,093	9,828	8,093
Investments				
– 'Held to maturity'	41,242	40,633	41,242	40,633
Receivables	9,258	9,835	9,257	9,835
Total financial assets	60,328	58,561	60,327	58,561
Financial liabilities				
Payables	11,175	9,330	11,210	9,330
Loans/advances	23,831	21,558	23,831	21,558
Total financial liabilities	35,006	30,888	35,041	30,888

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and 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.

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	338	–	(338)	–
2017				
Possible impact of a 1% movement in interest rates	310	–	(310)	–

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	62%	0%	75%
Overdue	100%	38%	100%	25%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
Not yet due			–	–
< 1 year overdue			1,929	1,433
1 – 2 years overdue			179	419
2 – 5 years overdue			177	282
> 5 years overdue			121	66
			2,406	2,200
Other receivables				
Not yet due			4,929	5,799
0 – 30 days overdue			977	–
31 – 60 days overdue			493	–
61 – 90 days overdue			63	–
> 91 days overdue			396	1,888
			6,858	7,687

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	826	10,341	8	–	11,175	11,175
Loans and advances	3.41%	–	4,003	19,297	2,126	25,426	23,831
Total financial liabilities		826	14,344	19,305	2,126	36,601	35,006
2017							
Trade/other payables	0.00%	758	8,564	8	–	9,330	9,330
Loans and advances	3.31%	–	3,312	18,285	1,258	22,855	21,558
Total financial liabilities		758	11,876	18,293	1,258	32,185	30,888

Port Stephens

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

Note 20. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 13 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 Variance* -----		
REVENUES					
Rates and annual charges	54,709	55,287	578	1%	F
User charges and fees	38,984	39,752	768	2%	F
Interest and investment revenue	1,322	1,417	95	7%	F
Other revenues	5,374	6,206	832	15%	F
Other revenues were higher then expected due to emergency relief income that was not budgeted for.					
Operating grants and contributions	12,023	13,431	1,408	12%	F
Council was successful in obtaining a number of environmental protection grants during the year which weren't originally budgeted for. Council also received more developer contributions than expected.					
Capital grants and contributions	5,703	15,387	9,684	170%	F
Council was gifted a number of infrastructure assets from development subdivisions this year which were higher then expected. These dedications are a non cash related and do not form part of Council's underlying surplus.					
Net gains from disposal of assets	250	816	566	226%	F
Council was able to generate higher then expected disposal gains as a result of property developments.					
Fair value increment on investment property	615	4,799	4,184	680%	F
Fair value increases on investment property were higher then expected due to strong growth in existing assets and the addition of an extra property into the portfolio from commercial development activates. Fair value increments are a non cash transaction and do not form part of Council's underlying surplus.					

Port Stephens

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

Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance* -----	
EXPENSES				
Employee benefits and on-costs	42,123	43,104	(981)	(2%) U
Borrowing costs	903	679	224	25% F
Council was able to lock in existing and new loans at lower then expected interests during the financial year.				
Materials and contracts	39,940	40,980	(1,040)	(3%) U
Depreciation and amortisation	15,235	14,522	713	5% F
Other expenses	13,034	16,901	(3,867)	(30%) U
Other expenses are above budget due to operating expenses related to consolidation of Newcastle Airport Partnership Pty Ltd. Without this consolidation there would be no material budget variations.				
Revaluation decrement / impairment of IPP&E	—	573	(573)	0% U
The impairment related to the transition of council land to a road reserve. This change in use resulted in a fair value decrement. Council does not budget for asset impairments.				

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

Cash flows from operating activities	24,562	26,977	2,415	9.8% F
Cash flows from investing activities	(26,134)	(27,510)	(1,376)	5.3% U
Cash flows from financing activities	3,192	2,268	(924)	(28.9%) U
Cash flows from financing activities were lower then budget due to the early payment of bank loans prior to 30 June. Early settlements from property development were used to repay loans used to fund the development.				

