

ATTACHMENTS UNDER SEPARATE
COVER

ORDINARY COUNCIL MEETING
22 OCTOBER 2024



PORT STEPHENS
C O U N C I L

INDEX

| Item No | Attach. No | Attachment Title | Page No |
|------------|---------------|---------------------------------------|------------|
| 11 | 1 | 2023-2024 DRAFT FINANCIAL STATEMENTS. | 4 |

Port Stephens Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2024

"A great lifestyle in a treasured environment"



Port Stephens Council

General Purpose Financial Statements for the year ended 30 June 2024

| Contents | Page |
|---|-------------|
| Statement by Councillors and Management | 3 |
| Primary Financial Statements: | |
| Income Statement | 4 |
| Statement of Comprehensive Income | 5 |
| Statement of Financial Position | 6 |
| Statement of Changes in Equity | 7 |
| Statement of Cash Flows | 8 |
| Contents for the notes to the Financial Statements | 9 |
| Independent Auditor's Reports: | |
| On the Financial Statements (Sect 417 [2]) | 75 |
| On the Financial Statements (Sect 417 [3]) | 76 |

Overview

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

116 Adelaide Street
Raymond Terrace NSW 2324

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 Council

General Purpose Financial Statements for the year ended 30 June 2024

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

The attached general purpose financial statements have been prepared in accordance with:

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

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

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

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

Signed in accordance with a resolution of Council made on 22 October 2024.

Leah Anderson
Mayor
22 October 2024

Councillor
22 October 2024

Tim Crosdale
General Manager
22 October 2024

Glen Peterkin
Responsible Accounting Officer
22 October 2024

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council

Income Statement

for the year ended 30 June 2024

| Original unaudited budget 2024 | \$ '000 | Notes | Actual 2024 | Restated Actual 2023 |
|---|--|-------|----------------|----------------------------|
| | | | | |
| | Income from continuing operations | | | |
| 75,284 | Rates and annual charges | B2-1 | 75,064 | 69,094 |
| 60,216 | User charges and fees | B2-2 | 57,143 | 53,448 |
| 4,343 | Other revenues | B2-3 | 5,384 | 5,535 |
| 13,458 | Grants and contributions provided for operating purposes | B2-4 | 17,992 | 20,661 |
| 30,294 | Grants and contributions provided for capital purposes | B2-4 | 40,780 | 32,342 |
| 2,263 | Interest and investment income | B2-5 | 4,780 | 3,181 |
| 4,171 | Other income | B2-6 | 5,347 | 4,169 |
| 190,029 | Total income from continuing operations | | 206,490 | 188,430 |
| | Expenses from continuing operations | | | |
| 58,713 | Employee benefits and on-costs | B3-1 | 61,489 | 57,998 |
| 65,366 | Materials and services | B3-2 | 62,802 | 58,592 |
| 3,574 | Borrowing costs | B3-3 | 2,942 | 2,324 |
| 20,529 | Depreciation, amortisation and impairment of non-financial assets | B3-4 | 21,107 | 19,329 |
| 6,453 | Other expenses | B3-5 | 7,343 | 7,360 |
| (250) | Net loss from the disposal of assets | B4-1 | 3,879 | 1,715 |
| 154,385 | Total expenses from continuing operations | | 159,562 | 147,318 |
| 35,644 | Operating result from continuing operations | | 46,928 | 41,112 |
| 35,644 | Net operating result for the year attributable to Council | | 46,928 | 41,112 |
| | | | | |
| 5,351 | Net operating result for the year before grants and contributions provided for capital purposes | | 6,148 | 8,770 |

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

Port Stephens Council

Statement of Comprehensive Income for the year ended 30 June 2024

| \$ '000 | Notes | 2024 | Restated 2023 |
|---|-------|----------------|------------------|
| Net operating result for the year – from Income Statement | | 46,928 | 41,112 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-7 | 73,764 | 107,083 |
| Gain (loss) on revaluation of intangible assets | C1-10 | 2,732 | – |
| Total items which will not be reclassified subsequently to the operating result | | 76,496 | 107,083 |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met | | | |
| Gain (loss) on hedging instruments | C1-2 | (122) | 996 |
| Total items which will be reclassified subsequently to the operating result when specific conditions are met | | (122) | 996 |
| Total other comprehensive income for the year | | 76,374 | 108,079 |
| Total comprehensive income for the year attributable to Council | | 123,302 | 149,191 |

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

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council

Statement of Financial Position
as at 30 June 2024

| \$ '000 | Notes | 2024 | Restated 2023 | Restated 1 July 2022 |
|--|-------|------------------|------------------|-------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | C1-1 | 24,980 | 16,798 | 30,221 |
| Investments | C1-2 | 42,000 | 53,650 | 17,679 |
| Receivables | C1-4 | 11,665 | 11,367 | 11,387 |
| Inventories | C1-5 | 277 | 214 | 42 |
| Contract assets and contract cost assets | C1-6 | 7,929 | 3,547 | 1,086 |
| Non-current assets classified as 'held for sale' | | — | — | 851 |
| Other | | 1,448 | 1,581 | 1,471 |
| Total current assets | | 88,299 | 87,157 | 62,737 |
| Non-current assets | | | | |
| Investments and derivatives | C1-2 | 20,053 | 30,150 | 22,652 |
| Receivables | C1-4 | 142 | 140 | 153 |
| Inventories | C1-5 | 10,097 | 9,903 | 10,617 |
| Infrastructure, property, plant and equipment (IPPE) | C1-7 | 1,493,020 | 1,371,687 | 1,224,551 |
| Investment property | C1-8 | 44,315 | 28,000 | 41,655 |
| Intangible assets | C1-9 | 6,566 | 4,028 | 3,998 |
| Right of use assets | C2-1 | 2,316 | 3,099 | 3,060 |
| Other | | 5 | 33 | 17 |
| Total non-current assets | | 1,576,514 | 1,447,040 | 1,306,703 |
| Total assets | | 1,664,813 | 1,534,197 | 1,369,440 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | C3-1 | 18,890 | 19,855 | 19,130 |
| Contract liabilities | C3-2 | 8,110 | 11,458 | 11,482 |
| Lease liabilities | C2-1 | 958 | 916 | 753 |
| Borrowings | C3-3 | 2,163 | 3,385 | 2,897 |
| Employee benefit provisions | C3-4 | 16,106 | 15,584 | 14,737 |
| Total current liabilities | | 46,227 | 51,198 | 48,999 |
| Non-current liabilities | | | | |
| Payables | C3-1 | 1,571 | 2,036 | 165 |
| Lease liabilities | C2-1 | 1,621 | 2,446 | 2,544 |
| Borrowings | C3-3 | 61,607 | 48,108 | 36,515 |
| Employee benefit provisions | C3-4 | 970 | 894 | 893 |
| Total non-current liabilities | | 65,769 | 53,484 | 40,117 |
| Total liabilities | | 111,996 | 104,682 | 89,116 |
| Net assets | | 1,552,817 | 1,429,515 | 1,280,324 |
| EQUITY | | | | |
| Accumulated surplus | | 808,758 | 759,907 | 715,162 |
| IPPE revaluation reserve | C4-1 | 743,185 | 668,612 | 565,162 |
| Hedging reserve | C4-1 | 874 | 996 | — |
| Total equity | | 1,552,817 | 1,429,515 | 1,280,324 |

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

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council

Statement of Changes in Equity
for the year ended 30 June 2024

| | | 2024 | | | | 2023 | | | |
|---|-------|---------------------|--------------------------|-----------------|------------------|---------------------|--------------------------|-----------------|------------------|
| | | Accumulated surplus | IPPE revaluation reserve | Hedging reserve | Total equity | Accumulated surplus | IPPE revaluation reserve | Hedging reserve | Total equity |
| \$ '000 | Notes | | | | | Restated | Restated | Restated | Restated |
| Opening balance at 1 July | | 759,907 | 668,612 | 996 | 1,429,515 | 715,162 | 507,764 | – | 1,222,926 |
| Correction of prior period errors | G4-1 | – | – | – | – | – | 57,398 | – | 57,398 |
| Restated balance at 1 July | | 759,907 | 668,612 | 996 | 1,429,515 | 715,162 | 565,162 | – | 1,280,324 |
| Net operating result for the year | | 46,928 | – | – | 46,928 | 40,877 | – | – | 40,877 |
| Correction of prior period errors | G4-1 | – | – | – | – | 235 | – | – | 235 |
| Restated net operating result for the period | | 46,928 | – | – | 46,928 | 41,112 | – | – | 41,112 |
| Restated other comprehensive income | | | | | | | | | |
| Correction of prior period errors | G4-1 | – | – | – | – | – | 23,020 | – | 23,020 |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-7 | – | 73,764 | – | 73,764 | – | 84,063 | – | 84,063 |
| Gain (loss) on revaluation of intangible assets | | – | 2,732 | – | 2,732 | – | – | – | – |
| Gain (loss) on hedging instruments | C1-2 | – | – | (122) | (122) | – | – | 996 | 996 |
| Restated other comprehensive income | | – | 76,496 | (122) | 76,374 | – | 107,083 | 996 | 108,079 |
| Total comprehensive income | | 46,928 | 76,496 | (122) | 123,302 | 41,112 | 107,083 | 996 | 149,191 |
| Transfers between equity items | | 1,923 | (1,923) | – | – | 3,633 | (3,633) | – | – |
| Closing balance at 30 June | | 808,758 | 743,185 | 874 | 1,552,817 | 759,907 | 668,612 | 996 | 1,429,515 |

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

Port Stephens Council

Statement of Cash Flows
for the year ended 30 June 2024

| Original unaudited budget 2024 | \$ '000 | Notes | Actual 2024 | Actual 2023 |
|---|---|-------|----------------|----------------|
| Cash flows from operating activities | | | | |
| <i>Receipts:</i> | | | | |
| 75,481 | Rates and annual charges | | 74,740 | 68,907 |
| 60,216 | User charges and fees | | 59,790 | 56,419 |
| 2,202 | Interest received | | 4,079 | 2,225 |
| 43,752 | Grants and contributions | | 48,459 | 43,209 |
| – | Bonds, deposits and retentions received | | – | 698 |
| 7,702 | Other | | 15,234 | 15,434 |
| <i>Payments:</i> | | | | |
| (59,682) | Payments to employees | | (63,528) | (57,142) |
| (62,431) | Payments for materials and services | | (69,852) | (65,344) |
| (3,574) | Borrowing costs | | (2,942) | (2,324) |
| – | Bonds, deposits and retentions refunded | | (225) | – |
| (9,676) | Other | | (8,320) | (7,553) |
| 53,990 | Net cash flows from operating activities | G1-1 | 57,435 | 54,529 |
| Cash flows from investing activities | | | | |
| <i>Receipts:</i> | | | | |
| – | Sale of investments | | 115,379 | 70,031 |
| – | Sale of investment property | | – | 15,371 |
| 250 | Proceeds from sale of IPPE | | 626 | 5,233 |
| <i>Payments:</i> | | | | |
| – | Purchase of investments | | (93,725) | (112,504) |
| – | Purchase of investment property | | (13,655) | – |
| (51,093) | Payments for IPPE | | (69,059) | (56,981) |
| (1,000) | Purchase of real estate assets | | (148) | (49) |
| (400) | Purchase of intangible assets | | (10) | (258) |
| (52,243) | Net cash flows from investing activities | | (60,592) | (79,157) |
| Cash flows from financing activities | | | | |
| <i>Receipts:</i> | | | | |
| 15,950 | Proceeds from borrowings | | 14,500 | 15,100 |
| <i>Payments:</i> | | | | |
| (2,327) | Repayment of borrowings | | (2,223) | (3,019) |
| (648) | Principal component of lease payments | | (938) | (876) |
| 12,975 | Net cash flows from financing activities | | 11,339 | 11,205 |
| 14,722 | Net change in cash and cash equivalents | | 8,182 | (13,423) |
| 10,175 | Cash and cash equivalents at beginning of year | | 16,798 | 30,221 |
| 24,897 | Cash and cash equivalents at end of year | C1-1 | 24,980 | 16,798 |
| plus: Investments on hand (excl derivatives) at end of year | | | | |
| 40,331 | | C1-2 | 61,160 | 82,804 |
| 65,228 | Total cash, cash equivalents and investments | | 86,140 | 99,602 |