Port Stephens

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

Note 21. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Investment property				
Investment properties held	–	31,467	–	31,467
Total investment property	–	31,467	–	31,467
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	8,728	8,728
Office equipment	–	–	1,199	1,199
Furniture and fittings	–	–	106	106
Land	–	37,229	74,434	111,663
Land Improvements	–	–	2,085	2,085
Buildings – specialised	–	–	93,660	93,660
Other Structures	–	–	4,122	4,122
Infrastructure	–	–	666,847	666,847
Other Assets	–	–	8,159	8,159
Total infrastructure, property, plant and equipment	–	37,229	859,340	896,569

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Investment property				
Investment properties held	–	26,000	–	26,000
Total investment property	–	26,000	–	26,000
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	9,488	9,488
Office equipment	–	–	748	748
Furniture and fittings	–	–	78	78
Land	–	30,282	74,418	104,700
Land Improvements	–	–	628	628
Buildings – specialised	–	–	83,081	83,081
Other Structures	–	–	3,764	3,764
Infrastructure	–	–	649,199	649,199
Other Assets	–	–	8,394	8,394
Total infrastructure, property, plant and equipment	–	30,282	829,798	860,080

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Council's policy for determining transfers between fair value hierarchies is:

– at the date of the event or change in circumstances that caused the transfer.

(3) Valuation techniques used to derive level 2 and level 3 fair values

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

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Investment property

Council obtains valuations of its investment properties every year or when there are indicators of a change in the carrying value of the asset.

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

The investment property held by Council has been valued by the valuer using valuation techniques that are appropriate and for which sufficient data was available to measure fair value, maximising the use of observable inputs namely Level 3 inputs (based on per square metres). The income approach is used to value the investment properties and has not changed from prior years.

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

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

Plant & Equipment, Office Equipment, Furniture & Fittings

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

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

Land

The main components of Land include Community Land, Operational Land & Land Under Roads

Community Land is based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land.

Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

1. The land's description and/or dimensions;
2. Planning and other constraints on development; and
3. The potential for alternative use.

Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation techniques during the reporting period.

Land Under Roads acquired post 1 July 2008 have been valued using the square meter rates of adjacent Community Land having regard to the highest and best use for the land. There has been no change to the valuation techniques during the reporting period.

Buildings - Specialised & Other Structures

The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

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

Infrastructure

The main components of infrastructure include Roads, Bridges, Footpaths, Stormwater Drainage, Recreational and open areas

Roads bridges and footpaths are valued using the cost replacement approach. Valuations for these asset classes were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. There has been no change to the valuation process during the reporting period.

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Councils recreational areas and swimming pools have been valued in house by experienced engineering and asset management staff using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

Other Assets

Other Assets include Other assets in this class includes heritage collections library books, carparks and joint venture operations.

All other asset classes have also been recorded at replacement cost.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Port Stephens

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

Note 21. Fair value measurement (continued)

\$ '000

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

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

	Plant & Office Equipment	Furniture & Fittings	Land & Land Improvements	Total
Opening balance – 1/7/16	11,557	114	44,999	56,670
Transfers from/(to) another asset class	–	–	(49)	(49)
Purchases (GBV)	1,138	–	567	1,705
Disposals (WDV)	(445)	(3)	–	(448)
Depreciation and impairment	(2,014)	(34)	(18)	(2,065)
Recognition of Crown Land	–	–	29,547	29,547
Closing balance – 30/6/17	10,236	78	75,046	85,360
Transfers from/(to) another asset class	–	–	1,668	1,668
Purchases (GBV)	2,204	46	657	2,907
Disposals (WDV)	(771)	(18)	–	(789)
Depreciation and impairment	(1,701)	–	(25)	(1,726)
Swing from prior year	(41)	–	–	(41)
Revaluation increments/decrements	–	–	(827)	(827)
Closing balance – 30/6/18	9,927	106	76,519	86,552

	Buildings	Other Structures	Infrastructure	Other Assets	Total
Opening balance – 1/7/16	86,744	2,145	634,497	8,990	732,376
Transfers from/(to) another asset class	(50)	44	348	(116)	226
Purchases (GBV)	3,798	1,841	18,777	372	24,788
Disposals (WDV)	–	(32)	(52)	(13)	(97)
Depreciation and impairment	(5,475)	(234)	(4,371)	(839)	(10,919)
Transfers from/to investment properties	(1,692)	–	–	–	(1,692)
Revaluation increments/decrements	(244)	–	–	–	(244)
Closing balance – 30/6/17	83,081	3,764	649,199	8,394	744,438
Transfers from/(to) another asset class	(1,346)	220	–	(56)	(1,182)
Purchases (GBV)	4,201	439	22,451	659	27,750
Disposals (WDV)	(767)	–	(442)	–	(1,209)
Depreciation and impairment	(4,892)	(317)	(4,501)	(838)	(10,548)
Revaluation increments/decrements	13,383	16	140	–	13,539
Closing balance – 30/6/18	93,660	4,122	666,847	8,159	772,788

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Plant & Office Equipment	9,927	Cost approach	Current replacement cost of modern equivalent asst, asset condition, useful life and residual value
Furniture & Fittings	106	Cost approach	Current replacement cost of modern equivalent asst, asset condition, useful life and residual value
Land & Land Improvements	76,519	Community Land - land values obtained from the NSW Valuer-General. Crown Land - land values based on the NSW Valuer-General where applicable, otherwise compared to similar properties. Any restrictions on land such as zoning, has been taken into consideration.	Land value, land area
Buildings - Specialised	93,660	Cost approach	Unit price
Other Structures	4,122	Cost approach	Current replacement cost of modern equivalent asst, asset condition, useful life and residual value
Infrastructure	666,847	Cost approach	Current replacement cost of modern equivalent asst, asset condition, useful life and residual value
Other Assets	8,159	Cost approach	Current replacement cost of modern equivalent asst, asset condition, useful life and residual value

(5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	3,318	3,387
Post-employment benefits	292	282
Termination benefits	162	–
Total	3,772	3,669

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Related party transactions (continued)

\$ '000

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
2018	Ref					
Director remuneration	1	42	—	n/a	—	—
Payment of contributions	3	398	—	30 day terms on invoice	—	—
Legal services	4	321	4	n/a	—	—
Training services	5	90	—	30 day terms on invoice	—	—
Tourism services	6	32	—	30 day terms on invoice	—	—
Rebates	7	19	—	n/a	—	—
Surveying services	8	6	—	30 day terms on invoice	—	—
Training services	9	38	—	30 day terms on invoice	—	—
Cleaning services	10	24	—	30 day terms on invoice	—	—
Sub lease of Council buildings	11	66	—	30 day terms on invoice	—	—
2017						
Director remuneration	1	38	—	n/a	—	—
Purchase of materials	2	22	—	30 day terms on invoice	—	—
Payment of contributions	3	391	—	n/a	—	—
Legal Services	4	205	—	30 day terms on invoice	—	—
Training services	5	87	—	30 day terms on invoice	—	—
Tourism services	6	32	—	30 day terms on invoice	—	—

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Related party transactions (continued)

b. Other transactions with KMP and their related parties (continued)

- 1 A member of Council's KMP is remunerated for the provision of board member services by Newcastle Airport Pty Ltd which Port Stephens Council has a 50% shareholding in
- 2 Port Stephens Council purchased road base materials from Grafil Pty Ltd during the year, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the council's procurement processes.
- 3 A member of Council's KMP is a board member of Destination Port Stephens (a non profit organisation) which receives an annual contribution from Council towards generating economic activity within the LGA. The KMP member is not remunerated by Destination Port Stephens for their Directorship
- 4 Port Stephens Council paid for legal services from Local Government Legal (a division of Strategic Services Australia Ltd) which is a joint operation between 11 Hunter Councils. A member of Council's KMP is a Director of Strategic Services Australia and is not remunerated for their Directorship.
- 5 Port Stephens Council paid for training services from Local Government Training Solutions (a division of Strategic Services Australia Ltd) which is a joint operation between 11 Hunter Councils. A member of Council's KMP is a Director of Strategic Services Australia and is not remunerated for their Directorship.
- 6 Port Stephens Council paid for tourism promotion services from Screen Hunter (a division of Strategic Services Australia Ltd) which is a joint operation between 11 Hunter Councils. A member of Council's KMP is a Director of Strategic Services Australia and is not remunerated for their Directorship.
- 7 Port Stephens Council received purchasing rebates from Strategic Services Australia Ltd) which is a joint operation between 11 Hunter Councils. A member of Council's KMP is a Director of Strategic Services Australia and is not remunerated for their Directorship.
- 8 Port Stephens Council purchased surveying services from the Le Mottee Group Pty Ltd during the year, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the council's procurement processes.
- 9 Port Stephens Council purchased training services from Noble Works Pty Ltd during the year, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the council's procurement processes.
- 10 Port Stephens Council purchased cleaning services from Crest Birubi Beach Pty Ltd during the year, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the council's procurement processes.
- 11 Crest Birubi Beach Pty Ltd (a company which has a member of Council's KMP as a director) have a sublease with Birubi Point Surf Lifesaving Club in relation to a Council owned building. The rent is based on current market rates and subject to periodic review.