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

Port Stephens Council

Contents for the notes to the Financial Statements for the year ended 30 June 2024

| | |
|---|-----------|
| A About Council and these financial statements | 11 |
| A1-1 Basis of preparation | 11 |
| B Financial Performance | 13 |
| B1 Functions or activities | 13 |
| B1-1 Functions or activities – income, expenses and assets | 13 |
| B1-2 Components of functions or activities | 14 |
| B2 Sources of income | 15 |
| B2-1 Rates and annual charges | 15 |
| B2-2 User charges and fees | 16 |
| B2-3 Other revenues | 17 |
| B2-4 Grants and contributions | 18 |
| B2-5 Interest and investment income | 21 |
| B2-6 Other income | 22 |
| B3 Costs of providing services | 22 |
| B3-1 Employee benefits and on-costs | 22 |
| B3-2 Materials and services | 23 |
| B3-3 Borrowing costs | 23 |
| B3-4 Depreciation, amortisation and impairment of non-financial assets | 24 |
| B3-5 Other expenses | 25 |
| B4 Gains or losses | 25 |
| B4-1 Gain or loss from the disposal, replacement and de-recognition of assets | 25 |
| B5 Performance against budget | 26 |
| B5-1 Material budget variations | 26 |
| C Financial position | 28 |
| C1 Assets we manage | 28 |
| C1-1 Cash and cash equivalents | 28 |
| C1-2 Financial investments & derivatives | 28 |
| C1-3 Restricted and allocated cash, cash equivalents and investments | 31 |
| C1-4 Receivables | 32 |
| C1-5 Inventories | 34 |
| C1-6 Contract assets and Contract cost assets | 34 |
| C1-7 Infrastructure, property, plant and equipment | 35 |
| C1-8 Investment properties | 38 |
| C1-9 Intangible assets | 39 |
| C2 Leasing activities | 41 |
| C2-1 Council as a lessee | 41 |
| C2-2 Council as a lessor | 44 |
| C3 Liabilities of Council | 46 |
| C3-1 Payables | 46 |
| C3-2 Contract Liabilities | 47 |
| C3-3 Borrowings | 48 |
| C3-4 Employee benefit provisions | 50 |

Port Stephens Council

Contents for the notes to the Financial Statements for the year ended 30 June 2024

| | |
|---|-----------|
| C4 Reserves | 50 |
| C4-1 Nature and purpose of reserves | 50 |
| D Council structure | 51 |
| D1 Interests in other entities | 51 |
| D1-1 Interests in joint arrangements | 51 |
| D1-2 Interests in associates | 51 |
| E Risks and accounting uncertainties | 52 |
| E1-1 Risks relating to financial instruments held | 52 |
| E2-1 Fair value measurement | 56 |
| E3-1 Contingencies | 62 |
| F People and relationships | 64 |
| F1 Related party disclosures | 64 |
| F1-1 Key management personnel (KMP) | 64 |
| F1-2 Councillor and Mayoral fees and associated expenses | 65 |
| F2 Other relationships | 66 |
| F2-1 Audit fees | 66 |
| G Other matters | 67 |
| G1-1 Statement of Cash Flows information | 67 |
| G2-1 Commitments | 68 |
| G3-1 Events occurring after the reporting date | 68 |
| G4 Changes from prior year statements | 69 |
| G4-1 Correction of errors | 69 |
| G5 Statement of developer contributions as at 30 June 2024 | 71 |
| G5-1 Summary of developer contributions | 71 |
| G5-2 Developer contributions by plan | 72 |
| G5-3 S7.4 planning agreements | 73 |
| G6 Statement of performance measures | 74 |
| G6-1 Statement of performance measures – consolidated results | 74 |

A About Council and these financial statements**A1-1 Basis of preparation**

These financial statements were authorised for issue by Council on 22 October 2024. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The material accounting policy information related to these consolidated financial statements are set out below. Accounting policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993* (Act) and *Local Government (General) Regulation 2022* (Regulation), and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Historical cost convention

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

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

- i. estimated fair values of investment property – refer Note C1-9
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- iii. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council**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. Council does not have any money or property that is required to be held in a Trust Fund. The Consolidated Fund has been included in the financial statements of the Council. Cash and other assets relating to the following activities have been included as part of the Consolidated Fund:

- general purpose operations
- domestic waste service
- tourism facilities
- community halls

continued on next page ...

Page 11

A1-1 Basis of preparation (continued)

- libraries

Volunteer services

Council has volunteers working in various areas. These volunteer services have not been recognised as income as per AASB 1058.18. This is because the fair value of such services cannot be reliably measured and it would not have been purchased if they were not donated.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period. Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2023.

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

AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

This Standard amends AASB 13, including adding authoritative implementation guidance and providing related illustrative examples, for application by not-for-profit public sector entities.

In particular, this standard provides guidance on:

- (a) highest and best use
- (b) financially feasible uses
- (c) use of assumptions
- (d) nature of costs to include in the replacement cost of a reference asset and on the identification of economic obsolescence when using the cost approach.

The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

New accounting standards adopted during the year

The following new standard is effective for the first time at 30 June 2024:

- **AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates**
- **Equivalent standard for JO's is AASB 2021-6 Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards**

The most significant change introduced by this standard is to remove the requirement to disclose significant accounting policies and instead require disclosure of material accounting policy information.

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements."

In applying the new requirements, Council has after taking into account the various specific facts and circumstances applied professional judgement to ensure it discloses only material accounting policies as opposed to significant accounting policies throughout these financial statements.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

| | Income | | Expenses | | Operating result | | Grants and contributions | | Carrying amount of assets | |
|---------------------------------------|----------------|----------------|----------------|------------------|------------------|------------------|--------------------------|---------------|---------------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 Restated | 2024 | 2023 Restated | 2024 | 2023 | 2024 | 2023 Restated |
| \$ '000 | | | | | | | | | | |
| Functions or activities | | | | | | | | | | |
| Our Community | 8,194 | 7,539 | 12,608 | 11,480 | (4,414) | (3,941) | 855 | 758 | 249,870 | 238,807 |
| Our Council | 125,714 | 108,187 | 61,491 | 57,454 | 64,223 | 50,733 | 23,205 | 9,170 | 443,275 | 332,121 |
| Our Environment | 25,843 | 24,912 | 24,149 | 21,530 | 1,694 | 3,382 | 457 | 519 | 6,028 | 6,190 |
| Our Place | 46,739 | 47,792 | 61,314 | 56,854 | (14,575) | (9,062) | 34,252 | 42,556 | 949,706 | 876,426 |
| Total functions and activities | 206,490 | 188,430 | 159,562 | 147,318 | 46,928 | 41,112 | 58,772 | 53,003 | 1,664,813 | 1,534,197 |

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 are as follows:

Our Community**Port Stephens is a thriving and strong community respecting diversity and heritage**

Children's Services; Community Services; Contract and Services; Library Services.

Community Development and Engagement; Economic Development and Tourism; Strategic Planning; Volunteer Management; Delivery of Council's Financial Assistance Programs.

Management of Aboriginal Places in Port Stephens.

Our Place**Port Stephens is a liveable place supporting local economic growth**

Asset Systems; Building and Developer Relations; Building Trades; Civil Assets Planning; Civil Contracts; Civil Projects; Community and Recreation; Community Development and Engagement; Construction; Contract and Services; Design; Emergency Management; Engineering Services; Environmental Health and Compliance; Mechanical and Maintenance Stores; Parks; Planning and Developer Relations; Roads; Roadside and Drainage; Strategic Planning; Survey and Land Information.

Economic Development and Tourism; Development, construction and maintenance of Koala Sanctuary, Hospital and Tourism Facility.

Our Environment**Port Stephens' environment is clean, green, protected and enhanced**

Tree Assessment Services; Tree Permit System; Community and Recreation; Rehabilitate, monitor and manage decommissioned landfill sites; Waste Management.

Coastal Management; Community support and advocacy; Deliver Environmental Education and Grant Programs; Develop and implement projects to protect and enhance the local environment; Ecological and Environmental Planning Services; Management and Regulation of Biosecurity Risks; Strategic guidance, current knowledge and best practice advice.

Our Council**Port Stephens Council leads, manages and delivers valued community services in a responsible way**

Business Excellence; Citizenship Ceremonies; Commercial Investments; Community Development and Engagement; Corporate Reporting; Corporate Systems and Business Improvement; Customer Relations; Digital and Website; Environmental Management; Facilities Management; Finance; Governance; Holiday Parks; Human Resources; Information and Communication Technologies; Information Services; Liason with other government agencies; Manage strategic and operational matters; Marketing and Promotions; Public Relations and Marketing; Risk Management; Statutory Property; Support commercial aviation services; Support services for the Mayor, Councillors and senior executive officers; Work Health and Safety.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B2 Sources of income

B2-1 Rates and annual charges

| \$ '000 | Timing | 2024 | 2023 |
|---|--------|---------------|---------------|
| Ordinary rates | | | |
| Residential | 2 | 41,282 | 37,639 |
| Farmland | 2 | 1,078 | 905 |
| Business | 2 | 10,258 | 9,185 |
| Less: pensioner rebates (mandatory) | | (973) | (939) |
| Rates levied to ratepayers | | 51,645 | 46,790 |
| Pensioner rate subsidies received | 2 | 586 | 563 |
| Total ordinary rates | | 52,231 | 47,353 |
| Annual charges (pursuant to s496, 496A, 496B, 501 & 611) | | | |
| Domestic waste management services | 2 | 17,911 | 17,062 |
| Waste management services (non-domestic) | 2 | 5,204 | 4,975 |
| Section 611 charges | 2 | 10 | 10 |
| Less: pensioner rebates (mandatory) | | (541) | (553) |
| Annual charges levied | | 22,584 | 21,494 |
| Pensioner annual charges subsidies received: | | | |
| – Domestic waste management | 2 | 249 | 247 |
| Total annual charges | | 22,833 | 21,741 |
| Total rates and annual charges | | 75,064 | 69,094 |
| Timing of revenue recognition for rates and annual charges | | | |
| Rates and annual charges recognised over time (1) | | – | – |
| Rates and annual charges recognised at a point in time (2) | | 75,064 | 69,094 |
| Total rates and annual charges | | 75,064 | 69,094 |

Council has used 1 July 2022 valuations provided by the NSW Valuer General in calculating its rates.

Material accounting policy information

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B2-2 User charges and fees

| \$ '000 | Timing | 2024 | 2023 |
|--|--------|---------------|---------------|
| Specific user charges (per s502 - specific 'actual use' charges) | | | |
| Waste management services (non-domestic) | 2 | 1,691 | 1,799 |
| Total specific user charges | | 1,691 | 1,799 |
| Other user charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s608) | | | |
| Private works – section 67 | 2 | 62 | 97 |
| Section 10.7 certificates (EP&A Act) | 2 | 214 | 187 |
| Section 603 certificates | 2 | 156 | 146 |
| Building inspection fees | 2 | 218 | 306 |
| Building services | 2 | 1,423 | 1,159 |
| Shop inspection fees | 2 | 301 | 297 |
| Subdivision fees | 2 | 457 | 233 |
| Total fees and charges – statutory/regulatory | | 2,831 | 2,425 |
| (ii) Fees and charges – other (incl. general user charges (per s608)) | | | |
| Animal control | 2 | 9 | 5 |
| Cemeteries | 2 | 229 | 261 |
| Child care | 1 | 3,738 | 3,487 |
| Holiday parks | 2 | 15,946 | 15,928 |
| Leisure centre | 2 | 2,596 | 2,492 |
| Library | 2 | 96 | 102 |
| Newcastle Airport Partnership | 2 | 20,805 | 18,520 |
| Waste disposal tipping fees | 2 | 426 | 423 |
| Transport for NSW works (state roads not controlled by Council) | 2 | 4,371 | 4,188 |
| Parking meters | 2 | 1,326 | 903 |
| Sewerage management fees | 1 | 744 | 735 |
| Other | 2 | 1,707 | 1,636 |
| Rental income - other Council properties | 2 | 628 | 544 |
| Total fees and charges – other | | 52,621 | 49,224 |
| Total other user charges and fees | | 55,452 | 51,649 |
| Total user charges and fees | | 57,143 | 53,448 |
| Timing of revenue recognition for user charges and fees | | | |
| User charges and fees recognised over time (1) | | 4,482 | 4,221 |
| User charges and fees recognised at a point in time (2) | | 52,661 | 49,227 |
| Total user charges and fees | | 57,143 | 53,448 |

Material accounting policy information

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as holiday parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as joining fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than over the term of the licence.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B2-3 Other revenues

| \$ '000 | Timing | 2024 | 2023 |
|---|--------|--------------|--------------|
| Ex gratia rates | 2 | 97 | 122 |
| Fines – parking | 2 | 549 | 373 |
| Fines – other | 2 | 194 | 181 |
| Legal fees recovery – rates and charges (extra charges) | 2 | 106 | 86 |
| Legal fees recovery – other | 2 | 36 | 30 |
| Commissions and agency fees | 1 | 216 | 215 |
| Wage subsidies and incentives | 2 | 121 | 180 |
| Insurance claims recoveries | 2 | 263 | 197 |
| Sales – general | 1 | 285 | 246 |
| Events and promotions | 2 | 112 | 61 |
| Private works | 1 | 206 | 282 |
| Royalties - sand extraction | 2 | 2,576 | 2,704 |
| Other revenue - Newcastle Airport Partnership | 2 | 39 | 31 |
| Other | 2 | 584 | 827 |
| Total other revenue | | 5,384 | 5,535 |
| Timing of revenue recognition for other revenue | | | |
| Other revenue recognised over time (1) | | 709 | 743 |
| Other revenue recognised at a point in time (2) | | 4,675 | 4,792 |
| Total other revenue | | 5,384 | 5,535 |

Material accounting policy information for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B2-4 Grants and contributions

| \$ '000 | Timing | Operating 2024 | Operating 2023 | Capital 2024 | Capital 2023 |
|--|--------|-------------------|-------------------|-----------------|-----------------|
| General purpose grants and non-developer contributions (untied) | | | | | |
| Current year allocation | | | | | |
| Financial assistance | 2 | 332 | 1,900 | — | — |
| Payment in advance - future year allocation | | | | | |
| Financial assistance | 2 | 6,995 | 7,917 | — | — |
| Amount recognised as income during current year | | 7,327 | 9,817 | — | — |
| Special purpose grants and non-developer contributions (tied) | | | | | |
| Cash contributions | | | | | |
| Bushfire and emergency services | 2 | 1,303 | 1,038 | — | 58 |
| Child care | 1 | 493 | 404 | — | — |
| Environmental programs | 1 | 449 | 520 | — | — |
| Floodplain management | 2 | 105 | 60 | — | — |
| Heritage and cultural | 1 | 112 | 312 | — | — |
| Library | 2 | 280 | 275 | 14 | 54 |
| LIRS subsidy | 2 | 5 | 14 | — | — |
| Recreation and culture | 1 | 220 | 138 | 5,600 | 3,661 |
| Newcastle Airport Partnership | 1 | — | — | 16,737 | 1,133 |
| Youth development | 1 | 83 | 78 | — | — |
| Street lighting | 2 | 78 | 77 | — | — |
| Transport (roads to recovery) | 1 | 481 | 781 | — | — |
| Transport (other roads, bridges and drainage funding) | 1 | 3,099 | 3,056 | 7,218 | 10,311 |
| Other specific grants | 1 | 476 | 439 | 846 | 684 |
| Kerb and gutter | 2 | — | — | 36 | — |
| Natural disaster funding contributions | 2 | 1,000 | 947 | 1,542 | — |
| Recreation and culture | 2 | — | — | 52 | 310 |
| Transport for NSW contributions (regional roads, block grant) | 2 | 1,134 | 1,095 | — | — |
| Other contributions | 2 | 80 | 110 | 25 | — |
| Economic development and tourism | 2 | — | 6 | — | — |
| Risk management | 2 | 78 | 108 | — | — |
| Total special purpose grants and non-developer contributions – cash | | 9,476 | 9,458 | 32,070 | 16,211 |
| Non-cash contributions | | | | | |
| Bushfire services | 2 | — | — | 218 | — |
| Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA) | 2 | — | — | 2,766 | 7,134 |
| Total other contributions – non-cash | | — | — | 2,984 | 7,134 |
| Total special purpose grants and non-developer contributions (tied) | | 9,476 | 9,458 | 35,054 | 23,345 |
| Total grants and non-developer contributions | | 16,803 | 19,275 | 35,054 | 23,345 |

continued on next page ...

Page 18

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B2-4 Grants and contributions (continued)

| \$ '000 | Timing | Operating 2024 | Operating 2023 | Capital 2024 | Capital 2023 |
|------------------------|--------|-------------------|-------------------|-----------------|-----------------|
| Comprising: | | | | | |
| – Commonwealth funding | | 9,165 | 12,203 | 17,382 | 7,353 |
| – State funding | | 7,537 | 6,918 | 14,676 | 8,492 |
| – Other funding | | 101 | 154 | 2,996 | 7,500 |
| | | 16,803 | 19,275 | 35,054 | 23,345 |

Developer contributions

| \$ '000 | Notes | Timing | Operating 2024 | Operating 2023 | Capital 2024 | Capital 2023 |
|---|-------|--------|-------------------|-------------------|-----------------|-----------------|
| Developer contributions: | | | | | | |
| (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | | | | | | |
| G5 | | | | | | |
| Cash contributions | | | | | | |
| S 7.4 – contributions using planning agreements | | 2 | – | – | 1,250 | – |
| S 7.11 – contributions towards amenities/services | | 2 | 132 | 314 | 3,090 | 7,413 |
| S 7.12 – fixed development consent levies | | 2 | – | – | 1,386 | 1,584 |
| Haulage | | 2 | 1,032 | 1,072 | – | – |
| Total developer contributions – cash | | | 1,164 | 1,386 | 5,726 | 8,997 |
| Non-cash contributions | | | | | | |
| S 7.11 – contributions towards amenities/services | | 2 | 25 | – | – | – |
| Total developer contributions non-cash | | | 25 | – | – | – |
| Total grants and contributions | | | 17,992 | 20,661 | 40,780 | 32,342 |
| Timing of revenue recognition for grants and contributions | | | | | | |
| Grants and contributions recognised over time (1) | | | 5,411 | 5,691 | 30,501 | 15,733 |
| Grants and contributions recognised at a point in time (2) | | | 12,581 | 14,970 | 10,279 | 16,609 |
| Total grants and contributions | | | 17,992 | 20,661 | 40,780 | 32,342 |

continued on next page ...

Page 19

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B2-4 Grants and contributions (continued)

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

| \$ '000 | Operating 2024 | Operating 2023 | Capital 2024 | Capital 2023 |
|---|-------------------|-------------------|-----------------|-----------------|
| Unspent grants and contributions | | | | |
| Unspent funds at 1 July | 2,839 | 1,504 | 7,860 | 8,658 |
| Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 1,304 | 1,186 | – | – |
| Add: Capital grants received for the provision of goods and services in a future period | 3,087 | 1,659 | 4,467 | 7,859 |
| Less: Funds received in prior year but revenue recognised and funds spent in current year | (2,839) | (1,510) | (7,859) | (8,657) |
| Unspent funds at 30 June | 4,391 | 2,839 | 4,468 | 7,860 |
| Contributions | | | | |
| Unspent contributions at 1 July | 2,835 | 2,429 | 19,253 | 11,498 |
| Add: Contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 1,164 | 1,387 | 4,476 | 8,997 |
| Add: Contributions received and not recognised as revenue in the current year | 13 | 17 | 5 | 551 |
| Add: Interest | 120 | 72 | 813 | 342 |
| Less: Contributions recognised as revenue in previous years that have been spent during the reporting year | (2,420) | (1,070) | (4,841) | (2,135) |
| Unspent contributions at 30 June | 1,712 | 2,835 | 19,706 | 19,253 |

Material accounting policy information

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

continued on next page ...

Page 20

B2-4 Grants and contributions (continued)

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Developer contributions

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

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

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

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

B2-5 Interest and investment income

| \$ '000 | 2024 | 2023 |
|--|--------------|--------------|
| Interest on financial assets | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 270 | 162 |
| – Cash and investments | 4,002 | 2,561 |
| – Newcastle Airport Partnership | 508 | 458 |
| Total interest and investment income (losses) | 4,780 | 3,181 |
| Interest and investment income is attributable to: | | |
| Unrestricted investments/financial assets: | | |
| General Council cash and investments | 3,848 | 2,767 |
| Restricted investments/funds – external: | | |
| Developer contributions | | |
| – Section 7.11 | 932 | 414 |
| Total interest and investment income | 4,780 | 3,181 |

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B2-6 Other income

| \$ '000 | Notes | 2024 | 2023 |
|--|-------|--------------|--------------|
| Fair value increment on investment properties | | | |
| Fair value increment on investment properties | | 2,660 | 1,220 |
| Total fair value increment on investment properties | C1-8 | 2,660 | 1,220 |
| Rental income | | | |
| Investment properties and PPE | | | |
| Lease income (excluding variable lease payments not dependent on an index or rate) | | 2,513 | 2,685 |
| Lease income relating to variable lease payments not dependent on an index or a rate | | 174 | 264 |
| Total Investment properties | | 2,687 | 2,949 |
| Total rental income | C2-2 | 2,687 | 2,949 |
| Total other income | | 5,347 | 4,169 |

B3 Costs of providing services

B3-1 Employee benefits and on-costs

| \$ '000 | 2024 | 2023 |
|--|---------------|---------------|
| Salaries and wages | 42,762 | 38,277 |
| Salaries and wages – Newcastle Airport Partnership | 5,696 | 5,644 |
| Travel and other allowances | 3,746 | 3,472 |
| Employee Leave Entitlements (ELE) | 9,933 | 9,955 |
| Superannuation | 5,868 | 5,236 |
| Workers' compensation insurance | 1,347 | 1,872 |
| Fringe Benefits Tax (FBT) | 14 | 15 |
| Protective clothing | 127 | 167 |
| Corporate uniform | 15 | 10 |
| Employee medical assessments | 21 | 8 |
| Other | 28 | 17 |
| Total employee costs | 69,557 | 64,673 |
| Less: capitalised costs | (8,068) | (6,675) |
| Total employee costs expended | 61,489 | 57,998 |

Material accounting policy information

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.

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B3-2 Materials and services

| \$ '000 | Notes | 2024 | 2023 |
|---|-------|---------------|---------------|
| Raw materials and consumables | | 9,354 | 9,014 |
| Waste collection and disposal contract | | 5,506 | 4,868 |
| Other contractor and consultancy costs | | 22,391 | 22,199 |
| Audit fees | F2-1 | 260 | 296 |
| Councillor and Mayoral fees and associated expenses | F1-2 | 414 | 386 |
| Bank charges | | 534 | 543 |
| Electricity and heating | | 1,456 | 1,287 |
| Insurance | | 2,533 | 2,386 |
| Street lighting | | 1,206 | 1,180 |
| Telephone and communications | | 231 | 249 |
| Training costs (other than salaries and wages) | | 429 | 350 |
| Memberships | | 221 | 214 |
| Newcastle Airport Partnership | | 8,646 | 8,000 |
| Legal expenses | | 465 | 586 |
| Expenses from short-term leases | | 10 | 14 |
| Expenses from leases of low value assets | | 8 | 19 |
| Expenses from peppercorn leases | | 1 | 1 |
| Variable lease expense relating to usage | | 8,182 | 6,138 |
| Other | | 955 | 862 |
| Total materials and services | | 62,802 | 58,592 |

B3-3 Borrowing costs

(i) Interest bearing liability costs

| | | |
|---|--------------|--------------|
| Interest on leases | 107 | 112 |
| Interest on overdraft | 4 | 4 |
| Interest on loans | 582 | 630 |
| Interest - Newcastle Airport Partnership | 3,533 | 2,046 |
| Total interest bearing liability costs | 4,226 | 2,792 |
| Less: capitalised costs | — | (35) |
| Less: capitalised costs - Newcastle Airport Partnership | (1,284) | (433) |
| Total interest bearing liability costs expensed | 2,942 | 2,324 |
| Total borrowing costs expensed | 2,942 | 2,324 |

Material accounting policy information

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 as incurred.