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Related party transactions (continued)

\$ '000

c. Other related party transactions

Nature of the transaction		Value of transactions during year (incl. loans and commitments)	Outstanding balance	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
2018	Ref					
Shareholder dividend	1	1,903	—	n/a	—	—
2017	Ref					
Shareholder dividend	1	1,234	—	n/a	—	—

1 Port Stephens Council is a 50% shareholder in the joint operation of Newcastle Airport Pty Ltd for which it receives an annual dividend from.

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in the Port Stephens local government area.

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	(1)	20	–	–	–	–	19	–
Roads	1,319	494	–	21	(622)	–	1,212	–
Traffic facilities	39	3	–	1	(15)	–	28	–
Parking	(8)	–	–	–	–	–	(8)	–
Open space	1,992	780	–	34	(631)	129	2,304	129
Community facilities	2,407	880	–	43	(1,043)	(129)	2,158	(129)
Recreation	4,664	1,862	–	79	(1,034)	–	5,571	–
Fire Fighting Facilities	339	75	–	6	(81)	–	339	–
Civic Administration	276	356	–	5	(252)	–	385	–
Haulage	3,182	833	21	54	(1,687)	–	2,403	–
Medowie, Traffic and Transport	–	201	–	–	–	–	201	–
S7.11 contributions – under a plan	14,210	5,504	21	243	(5,365)	–	14,612	–
S7.12 levies – under a plan	998	300	–	17	(506)	–	809	–
Total S7.11 and S7.12 revenue under plans	15,208	5,804	21	260	(5,871)	–	15,421	–
Repealed funds	125	–	–	2	(61)	–	66	–
Total contributions	15,333	5,804	21	262	(5,932)	–	15,487	–

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CATCHMENT DISTRICT – WESTERN SHIRE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	68	25	–	1	(70)	–	24	–
Open space	78	28	–	2	–	–	108	–
Community facilities	130	27	–	3	–	–	160	–
Recreation	193	46	–	3	–	–	242	–
Total	469	126	–	9	(70)	–	534	–

CATCHMENT DISTRICT – RAYMOND TERRACE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	34	175	–	–	(40)	–	169	–
Parking	(11)	–	–	–	–	–	(11)	–
Open space	232	265	–	4	(81)	–	420	–
Community facilities	117	308	–	2	(125)	–	302	–
Recreation	640	633	–	11	(35)	–	1,249	–
Total	1,012	1,381	–	17	(281)	–	2,129	–

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CATCHMENT DISTRICT – MEDOWIE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	396	131	–	7	(135)	–	399	–
Medowie, Traffic and Transport	–	201	–	–	–	–	201	–
Open space	389	199	–	6	–	–	594	–
Community facilities	286	232	–	5	(390)	–	133	–
Recreation	1,568	476	–	26	(101)	–	1,969	–
Total	2,639	1,239	–	44	(626)	–	3,296	–

CATCHMENT DISTRICT – KARUAH / SWAN BAY

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	67	36	–	1	(66)	–	38	–
Open space	117	53	–	2	–	–	172	–
Community facilities	(110)	64	–	–	–	–	(46)	–
Recreation	155	126	–	3	–	–	284	–
Total	229	279	–	6	(66)	–	448	–