B3-4 Depreciation, amortisation and impairment of non-financial assets

| \$ '000 | Notes | 2024 | 2023 Restated |
|---|-------|---------------|------------------|
| Depreciation and amortisation | | | |
| Plant and equipment | | 1,586 | 1,448 |
| Office equipment | | 311 | 247 |
| Furniture and fittings | | 30 | 34 |
| Land improvements (depreciable) | | 95 | 95 |
| Infrastructure: | C1-7 | | |
| – Buildings | | 3,649 | 4,474 |
| – Other structures | | 582 | 574 |
| – Roads | | 5,776 | 4,212 |
| – Bridges | | 70 | 62 |
| – Footpaths | | 492 | 423 |
| – Car parks | | 143 | 135 |
| – Stormwater drainage | | 759 | 802 |
| – Swimming pools | | 113 | 111 |
| – Other open space | | 1,905 | 1,755 |
| – Other infrastructure | | 678 | 676 |
| Right of use assets | C2-1 | 938 | 902 |
| Other assets: | | | |
| – Heritage collections | | 2 | 2 |
| – Library books | | 319 | 366 |
| – Newcastle Airport Partnership | | 3,455 | 2,783 |
| Intangible assets | C1-9 | 204 | 228 |
| Total depreciation, amortisation and impairment for non-financial assets | | 21,107 | 19,329 |

Material accounting policy information

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. For civil infrastructure assets depreciation is calculated using the estimated useful life and then adjusted periodically by taking into consideration the condition and the level of remaining service potential of the individual asset.

Impairment of non-financial assets

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

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

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

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

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B3-5 Other expenses

| \$ '000 | Notes | 2024 | 2023 |
|--|-------|--------------|--------------|
| Impairment of receivables | | | |
| Other | | 137 | 11 |
| Total impairment of receivables | C1-4 | 137 | 11 |
| Other | | | |
| Contributions/levies to other levels of government | | | |
| – Emergency services levy | | 1,299 | 1,104 |
| – Waste levy | | 4,553 | 4,905 |
| – Lands department levy (holiday parks) | | 529 | 510 |
| Donations, contributions and assistance to other organisations (Section 356) | | 825 | 830 |
| Total other | | 7,206 | 7,349 |
| Total other expenses | | 7,343 | 7,360 |

B4 Gains or losses
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

| \$ '000 | Notes | 2024 | 2023 |
|--|-----------|----------------|----------------|
| Disposal of Infrastructure, Property, Plant & Equipment (excl. investment property) | | | |
| | C1-8 | | |
| Proceeds from disposal – property | | 626 | 548 |
| Less: carrying amount of property assets sold/written off | | (1,663) | (6,252) |
| Gain (or loss) on disposal | | (1,037) | (5,704) |
| Newcastle Airport Partnership | | | |
| | C1-7 | | |
| Proceeds from disposal – infrastructure | | – | 1 |
| Less: carrying amount of infrastructure assets sold/written off | | (2,870) | (74) |
| Gain (or loss) on disposal | | (2,870) | (73) |
| Gain (or loss) on disposal of investment property | | | |
| | C1-8 | | |
| Proceeds from disposal – investment property | | – | 15,371 |
| Less: carrying amount of investment property sold/written off | | – | (14,875) |
| Gain (or loss) on disposal | | – | 496 |
| Gain (or loss) on disposal of cash and investments | | | |
| | C1-1,C1-2 | | |
| Proceeds from disposal/redemptions/maturities – cash and investments | | 115,379 | 70,031 |
| Less: carrying amount of cash and investments sold/redeemed | | (115,351) | (70,031) |
| Gain (or loss) on disposal | | 28 | – |
| Gain (or loss) on disposal of non-current assets classified as 'held for sale' | | | |
| | | | |
| Proceeds from disposal – non-current assets 'held for sale' | | – | 4,684 |
| Less: carrying amount of 'held for sale' assets sold/written off | | – | (1,118) |
| Gain (or loss) on disposal | | – | 3,566 |
| Net gain (or loss) from disposal of assets | | (3,879) | (1,715) |

Page 25

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B5 Performance against budget**B5-1 Material budget variations**

Council's original budget was adopted by the Council on 27 June 2023 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

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

| \$ '000 | 2024 Budget | 2024 Actual | 2024 ----- Variance ----- | |
|---|----------------|----------------|------------------------------|---------------|
| Revenues | | | | |
| Rates and annual charges | 75,284 | 75,064 | (220) | 0% U |
| User charges and fees | 60,216 | 57,143 | (3,073) | (5)% U |
| Other revenues | 4,343 | 5,384 | 1,041 | 24% F |
| Other revenues exceeded the original budget due to royalties surpassing original forecasts. | | | | |
| Operating grants and contributions | 13,458 | 17,992 | 4,534 | 34% F |
| Council budgets for operating grants and contributions once they are confirmed. During the year Council received confirmation of new grants and contributions relating to roads and sporting facilities. The new grants and contributions are reflected in subsequent quarterly budget revisions. | | | | |
| Capital grants and contributions | 30,294 | 40,780 | 10,486 | 35% F |
| Capital grants and contributions exceeded the original budget due to increased contributions, and increased capital grant income recognised for the Newcastle Airport Partnership. Council only budgets for competitive grants and contributions when they are confirmed. | | | | |
| Interest and investment revenue | 2,263 | 4,780 | 2,517 | 111% F |
| Interest income exceeded the original budget due to successive increases in the official cash rate by the RBA as a result of inflationary pressures from economic recovery. | | | | |
| Other income | 4,171 | 5,347 | 1,176 | 28% F |
| Other income exceeded budget due to an increase in the fair value of investment properties. | | | | |
| Expenses | | | | |
| Employee benefits and on-costs | 58,713 | 61,489 | (2,776) | (5)% U |
| Materials and services | 65,366 | 62,802 | 2,564 | 4% F |
| Borrowing costs | 3,574 | 2,942 | 632 | 18% F |

The draw down on loans was lower than forecasted due to delays in construction funded through external borrowings.

continued on next page ...

Page 26

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

B5-1 Material budget variations (continued)

| \$ '000 | 2024 Budget | 2024 Actual | 2024 ----- Variance ----- | |
|---|----------------|----------------|------------------------------|---------|
| Depreciation, amortisation and impairment of non-financial assets | 20,529 | 21,107 | (578) | (3)% U |
| Other expenses | 6,453 | 7,343 | (890) | (14)% U |

Other expenses exceeded budget due to higher than expected waste levy contributions from domestic waste.

| | | | | |
|------------------------------------|-------|-------|---------|----------|
| Net losses from disposal of assets | (250) | 3,879 | (4,129) | 1,652% U |
|------------------------------------|-------|-------|---------|----------|

Net loss on disposal is as a result of the rehabilitation of civil infrastructure assets such as roads from the capital works program. This is a non cash item and due to its unpredictability it is impracticable to budget.

Statement of cash flows

| | | | | |
|--------------------------------------|----------|----------|---------|-------|
| Cash flows from operating activities | 53,990 | 57,435 | 3,445 | 6% F |
| Cash flows from investing activities | (52,243) | (60,592) | (8,349) | 16% U |

Cash flows from investing activities exceeded budget due to infrastructure projects being added to the capital works program as a result of new capital grants and contributions.

| | | | | |
|--------------------------------------|--------|--------|---------|---------|
| Cash flows from financing activities | 12,975 | 11,339 | (1,636) | (13)% U |
|--------------------------------------|--------|--------|---------|---------|

Decrease in net cash inflows from financing is reflective of reduced proceeds from borrowings and increased principal payments on leases. The reduced proceeds from borrowings has arisen due to delays in capital works for the Newcastle Airport Partnership.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C Financial position
C1 Assets we manage
C1-1 Cash and cash equivalents

| \$ '000 | 2024 | 2023 |
|--|---------------|---------------|
| Cash assets | | |
| Cash on hand and at bank | 10,575 | 7,552 |
| Cash on hand and at bank - Newcastle Airport Partnership | 14,405 | 8,720 |
| Cash equivalent assets | | |
| – Short-term deposits | – | 526 |
| Total cash and cash equivalents | 24,980 | 16,798 |

C1-2 Financial investments & derivatives

| \$ '000 | 2024 Current | 2024 Non-current | 2023 Current | 2023 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Financial assets at amortised cost | | | | |
| Long term deposits | 42,000 | 19,160 | 53,650 | 29,154 |
| Total | 42,000 | 19,160 | 53,650 | 29,154 |
| Derivatives | | | | |
| Interest rate swap contract - cash flow hedge - Newcastle Airport Partnership | – | 893 | – | 996 |
| Total | – | 893 | – | 996 |
| Total financial investments and derivatives | 42,000 | 20,053 | 53,650 | 30,150 |
| Total cash assets, cash equivalents, investments and derivatives | 66,980 | 20,053 | 70,448 | 30,150 |

Derivatives - instruments used

Newcastle Airport Partnership holds derivative financial instruments in the form of interest rate swaps. These interest rate swaps are designated to be in a 100% hedge relationship against Newcastle Airport Partnership's exposure to increases in interest rates for borrowings.

| \$ '000 | 2024 | 2023 |
|---|-------------------------|------------------|
| Hedge relationship | Cash flow hedges | Cash flow hedges |
| Instrument type | AUD IRS | AUD IRS |
| Notional amount | 55,000 | 30,000 |
| Weighted average hedged rate | 3.799% | 3.518% |
| Hedge ratio | 1:1 | 1:1 |
| At reporting date | | |
| Carrying amount of hedging instruments – Assets | 893 | 996 |
| Balances deferred in OCI (Hedge Reserves) | (874) | (996) |

continued on next page ...

Page 28

C1-2 Financial investments & derivatives (continued)

| \$ '000 | 2024 | 2023 |
|--|------------------|------------------|
| | Cash flow hedges | Cash flow hedges |
| During the period | | |
| Change in fair value of hedging instruments | (103) | 996 |
| Change in value of hedged item used to determine hedge effectiveness | 117 | (1,106) |
| Changes in the value of the hedging instrument recognised in OCI | (122) | 996 |
| Hedge ineffectiveness recognised in profit or loss | (19) | - |

Hedge accounting

On initial designation of a derivative as a hedging instrument, Newcastle Airport Partnership documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy for undertaking the hedge transaction.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in profit or loss. When Newcastle Airport Partnership designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, all hedges are classified as cash flow hedges.

The hedge ratio is one, due to the notional value of the hedged item equating to the notional value of the hedging instrument.

Cash flow hedges

Newcastle Airport Partnership's interest rate swaps are accounted for as cash flow hedges. They are used to hedge exposure to variability in forecast cash flows where the transaction is committed or highly probable. Initial recognition of the derivative is at fair value. Subsequent to initial recognition, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss.

If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are not expected to occur anymore.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as above.

Accounting policy - financial Investments

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

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

continued on next page ...

Page 29

C1-2 Financial investments & derivatives (continued)

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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

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

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C1-3 Restricted and allocated cash, cash equivalents and investments

| \$ '000 | 2024 | 2023 |
|---------|------|------|
|---------|------|------|

(a) Externally restricted cash,
cash equivalents and
investments

| | | |
|---|---------------|---------|
| Total cash, cash equivalents and investments | 87,033 | 100,598 |
|---|---------------|---------|

| | | |
|--|-----------------|----------|
| Less: Externally restricted cash, cash equivalents and investments | (44,250) | (46,053) |
|--|-----------------|----------|

| | | |
|--|---------------|--------|
| Cash, cash equivalents and investments not subject to external restrictions | 42,783 | 54,545 |
|--|---------------|--------|

External restrictions**External restrictions – included in liabilities**

External restrictions included in cash, cash equivalents and investments above comprise:

| | | |
|--|--------------|--------|
| Deposits, retentions and bonds | 1,204 | 1,429 |
| Specific purpose unexpended grants - AASB 1058 (exception & AASB 15) | 5,890 | 8,955 |
| External restrictions – included in liabilities | 7,094 | 10,384 |

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

| | | |
|---|---------------|--------|
| Developer contributions – general | 22,610 | 22,089 |
| Specific purpose unexpended grants (recognised as revenue) – general fund | 2,969 | 1,744 |
| Domestic waste management | 6,450 | 5,905 |
| Crown reserve | 5,127 | 5,931 |
| External restrictions – other | 37,156 | 35,669 |
| Total external restrictions | 44,250 | 46,053 |

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

| \$ '000 | 2024 | 2023 |
|---------|------|------|
|---------|------|------|

(b) Internal allocations

| | | |
|--|---------------|--------|
| Cash, cash equivalents and investments not subject to external restrictions | 42,783 | 54,545 |
|--|---------------|--------|

| | | |
|--|-----------------|----------|
| Less: Internally restricted cash, cash equivalents and investments | (42,783) | (54,545) |
|--|-----------------|----------|

Internal allocations

At 30 June, Council has internally allocated funds to the following:

| | | |
|--------------------------------------|---------------|--------|
| Asset rehabilitation | 1,624 | 2,002 |
| Commercial properties | 3,305 | 19,957 |
| Federal Assistance Grant in advance | 4,026 | 3,369 |
| Fleet | 1,168 | 2,304 |
| Newcastle Airport Partnership | 15,299 | 9,716 |
| Other waste services reserve | – | 156 |
| Parking meters | 621 | 398 |
| Section 355C committees | 647 | 658 |
| IT Reserve | 1,715 | 1,500 |
| Emergency & Natural Disaster reserve | 4,868 | 5,119 |
| Repealed funds | 1,783 | 2,455 |
| Transport and Environment Reserve | 221 | 587 |
| Administration building reserve | 172 | 550 |
| Grants co-contribution | 1,432 | 586 |

continued on next page ...

Page 31

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

| \$ '000 | 2024 | 2023 |
|-----------------------------------|---------------|---------------|
| Ward funds | 25 | 29 |
| Resilience fund | 3,000 | 3,000 |
| Community halls | 79 | 69 |
| Drainage | 1,072 | 490 |
| Election | 500 | 358 |
| Employee leave entitlements | 1,000 | 1,000 |
| Sustainable energy and water | 26 | 42 |
| Community loans | 200 | 200 |
| Total internal allocations | 42,783 | 54,545 |

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

C1-4 Receivables

| \$ '000 | 2024 Current | 2024 Non-current | 2023 Current | 2023 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Rates and annual charges | 3,147 | – | 2,823 | – |
| Interest and extra charges | 345 | – | 281 | – |
| User charges and fees | 497 | – | 305 | – |
| Miscellaneous debtors | 563 | – | 1,590 | – |
| Contributions to works | 33 | – | 19 | – |
| Accrued revenues | | | | |
| – Interest on investments | 1,760 | – | 1,123 | – |
| – Other income accruals | 2,320 | – | 1,899 | – |
| Government grants and subsidies | 52 | – | 28 | – |
| Net GST receivable | 770 | – | 908 | – |
| Newcastle Airport Partnership | 2,304 | – | 2,394 | – |
| Other debtors | – | 142 | – | 140 |
| Total | 11,791 | 142 | 11,370 | 140 |
| Less: provision for impairment | | | | |
| User charges and fees | (16) | – | (3) | – |
| Newcastle Airport Partnership debtors | (110) | – | – | – |
| Total provision for impairment – receivables | (126) | – | (3) | – |
| Total net receivables | 11,665 | 142 | 11,367 | 140 |

continued on next page ...

Page 32

C1-4 Receivables (continued)

| \$ '000 | 2024 | 2023 |
|--|------------|----------|
| Movement in provision for impairment of receivables | | |
| Balance at the beginning of the year | 3 | 3 |
| + new provisions recognised during the year | 137 | 3 |
| – amounts already provided for and written off this year | – | (2) |
| – amounts provided for this year and written off this year | (14) | (1) |
| – amounts provided for but recovered during the year | – | – |
| Balance at the end of the year | 126 | 3 |

Material accounting policy information

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

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

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

Impairment

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information. Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are deemed uncollectable, whichever occurs first. None of the receivables that have been written off are subject to enforcement activity.

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

Rates and annual charges outstanding are secured against the property.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C1-5 Inventories

| \$ '000 | 2024 Current | 2024 Non-current | 2023 Current | 2023 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| At cost | | | | |
| Real estate development - land held for resale | – | 10,097 | 46 | 9,903 |
| Stores and materials | 277 | – | 168 | – |
| Total inventories at cost | 277 | 10,097 | 214 | 9,903 |
| Total inventories | 277 | 10,097 | 214 | 9,903 |

| \$ '000 | 2024 Current | 2024 Non-current | 2023 Current | 2023 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Real estate development - land held for resale | | | | |
| Residential | – | 2,419 | – | 2,370 |
| Industrial/commercial | – | 7,678 | 46 | 7,533 |
| Total real estate development - land held for resale | – | 10,097 | 46 | 9,903 |

Material accounting policy information

Raw materials and stores, work in progress and finished goods

Raw materials and stores are classified as inventories held for distribution and are stated at cost, adjusted when applicable for any loss of service potential. Work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for resale

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.

C1-6 Contract assets and Contract cost assets

| \$ '000 | 2024 Current | 2024 Non-current | 2023 Current | 2023 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Contract assets | 7,929 | – | 3,547 | – |
| Total contract assets and contract cost assets | 7,929 | – | 3,547 | – |

Contract assets

| | | | | |
|--|--------------|----------|--------------|----------|
| Work relating to infrastructure grants | 1,568 | – | 2,414 | – |
| Work relating to infrastructure grants - Newcastle Airport Partnership | 6,361 | – | 1,133 | – |
| Total contract assets | 7,929 | – | 3,547 | – |

Page 34

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C1-7 Infrastructure, property, plant and equipment

| By aggregated asset class | At 1 July 2023 | | | Asset movements during the reporting period | | | | | | At 30 June 2024 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|-----------|---|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | Transfers | Reval increments/ (decrement) to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | Restated | Restated | Restated | | | | | | | | | |
| Capital work in progress | 31,025 | – | 31,025 | 15,684 | 2,010 | (182) | – | (20,412) | – | 28,126 | – | 28,126 |
| Plant and equipment | 27,939 | (18,434) | 9,505 | 195 | 3,037 | (456) | (1,586) | 529 | – | 30,244 | (19,020) | 11,224 |
| Office equipment | 3,959 | (3,233) | 726 | 1,115 | 118 | – | (311) | – | – | 5,192 | (3,543) | 1,649 |
| Furniture and fittings | 1,712 | (1,208) | 504 | 53 | – | – | (30) | – | – | 1,764 | (1,237) | 527 |
| Land: | | | | | | | | | | | | |
| – Operational land | 77,170 | (271) | 76,899 | 3 | 1,061 | (573) | – | – | – | 77,661 | (271) | 77,390 |
| – Community land | 48,498 | – | 48,498 | – | – | – | – | – | – | 48,498 | – | 48,498 |
| – Crown land | 31,337 | – | 31,337 | – | – | – | – | – | – | 31,337 | – | 31,337 |
| – Land under roads (post 1/7/08) | 4,810 | – | 4,810 | – | 207 | – | – | – | 40 | 5,057 | – | 5,057 |
| – Newcastle Airport Partnership | 82,500 | – | 82,500 | – | – | – | – | 129 | 10,371 | 93,000 | – | 93,000 |
| Land improvements – depreciable | 10,739 | (2,753) | 7,986 | – | – | – | (95) | – | – | 10,739 | (2,848) | 7,891 |
| Infrastructure: | | | | | | | | | | | | |
| – Buildings | 232,641 | (65,743) | 166,898 | 2,027 | 3,488 | – | (3,649) | 10,816 | – | 248,972 | (69,392) | 179,580 |
| – Other structures | 14,553 | (6,618) | 7,935 | 357 | 193 | – | (582) | 2 | – | 15,105 | (7,200) | 7,905 |
| – Roads | 518,131 | (82,551) | 435,580 | 6,380 | 5,595 | (107) | (5,776) | 7,825 | 4,365 | 562,289 | (108,427) | 453,862 |
| – Bridges | 18,418 | (2,570) | 15,848 | 558 | – | – | (70) | – | 3,962 | 22,484 | (2,186) | 20,298 |
| – Footpaths | 87,177 | (13,400) | 73,777 | 274 | 10 | (21) | (492) | 277 | 4,459 | 93,083 | (14,798) | 78,285 |
| – Car parks | 19,860 | (2,912) | 16,948 | 21 | – | – | (143) | – | 861 | 20,925 | (3,240) | 17,685 |
| – Stormwater drainage | 280,431 | (33,260) | 247,171 | 315 | 842 | – | (759) | 893 | 33,882 | 309,155 | (26,811) | 282,344 |
| – Swimming pools | 4,949 | (1,374) | 3,575 | – | 23 | – | (113) | – | – | 4,972 | (1,487) | 3,485 |
| – Other open space | 40,133 | (17,412) | 22,721 | 2,489 | – | (322) | (1,905) | 70 | 11,074 | 50,678 | (16,551) | 34,127 |
| – Other infrastructure | 22,001 | (8,526) | 13,475 | 83 | – | – | (678) | – | – | 22,084 | (9,204) | 12,880 |
| Other assets: | | | | | | | | | | | | |
| – Heritage collections | 237 | (84) | 153 | – | – | – | (2) | – | – | 237 | (86) | 151 |
| – Library books | 6,446 | (4,685) | 1,761 | – | 233 | – | (319) | – | – | 6,678 | (5,003) | 1,675 |
| – Newcastle Airport Partnership | 90,802 | (18,747) | 72,055 | – | 25,688 | (2,870) | (3,455) | (129) | 4,750 | 118,132 | (22,088) | 96,044 |
| Total infrastructure, property, plant and equipment | 1,655,468 | (283,781) | 1,371,687 | 29,554 | 42,505 | (4,531) | (19,965) | – | 73,764 | 1,806,412 | (313,392) | 1,493,020 |

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

continued on next page ...

Page 35

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C1-7 Infrastructure, property, plant and equipment (continued)

| By aggregated asset class | At 1 July 2022 | | | Asset movements during the reporting period | | | | | | | | At 30 June 2023 | | |
|--|--------------------------------------|--|---------------------------------------|---|-------------------------|-----------------------------------|---------------------------------------|-----------|---|--|---|--------------------------------------|--|---------------------------------------|
| | Gross carrying amount Restated | Accumulated depreciation and impairment Restated | Net carrying amount Restated | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Deprecia- tion expense Restated | Transfers | Tfrs from/(to) 'held for sale' category | Tfrs from/(to) real estate assets (Note C1-5) | Revaluation increments / (decrements) to equity (ARR) Restated | Gross carrying amount Restated | Accumulated depreciation and impairment Restated | Net carrying amount Restated |
| \$ '000 | | | | | | | | | | | | | | |
| Capital work in progress | 19,116 | – | 19,116 | 10,183 | 10,046 | (135) | – | (8,184) | – | – | – | 31,025 | – | 31,025 |
| Plant and equipment | 27,209 | (17,993) | 9,216 | 352 | 1,622 | (248) | (1,448) | 8 | – | – | – | 27,939 | (18,434) | 9,505 |
| Office equipment | 3,789 | (2,985) | 804 | 170 | – | – | (247) | – | – | – | – | 3,959 | (3,233) | 726 |
| Furniture and fittings | 1,712 | (1,173) | 539 | – | – | – | (34) | – | – | – | – | 1,712 | (1,208) | 504 |
| Land: | | | | | | | | | | | | | | |
| – Operational land | 74,699 | (271) | 74,428 | 2 | – | – | – | – | – | 730 | 1,740 | 77,170 | (271) | 76,899 |
| – Community land | 48,178 | – | 48,178 | – | 320 | – | – | – | – | – | – | 48,498 | – | 48,498 |
| – Crown land | 31,337 | – | 31,337 | – | – | – | – | – | – | – | – | 31,337 | – | 31,337 |
| – Land under roads (post 1/7/08) | 2,533 | – | 2,533 | – | 120 | – | – | – | – | – | 2,157 | 4,810 | – | 4,810 |
| Land improvements – depreciable | 10,719 | (2,658) | 8,061 | 20 | – | – | (95) | – | – | – | – | 10,739 | (2,753) | 7,986 |
| – Newcastle Airport Partnership | 69,728 | – | 69,728 | – | – | – | – | (7,228) | – | – | 20,000 | 82,500 | – | 82,500 |
| Infrastructure: | | | | | | | | | | | | | | |
| – Buildings | 224,570 | (105,206) | 119,364 | 2,642 | 174 | (3,854) | (4,474) | 385 | – | – | 52,660 | 232,641 | (65,743) | 166,898 |
| – Other structures | 14,618 | (6,129) | 8,489 | 47 | 42 | (136) | (574) | 67 | – | – | – | 14,553 | (6,618) | 7,935 |
| – Roads | 478,525 | (60,067) | 418,458 | 9,175 | 3,201 | (1,796) | (4,212) | 5,676 | – | – | 5,078 | 518,131 | (82,551) | 435,580 |
| – Bridges | 17,376 | (2,355) | 15,021 | 15 | – | – | (62) | – | – | – | 874 | 18,418 | (2,570) | 15,848 |
| – Footpaths | 77,553 | (11,899) | 65,654 | 609 | 991 | (52) | (423) | 1,072 | – | – | 5,927 | 87,177 | (13,400) | 73,777 |
| – Stormwater drainage | 259,855 | (30,153) | 229,702 | 741 | 2,398 | (31) | (802) | 430 | – | – | 14,734 | 280,431 | (33,260) | 247,171 |
| – Swimming pools | 4,946 | (1,263) | 3,683 | 3 | – | – | (111) | – | – | – | – | 4,949 | (1,374) | 3,575 |
| – Other open space | 37,585 | (15,629) | 21,956 | 2,258 | 71 | – | (1,755) | 190 | – | – | – | 40,133 | (17,412) | 22,721 |
| – Other infrastructure | 21,929 | (7,850) | 14,079 | 72 | – | – | (676) | – | – | – | – | 22,001 | (8,526) | 13,475 |
| – Car parks | 18,415 | (2,582) | 15,833 | – | – | – | (135) | 356 | – | – | 893 | 19,860 | (2,912) | 16,948 |
| Other assets: | | | | | | | | | | | | | | |
| – Heritage collections | 237 | (82) | 155 | – | – | – | (2) | – | – | – | – | 237 | (84) | 153 |
| – Library books | 6,191 | (4,318) | 1,873 | – | 254 | – | (366) | – | – | – | – | 6,446 | (4,685) | 1,761 |
| – Newcastle Airport Partnership | 62,085 | (15,741) | 46,344 | – | 18,563 | (74) | (2,783) | 7,228 | (245) | – | 3,021 | 90,802 | (18,747) | 72,055 |
| Total infrastructure, property, plant and equipment | 1,512,905 | (288,354) | 1,224,551 | 26,289 | 37,802 | (6,326) | (18,199) | – | (245) | 730 | 107,084 | 1,655,468 | (283,781) | 1,371,687 |