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CATCHMENT DISTRICT - TILIGERRY PENINSULA

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	21	21	–	1	(27)	–	16	–
Open space	(42)	33	–	–	–	–	(9)	–
Community facilities	65	32	–	1	–	–	98	–
Recreation	249	89	–	4	–	–	342	–
Total	293	175	–	6	(27)	–	447	–

CATCHMENT DISTRICT – TOMAREE PENINSULA

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	(1)	20	–	–	–	–	19	–
Roads	24	77	–	–	(92)	–	9	–
Parking	3	–	–	–	–	–	3	–
Open space	250	167	–	4	(550)	129	–	129
Community facilities	780	187	–	13	(136)	(129)	715	(129)
Recreation	(35)	411	–	–	–	–	376	–
Total	1,021	862	–	17	(778)	–	1,122	–

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CATCHMENT DISTRICT – RURAL BALANCE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	29	–	–	–	–	–	29	–
Open space	22	–	–	–	–	–	22	–
Community facilities	1	–	–	–	–	–	1	–
Recreation	36	–	–	1	–	–	37	–
Total	88	–	–	1	–	–	89	–

CATCHMENT DISTRICT – FERN BAY

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	680	29	–	11	(192)	–	528	–
Traffic facilities	39	3	–	1	(15)	–	28	–
Open space	946	35	–	16	–	–	997	–
Community facilities	1,138	30	–	19	(392)	–	795	–
Recreation	1,858	81	–	31	(898)	–	1,072	–
Total	4,661	178	–	78	(1,497)	–	3,420	–

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CATCHMENT DISTRICT – SHIRE WIDE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Haulage	3,182	833	21	54	(1,688)	–	2,402	–
Fire Fighting Facilities	339	75	–	6	(81)	–	339	–
Civic Administration	276	356	–	5	(252)	–	385	–
Total	3,797	1,264	21	65	(2,021)	–	3,126	–

S7.12 LEVIES – UNDER A PLAN

S7.12 LEVIES – UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Section 7.12	998	300	–	17	(506)	–	809	–
Total	998	300	–	17	(506)	–	809	–

Port Stephens

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

Note 24. Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(93)	-0.08%	7.10%	4.09%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	116,093				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	102,662	78.08%	76.57%	80.45%	> 60.00%
Total continuing operating revenue ⁽¹⁾	131,480				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	38,991	2.05x	3.18x	3.53x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	18,975				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	15,108	2.36x	6.35x	4.71x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,411				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding ⁽⁵⁾	1,644	2.84%	2.80%	2.69%	10%
Rates, annual and extra charges collectible	57,951				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	51,070	5.53 mths	5.8 mths	3.4 mths	> 3 mths
Payments from cash flow of operating and financing activities	9,241				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 12 and 13.

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

⁽⁵⁾ Net of rates in advance.

END OF AUDITED FINANCIAL STATEMENTS

Port Stephens

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Council information and contact details

Principal place of business:

116 Adelaide Street
Raymond Terrace NSW 2324

Contact details

Mailing address:

PO Box 42
Raymond Terrace NSW 2324

Opening hours:

8:30am to 5:00pm
Monday to Friday

Telephone: 02 4988 0255

Facsimile: 02 4988 0130

Internet: www.portstephens.nsw.gov.au

Email: council@portstephens.nsw.gov.au

Officers

GENERAL MANAGER

Wayne Wallis

RESPONSIBLE ACCOUNTING OFFICER

Tim Hazell

PUBLIC OFFICER

Tony Wickham

AUDITORS

The Audit Office of New South Wales
Level 15, 1 Margaret Street,
Sydney, NSW, 2001

Elected members

MAYOR

Ryan Palmer

COUNCILLORS

Cr John Nell
Cr Glen Dunkley
Cr Jaimie Abbott
Cr Chris Doohan
Cr Steve Tucker
Cr Sarah Smith
Cr Paul Le Mottee
Cr Ken Jordan
Cr Giacomo Arnott

Other information

ABN: 16 744 377 876