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

continued on next page ...

Page 36

C1-7 Infrastructure, property, plant and equipment (continued)

Material accounting policy information

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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.

Useful lives of IPPE

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. For civil infrastructure assets depreciation is calculated using the estimated useful life and then adjusted periodically by taking into consideration the condition and the level of remaining service potential of the individual asset. The useful lives are as follows:

| Plant and equipment | Years | Other equipment | Years |
|-----------------------------------|--------------|--------------------------------------|--------------|
| Office equipment | 5 to 10 | Playground equipment | 20 |
| Office furniture | 10 to 20 | Benches, seats etc. | 25 |
| Computer equipment | 4 | | |
| Vehicles | 5 to 8 | Buildings | |
| Heavy plant/road making equipment | 5 to 8 | Buildings | 10 to 145 |
| Other plant and equipment | 5 to 15 | | |
| | | Stormwater assets | |
| Transportation assets | | Drains | 80 to 100 |
| Sealed roads | | Culverts | 50 to 80 |
| - Base | 50 | Flood control structures | 80 to 100 |
| - Seal | 15 to 25 | | |
| - Sub-base | 100 | Other infrastructure assets | |
| Unsealed roads | 100 | Bulk earthworks | 20 |
| Bridge concrete | 100 | Swimming pools | 50 |
| Bridge other | 60 to 100 | Other open space/recreational assets | 20 |
| Kerb, gutter and footpaths | 80 | Other infrastructure | 20 |
| | | Airport apron | 60 |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every five years, valuations include taking into consideration the physical condition of assets, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

continued on next page ...

Page 37

C1-7 Infrastructure, property, plant and equipment (continued)**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.

Crown reserves

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

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

Rural Fire Service assets

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

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

C1-8 Investment properties

| \$ '000 | 2024 | 2023 |
|---------|------|------|
|---------|------|------|

Owned investment property

| | | |
|---|--------|--------|
| Investment property on hand at fair value | 44,315 | 28,000 |
|---|--------|--------|

Total owned investment property

| | |
|--------|--------|
| 44,315 | 28,000 |
|--------|--------|

Owned investment property**At fair value**

| | | |
|---------------------------|--------|--------|
| Opening balance at 1 July | 28,000 | 41,655 |
|---------------------------|--------|--------|

| | | |
|--------------|--------|---|
| Acquisitions | 13,655 | — |
|--------------|--------|---|

| | | |
|-----------------------|---|----------|
| Disposals during year | — | (14,875) |
|-----------------------|---|----------|

| | | |
|---|-------|-------|
| Net gain/(loss) from fair value adjustments | 2,660 | 1,220 |
|---|-------|-------|

Closing balance at 30 June

| | |
|--------|--------|
| 44,315 | 28,000 |
|--------|--------|

Material accounting policy information

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

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C1-9 Intangible assets

Intangible assets are as follows:

| \$ '000 | 2024 | 2023 |
|--|--------------|--------------|
| Software | | |
| Opening values at 1 July | | |
| Gross book value | 3,778 | 3,765 |
| Accumulated amortisation | (3,577) | (3,470) |
| Net book value – opening balance | 201 | 295 |
| Movements for the year | | |
| Purchases | 10 | 13 |
| Amortisation charges | (88) | (107) |
| Closing values at 30 June | | |
| Gross book value | 3,788 | 3,778 |
| Accumulated amortisation | (3,665) | (3,577) |
| Total Intangibles– net book value | 123 | 201 |
| Right to Operate | | |
| Opening values at 1 July | | |
| Gross book value | 2,117 | 1,872 |
| Accumulated amortisation | (533) | (412) |
| Net book value – opening balance | 1,584 | 1,460 |
| Movements for the year | | |
| Transfers | – | 245 |
| Amortisation Charges | (115) | (121) |
| Closing values at 30 June | | |
| Gross book value | 2,117 | 2,117 |
| Accumulated amortisation | (648) | (533) |
| Total Right to Operate – net book value | 1,469 | 1,584 |
| Bio Banking Credits | | |
| Opening values at 1 July | | |
| Gross book value | 2,243 | 2,243 |
| Net book value – opening balance | 2,243 | 2,243 |
| Movements for the year | | |
| Revaluation | 2,731 | – |
| Closing values at 30 June | | |
| Gross book value | 4,974 | 2,243 |
| Total BioBanking Credits – net book value | 4,974 | 2,243 |
| Total intangible assets – net book value | 6,566 | 4,028 |

continued on next page ...

Page 39

C1-9 Intangible assets (continued)

Material accounting policy information**IT development and software**

Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

Right to Operate

Fit out costs incurred for the international processing area within the terminal required by the Department of Home Affairs for border security activities required for international flights represents Newcastle Airport Partnership's contractual / legal right to operate international airport services, and is recognised at cost as an intangible asset.

Bio Banking Credits

Bio banking credits are held at fair value. The carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Increases in the carrying amounts arising on revaluation are credited to the revaluation reserve. 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.

Bio Banking credits are not depreciated as they are deemed to have indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Council. They will exist in perpetuity.

C2 Leasing activities**C2-1 Council as a lessee**

Council has leases over a range of assets including land, vehicles, carparks and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases:**Plant and equipment**

Council leases vehicles and equipment with lease terms varying from 5 to 10 years and include a renewal option to allow Council to renew for another year at their discretion. The lease contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 2 and 3 years with a renewal option of another 3 years, the payments are fixed, however some of the leases include variable payments based on usage.

Other assets - Other

Council leases car parks with lease term of 3 years and include an option to allow Council to renew for another two years at their discretion. The lease contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Land

Council leases land for their holiday park, with a lease term of 40 years and no renewal option. The lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Newcastle Airport Partnership leases land with a lease term of 81 years and includes 3 renewal options to allow the Airport to renew for another 30 years at their discretion. There are fixed lease payments as well as variable lease payments, the fixed payments increase by CPI at each anniversary of the lease inception and the variable payment is based on a percentage of revenue.

Extension options

Council includes options in some of the leases to provide flexibility and certainty to operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

continued on next page ...

Page 41

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C2-1 Council as a lessee (continued)
(a) Right of use assets

| \$ '000 | Plant & Equipment | Newcastle Airport Partnership | Office equipment | Other assets - Other | Land - Operational Land | Total |
|---|-------------------|-------------------------------|------------------|----------------------|-------------------------|--------------|
| 2024 | | | | | | |
| Opening balance at 1 July | 1,583 | 347 | 345 | 453 | 371 | 3,099 |
| Adjustments to right-of-use assets due to re-measurement of lease liability | – | 24 | – | (30) | 162 | 156 |
| Depreciation charge | (529) | (4) | (191) | (119) | (95) | (938) |
| Balance at 30 June | 1,054 | 366 | 154 | 304 | 438 | 2,316 |
| 2023 | | | | | | |
| Opening balance at 1 July | 2,111 | 333 | 103 | 131 | 382 | 3,060 |
| Additions to right-of-use assets | – | – | 425 | 443 | – | 868 |
| Adjustments to right-of-use assets due to re-measurement of lease liability | – | 18 | 3 | (4) | 54 | 71 |
| Depreciation charge | (528) | (4) | (187) | (117) | (65) | (901) |
| Balance at 30 June | 1,583 | 347 | 345 | 453 | 371 | 3,099 |

(b) Lease liabilities

| \$ '000 | 2024 Current | 2024 Non-current | 2023 Current | 2023 Non-current |
|---|--------------|------------------|--------------|------------------|
| Lease liabilities | 943 | 1,243 | 915 | 2,078 |
| Lease liabilities - Newcastle Airport Partnership | 15 | 378 | 1 | 368 |
| Total lease liabilities | 958 | 1,621 | 916 | 2,446 |

(c) (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows and therefore the amounts will not be the same as the recognised lease liability in the statement of Financial Position:

| \$ '000 | < 1 year | 1 – 5 years | > 5 years | Total | Total per Statement of Financial Position |
|-------------|----------|-------------|-----------|-------|---|
| 2024 | | | | | |
| Cash flows | 1,018 | 1,365 | 1,261 | 3,644 | 2,579 |
| 2023 | | | | | |
| Cash flows | 1,012 | 2,140 | 1,276 | 4,428 | 3,362 |

continued on next page ...

Page 42

C2-1 Council as a lessee (continued)

(d) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

| \$ '000 | 2024 | 2023 |
|---|--------------|--------------|
| Interest on lease liabilities | 107 | 112 |
| Variable lease payments based on usage not included in the measurement of lease liabilities | 8,182 | 6,138 |
| Depreciation of right of use assets | 938 | 902 |
| Expenses relating to short-term leases | 10 | 14 |
| Expenses relating to leases of low-value assets | 8 | 19 |
| Expenses relating to peppercorn leases | 1 | 1 |
| | 9,247 | 7,187 |

(e) Statement of Cash Flows

| | | |
|-------------------------------|--------------|--------------|
| Total cash outflow for leases | 9,245 | 7,158 |
| | 9,245 | 7,158 |

(f) Leases at significantly below market value – concessionary / peppercorn leases

Council has a lease at significantly below market for land and buildings which is used to provide emergency facilities.

The lease is for 5 years that require payment of \$1,000 per year and include a renewal option to allow Council to renew for up to twice the non-cancellable lease term at their discretion. The lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that the lease in place is material from a statement of financial position or performance perspective.

Material accounting policy information

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-9)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-8).

| \$ '000 | 2024 | 2023 |
|---------|------|------|
|---------|------|------|

(i) Assets held as investment property

Investment property operating leases relate to the assets held predominately for rental purposes.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below

| | | |
|--|--------------|--------------|
| Lease income (excluding variable lease payments not dependent on an index or rate) | 2,135 | 2,331 |
| Lease income relating to variable lease payments not dependent on an index or a rate | 174 | 264 |
| Total income relating to operating leases for investment property assets | 2,309 | 2,595 |

Operating lease expenses

| | | |
|--|------------|------------|
| Direct operating expenses that generated rental income | 349 | 435 |
| Total expenses relating to operating leases | 349 | 435 |

Repairs and maintenance: investment property

| | | |
|--|------------|-----------|
| Contractual obligations for future repairs and maintenance | 143 | 81 |
| Total repairs and maintenance: investment property | 143 | 81 |

continued on next page ...

Page 44

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C2-2 Council as a lessor (continued)

| \$ '000 | 2024 | 2023 |
|---------|------|------|
|---------|------|------|

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of service delivery objectives, the table below relates to operating leases on assets disclosed in C1-8.

Lease income (excluding variable lease payments not dependent on an index or rate)

| | | |
|--|-----|-----|
| | 378 | 354 |
|--|-----|-----|

| | | |
|---|------------|------------|
| Total income relating to operating leases for Council assets | 378 | 354 |
|---|------------|------------|

Amount of IPPE leased out by Council under operating leases

| | | |
|--|---------------|---------------|
| Buildings | 10,316 | 10,508 |
| Furniture and Fittings | 19 | 30 |
| Land - Council Land | 6,835 | 6,835 |
| Open Space Other | 241 | 156 |
| Other Assets - Carpark | 184 | 184 |
| Other Structures | 395 | 396 |
| Total amount of IPPE leased out by Council under operating leases | 17,990 | 18,109 |

(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

| | | |
|---|--------------|--------------|
| < 1 year | 1,873 | 1,993 |
| 1-2 years | 1,381 | 831 |
| 2-3 years | 1,056 | 547 |
| 3-4 years | 873 | 465 |
| 4-5 years | 769 | 440 |
| > 5 years | 2,874 | 2,056 |
| Total undiscounted lease payments to be received | 8,826 | 6,332 |

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C3 Liabilities of Council

C3-1 Payables

| \$ '000 | 2024 Current | 2024 Non-current | 2023 Current | 2023 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Goods and services | 4,863 | – | 5,527 | – |
| Goods and Services - Newcastle Airport Partnership | 7,507 | 1,571 | 5,655 | 2,036 |
| Accrued expenses: | | | | |
| – Other expenditure accruals | 3,270 | – | 5,257 | – |
| Security bonds, deposits and retentions | 1,204 | – | 1,429 | – |
| Unclaimed monies | 3 | – | 2 | – |
| Rates in advance | 1,910 | – | 1,860 | – |
| Government departments and agencies | 70 | – | 119 | – |
| Other | 63 | – | 6 | – |
| Total payables | 18,890 | 1,571 | 19,855 | 2,036 |

Current payables not anticipated to be settled within the next twelve months

| \$ '000 | 2024 | 2023 |
|---|------------|------------|
| The following liabilities, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Payables – security bonds, deposits and retentions | 396 | 396 |
| Total payables | 396 | 396 |

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.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C3-2 Contract Liabilities

| \$ '000 | Notes | 2024 Current | 2024 Non-current | 2023 Current | 2023 Non-current |
|--|-------|-----------------|---------------------|-----------------|---------------------|
| Grants and contributions received in advance: | | | | | |
| Unexpended capital grants and contributions (to construct Council controlled assets) | (i) | 4,467 | – | 7,859 | – |
| Unexpended operating grants and contributions (received prior to performance obligation being satisfied) | (ii) | 1,422 | – | 1,129 | – |
| Total grants received in advance | | 5,889 | – | 8,988 | – |
| User fees and charges received in advance: | | | | | |
| Fees - Holiday Park Deposits | (iii) | 1,850 | – | 1,948 | – |
| Fees - Newcastle Airport Partnership | (iii) | 371 | – | 522 | – |
| Fees - Children's Services | | – | – | – | – |
| Total user fees and charges received in advance | | 2,221 | – | 2,470 | – |
| Total contract liabilities | | 8,110 | – | 11,458 | – |

Notes

(i) Council has received funding to construct assets including transport infrastructure, recreation and cultural facilities and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants, mostly environmental protection and child care that were received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Fees paid in advance do not meet the definition of a performance obligation and therefore the funds received in advance for holiday park fees and Newcastle Airport Partnership fees are recorded as a contract liability on receipt and recognised as revenue once the service has been fully delivered.

Revenue recognised that was included in the contract liability balance at the beginning of the period

| \$ '000 | 2024 | 2023 |
|--|--------------|--------------|
| Grants and contributions received in advance: | | |
| Capital grants (to construct Council controlled assets) | 4,533 | 4,154 |
| Operating grants (received prior to performance obligation being satisfied) | 738 | 439 |
| User fees and charges received in advance: | | |
| Fees - Holiday Park Deposits | 1,948 | 1,969 |
| Fees - Newcastle Airport Partnership | 522 | 231 |
| Fees - Children's Services | – | 41 |
| Total revenue recognised that was included in the contract liability balance at the beginning of the period | 7,741 | 6,834 |

Page 47

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C3-3 Borrowings

| | 2024 | 2024 | 2023 | 2023 |
|---|--------------|---------------|--------------|---------------|
| \$ '000 | Current | Non-current | Current | Non-current |
| Loans – secured | 2,163 | 12,607 | 3,385 | 13,608 |
| Loans – secured - Newcastle Airport Partnership | – | 49,000 | – | 34,500 |
| Total borrowings | 2,163 | 61,607 | 3,385 | 48,108 |

(a) Changes in liabilities arising from financing activities

| | 2023 | | 2024 |
|--|-----------------|---------------|-----------------|
| \$ '000 | Opening Balance | Cash flows | Closing balance |
| Loans – secured | 16,993 | (2,223) | 14,770 |
| Lease liability (Note C2-1b) | 3,362 | (783) | 2,579 |
| Loans – secured - Newcastle Airport Partnership | 34,500 | 14,500 | 49,000 |
| Total liabilities from financing activities | 54,855 | 11,494 | 66,349 |

| | 2022 | | 2023 |
|--|-----------------|---------------|-----------------|
| \$ '000 | Opening Balance | Cash flows | Closing balance |
| Loans – secured | 15,012 | 1,981 | 16,993 |
| Lease liability (Note C2-1b) | 3,297 | 65 | 3,362 |
| Loans – secured - Newcastle Airport Partnership | 24,400 | 10,100 | 34,500 |
| Total liabilities from financing activities | 42,709 | 12,146 | 54,855 |

(b) Financing arrangements

| \$ '000 | 2024 | 2023 |
|---------|------|------|
|---------|------|------|

Total facilities

Total financing facilities available to Council at the reporting date are:

| | | |
|--|----------------|----------------|
| Bank overdraft facilities ¹ | 2,500 | 2,500 |
| Credit cards/purchase cards | 1,000 | 1,000 |
| Bank loan facilities - Newcastle Airport Partnership | 117,500 | 117,500 |
| Total financing arrangements | 121,000 | 121,000 |

Drawn facilities

Financing facilities drawn down at the reporting date are:

| | | |
|--|---------------|---------------|
| – Bank overdraft facilities | – | – |
| – Credit cards/purchase cards | 425 | 3 |
| – Bank loan facilities - Newcastle Airport Partnership | 49,000 | 34,500 |
| Total drawn financing arrangements | 49,425 | 34,503 |

Undrawn facilities

Undrawn financing facilities available to Council at the reporting date are:

| | | |
|--|---------------|---------------|
| – Bank overdraft facilities | 2,500 | 2,500 |
| – Credit cards/purchase cards | 575 | 997 |
| – Bank loan facilities - Newcastle Airport Partnership | 68,500 | 83,000 |
| Total undrawn financing arrangements | 71,575 | 86,497 |

continued on next page ...

Page 48

C3-3 Borrowings (continued)

Financial Covenants

Under the terms of the Newcastle Airport Partnership's bank loan facility, Newcastle Airport Partnership is required to comply with the following covenants:

- a. the Gearing Ratio is not greater than 75%; and
- b. the Interest Cover Ratio is greater than or equal to:
 - i. prior to and including the financial year ended 30 June 2024, 1.35:1; and
 - ii. from and including the Terminal Completion Step-up Date, 1.75:1.

Non-compliance with the loan covenants triggers a review event.

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of Council or Newcastle Airport Partnership's loans.

Security over loans

Council loans are secured by the general rating income of Council.

Newcastle Airport Partnership loans are secured by the assets of Newcastle Airport Partnership. Council is a guarantor over the loan facility.

Lease liabilities are secured by the underlying leased assets.

⁽¹⁾ The bank overdraft facility may be drawn at any time and may be terminated by the bank if any events of default specified in the contract occur.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

C3-4 Employee benefit provisions

| \$ '000 | 2024 | 2024 | 2023 | 2023 |
|--|---------------|-------------|---------------|-------------|
| | Current | Non-current | Current | Non-current |
| Annual leave | 4,803 | – | 4,516 | – |
| Sick leave | 1,816 | – | 2,153 | – |
| Long service leave | 8,955 | 970 | 8,432 | 894 |
| Flexi time / RDO leave | 532 | – | 483 | – |
| Total employee benefit provisions | 16,106 | 970 | 15,584 | 894 |

Current employee benefit provisions not anticipated to be settled within the next twelve months

| \$ '000 | 2024 | 2023 |
|--|--------------|--------------|
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions – employee benefits | 9,046 | 8,859 |
| | 9,046 | 8,859 |

Material accounting policy information

Long-term employee benefit obligations

The liability for annual leave, sick leave and long-service 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.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

Hedging reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

D Council structure**D1 Interests in other entities****D1-1 Interests in 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 | |
|---|--------------------|-------------------|-----------------------|------|--------------------|------|
| | | | 2024 | 2023 | 2024 | 2023 |
| Newcastle Airport Partnership and Newcastle Airport Pty Ltd | Airport Operation | Williamtown | 50% | 50% | 50% | 50% |
| Greater Newcastle Aerotropolis Partnership & Greater Newcastle Aerotropolis Pty Ltd | Airport Operation | Williamtown | 50% | 50% | 50% | 50% |

Council assets employed in the joint operations

| \$ '000 | 2024 | 2023 |
|--|----------------|----------------|
| Council's share of assets jointly owned with other partners | | |
| Current assets | 23,279 | 12,591 |
| Current liabilities | (8,774) | (6,944) |
| Non current assets (2023 Restated) | 191,783 | 157,518 |
| Non-current liabilities | (51,040) | (36,969) |
| Total net assets employed – Council's share | 155,248 | 126,196 |

Council has entered into joint arrangements under the Newcastle Airport Partnership, which includes the Greater Newcastle Aerotropolis Partnership. Under these arrangements, the partners hold rights to their share of assets and liabilities of the entities, and their unanimous consent is required for decisions regarding the relevant activities of the entities. Council has classified these arrangements as joint operations and has included its interests in the assets, liabilities, revenue and expenses of the partnerships in the appropriate line items of the Statement of Financial Position and Income Statement respectively. The percentage ownership interest is equivalent to the percentage voting rights for both arrangements, and both arrangements have the same year end as Council.

During the 2023 financial year, the Newcastle Airport Partnership entered into a new finance arrangement. The arrangement places restrictions on the payment of distributions to partners, including a clause preventing payment of distributions until the terminal expansion has reached practical completion.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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 Council.

Council's objective is to maximise its return on cash and investments while maintaining an adequate level of liquidity and preserving capital. The finance team manage the cash and investments portfolio with the assistance of independent advisers. Council has an investment policy which complies with s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council 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.

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 the finance team under policies approved by the Councillors.

The fair value of cash and cash equivalents, receivables, investments and financial liabilities, inclusive of accrued interest income and expenditure approximates the carrying amount.

The risks associated with the financial instruments held are:

- Interest rate risk – the risk that movements in interest rates could affect returns.
- Liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- Credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from its independent advisers before placing any cash and investments.

(a) Market risk – interest rate and price risk

| \$ '000 | 2024 | 2023 |
|--|------|------|
| Impact of a 1% movement in interest rates – Equity / Income Statement | 996 | 706 |

Newcastle Airport Partnership's interest rate risk arises primarily from interest bearing liabilities with variable interest rates where interest rate movements can impact Newcastle Airport Partnership's cash flows.

Newcastle Airport Partnership uses interest rate swap contracts to mitigate interest rate risk. Newcastle Airport Partnership's policy is to maintain hedging arrangements in accordance with the bands below:

Year 1-3 50%-100%

Year 4-7 25%-75%

By entering into interest rate swap (IRS) contracts, Newcastle Airport Partnership agrees to exchange the net difference between fixed and floating interest rate amounts (based on Australian BBSY) calculated by reference to agreed notional principal amounts.

All floating for fixed IRS are designated as cash flow hedges. The IRS and the interest payments on the related loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

The fair value of IRS contracts at reporting date are determined by discounting the related future cash flows using the cash and swap curves at the reporting date and credit risk inherent in the contract.

continued on next page ...

Page 52

E1-1 Risks relating to financial instruments held (continued)**(b) Credit risk**

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

The level of outstanding receivables is reported to Council monthly, and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

Credit risk profile**Receivables - rates and annual charges**

Council's major receivables comprise rates, annual charges, user charges and fees.

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

The credit risk for liquid funds and other short-term financial assets is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

The level of outstanding receivables is reported to Council monthly, and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

| \$ '000 | Not yet overdue | overdue rates and annual charges < 5 years | ≥ 5 years | Total |
|-----------------------|--------------------|---|-----------|-------|
| 2024 | | | | |
| Gross carrying amount | – | 3,041 | 106 | 3,147 |
| 2023 | | | | |
| Gross carrying amount | – | 2,701 | 122 | 2,823 |

continued on next page ...

Page 53

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

E1-1 Risks relating to financial instruments held (continued)

Receivables - non-rates and annual charges and contract assets

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

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

| \$ '000 | Not yet overdue | Overdue debts | | | | Total |
|------------------------|--------------------|---------------|--------------|--------------|-----------|--------|
| | | 0 - 30 days | 31 - 60 days | 61 - 90 days | > 91 days | |
| 2024 | | | | | | |
| Gross carrying amount | 14,733 | 298 | 239 | 88 | 1,357 | 16,715 |
| Expected loss rate (%) | 0.01% | 0.04% | 0.14% | 0.49% | 0.26% | 0.04% |
| ECL provision | 1 | – | – | – | 4 | 5 |
| 2023 | | | | | | |
| Gross carrying amount | 10,251 | 130 | 1,347 | 37 | 469 | 12,234 |
| Expected loss rate (%) | 0.01% | 0.05% | 0.30% | 0.26% | 0.63% | 0.07% |
| ECL provision | 1 | – | 4 | – | 3 | 8 |

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (i.e. principal and interest) and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

| | Weighted average interest rate | Subject to no maturity | ≤ 1 Year | payable in: 1 - 5 Years | > 5 Years | Total cash outflows | Actual carrying values |
|-----------------------------|---|------------------------------|----------|-------------------------------|-----------|------------------------|------------------------------|
| \$ '000 | | | | | | | |
| 2024 | | | | | | | |
| Payables | 0.00% | 1,204 | 16,836 | 1,571 | – | 19,611 | 20,461 |
| Borrowings | 6.17% | – | 6,071 | 24,793 | 68,410 | 99,274 | 63,770 |
| Lease liabilities | 0.00% | – | 1,018 | 1,365 | 1,261 | 3,644 | 2,579 |
| Total financial liabilities | | 1,204 | 23,925 | 27,729 | 69,671 | 122,529 | 86,810 |

continued on next page ...

Page 54

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

E1-1 Risks relating to financial instruments held (continued)

| \$ '000 | Weighted average interest rate | Subject to no maturity | ≤ 1 Year | payable in: 1 - 5 Years | > 5 Years | Total cash outflows | Actual carrying values |
|------------------------------------|---|------------------------------|---------------|-------------------------------|--------------|------------------------|------------------------------|
| 2023 | | | | | | | |
| Payables | 0.00% | 1,429 | 18,426 | 2,036 | – | 21,891 | 21,891 |
| Borrowings | 5.20% | – | 3,963 | 48,899 | 3,270 | 56,132 | 51,493 |
| Lease liabilities | 0.00% | – | 1,012 | 2,140 | 1,276 | 4,428 | 3,362 |
| Total financial liabilities | | 1,429 | 23,401 | 53,075 | 4,546 | 82,451 | 76,746 |

E2-1 Fair value measurement

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

- Derivatives
- Investment property
- Infrastructure, property, plant and equipment
- Intangible assets - bio banking credits

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).

continued on next page ...

Page 56

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

E2-1 Fair value measurement (continued)

| \$ '000 | Notes | Fair value measurement hierarchy | | | | | |
|---|-------|--|------------------|--|------------------|------------------|------------------|
| | | Level 2 Significant observable inputs | | Level 3 Significant unobservable inputs | | Total | |
| | | 2024 | 2023 Restated | 2024 | 2023 Restated | 2024 | 2023 |
| Recurring fair value measurements | | | | | | | |
| Derivatives | | | | | | | |
| Interest rate swap contract - cash flow hedge - Newcastle Airport Partnership | C1-2 | 893 | 996 | — | — | 893 | 996 |
| Total derivatives | | 893 | 996 | — | — | 893 | 996 |
| Investment property | | | | | | | |
| Investment properties held | C1-8 | 44,315 | 28,000 | — | — | 44,315 | 28,000 |
| Total investment property | | 44,315 | 28,000 | — | — | 44,315 | 28,000 |
| Infrastructure, property, plant and equipment | | | | | | | |
| Plant and equipment | C1-7 | — | — | 11,224 | 9,505 | 11,224 | 9,505 |
| Office equipment | | — | — | 1,649 | 726 | 1,649 | 726 |
| Furniture and fittings | | — | — | 527 | 504 | 527 | 504 |
| Land - operational land | | 77,390 | 76,899 | — | — | 77,390 | 76,899 |
| Land - community land | | — | — | 48,498 | 48,498 | 48,498 | 48,498 |
| Land - crown land | | — | — | 31,337 | 31,337 | 31,337 | 31,337 |
| Land - land under roads (post 1/07/2008) | | — | — | 5,057 | 4,810 | 5,057 | 4,810 |
| Land - Newcastle Airport Partnership | | 93,000 | 82,500 | — | — | 93,000 | 82,500 |
| Land - land improvements - depreciable | | — | — | 7,891 | 7,986 | 7,891 | 7,986 |
| Infrastructure - buildings | | — | — | 179,580 | 166,898 | 179,580 | 166,898 |
| Infrastructure - other structures | | — | — | 7,905 | 7,935 | 7,905 | 7,935 |
| Infrastructure - roads | | — | — | 453,862 | 435,580 | 453,862 | 435,580 |
| Infrastructure - bridges | | — | — | 20,298 | 15,848 | 20,298 | 15,848 |
| Infrastructure - footpaths | | — | — | 78,285 | 73,777 | 78,285 | 73,777 |
| Infrastructure - car parks | | — | — | 17,685 | 16,948 | 17,685 | 16,948 |
| Infrastructure - stormwater drainage | | — | — | 282,344 | 247,171 | 282,344 | 247,171 |
| Infrastructure - swimming pools | | — | — | 3,485 | 3,575 | 3,485 | 3,575 |
| Infrastructure - other open space | | — | — | 34,127 | 22,721 | 34,127 | 22,721 |
| Infrastructure - other infrastructure | | — | — | 12,880 | 13,475 | 12,880 | 13,475 |
| Other assets | | — | — | 97,870 | 73,969 | 97,870 | 73,969 |
| Total infrastructure, property, plant and equipment | | 170,390 | 159,399 | 1,294,504 | 1,181,263 | 1,464,894 | 1,340,662 |
| Intangible assets | | | | | | | |
| Bio banking credits | | 4,974 | 2,243 | — | — | 4,974 | 2,243 |
| Total intangible assets | | 4,974 | 2,243 | — | — | 4,974 | 2,243 |

continued on next page ...

Page 57

E2-1 Fair value measurement (continued)**Valuation techniques**

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:

Derivatives

The fair value of interest rate swap contracts at reporting date are determined by discounting the related future cash flows using the cash and swap curves at the reporting date and credit risk inherent in the contract, these are level 2 inputs.

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 2 inputs (based on per square metres). The income approach is used to value the investment properties and has not changed from prior years.

Infrastructure, property, plant and equipment (IPPE)**Plant and Equipment, Office Equipment, Furniture and Fittings**

Plant and 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 and fittings - Chairs, desks and display boards.

Land

The main components of land include community land, operational land, Crown land, Newcastle Airport Partnership land and 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 and Newcastle Airport Partnership 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 2 valuation inputs. During the reporting period a valuation was completed for Newcastle Airport Partnership land, resulting in an adjustment to prior period land values (refer to note G4).

continued on next page ...

Page 58

E2-1 Fair value measurement (continued)

Land under roads were valued in accordance with the Australian Accounting Standard AASB 116 Property, Plant and Equipment, and the Local Government Code of Accounting Practice and Financial Reporting. Values were determined by applying the average rate per unit of land to the total size of Council's land under roads. This asset class is classified as level 3 asset as significant inputs used in this methodology are unobservable. There has been no change to the valuation process during the reporting period.

Between comprehensive valuations, Council reviews the carrying value of land assets and where necessary applies an appropriate index to align carrying values with approximate fair values.

Infrastructure

The main components of infrastructure include buildings, other structures, roads, bridges, footpaths, car parks, stormwater drainage, swimming pools, other open space and other infrastructure.

The valuation approach used for buildings and other structures estimated the replacement cost of each building by 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 process during the reporting period.

Roads, bridges, footpaths and car parks 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.

Stormwater drainage assets have been valued using the cost approach. 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.

Council's swimming pools, other open space, and other infrastructure have been valued in house by experienced engineering and asset management staff using the cost approach. The approach estimates the replacement cost for each pool by componentising its significant parts.

Between comprehensive valuations, Council reviews the carrying value of infrastructure assets and where necessary applies an appropriate index to align carrying values with approximate fair values.

Other Assets

Other assets include heritage collections, library books, and Newcastle Airport Partnership infrastructure, plant and equipment. 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. Therefore, level 3 is best suited. There has been no change to the valuation process during the reporting period.

Intangible assets

Council obtains valuations of its bio banking credits 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 bio banking credits 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 2 inputs (based on trading of similar ecosystem and species credits).

continued on next page ...

Page 59

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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.

| | Valuation technique/s | Unobservable inputs |
|--|--|---|
| Infrastructure, property, plant and equipment | | |
| Plant & Office Equipment | Cost approach | Current replacement cost of modern equivalent asset, asset condition, useful life and residual value. |
| Furniture & Fittings | Cost approach | Current replacement cost of modern equivalent asset, asset condition, useful life and residual value. |
| Land & Land Improvements | Market approach: land values obtained from the NSW Valuer General. | Land value, land area, level of restriction (for example zoning restrictions). |
| Buildings | Cost approach | Current replacement cost of modern equivalent asset, asset condition, useful life and residual value. |
| Other Structures | Cost approach | Current replacement cost of modern equivalent asset, asset condition and useful life. |
| Infrastructure | Cost approach | Current replacement cost of modern equivalent asset, asset condition and useful life. |
| Other Assets | Cost approach | Current replacement cost of modern equivalent asset, asset condition and useful life. |

continued on next page ...

Page 60

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

E2-1 Fair value measurement (continued)

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

| \$ '000 | Plant and office equipment | | Furniture and fittings | | Land and land improvements | | Buildings | |
|---|----------------------------|---------|------------------------|------|----------------------------|--------|----------------|---------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Opening balance | 10,231 | 10,021 | 504 | 539 | 92,631 | 90,109 | 166,898 | 119,365 |
| Transfers from/(to) another asset class | 529 | 8 | – | – | – | – | 10,816 | 385 |
| Purchases | 4,466 | 2,144 | 53 | – | 207 | 460 | 5,515 | 2,816 |
| Disposals | (456) | (248) | – | – | – | – | – | (3,854) |
| Depreciation and impairment | (1,897) | (1,694) | (30) | (35) | (95) | (95) | (3,649) | (4,474) |
| Revaluation increments/decrements | – | – | – | – | 40 | 2,157 | – | 52,660 |
| Transfers from/(to) Note C1-9 | – | – | – | – | – | – | – | – |
| Closing balance | 12,873 | 10,231 | 527 | 504 | 92,783 | 92,631 | 179,580 | 166,898 |

| \$ '000 | Other structures | | Infrastructure | | Other assets | | Total | |
|---|------------------|-------|----------------|---------|----------------|---------|------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Opening balance | 7,935 | 8,489 | 829,095 | 784,388 | 73,969 | 48,372 | 1,181,263 | 1,061,283 |
| Transfers from/(to) another asset class | 2 | 67 | 9,064 | 7,724 | (129) | 7,228 | 20,282 | 15,412 |
| Purchases | 550 | 89 | 16,590 | 19,534 | 25,922 | 18,817 | 53,303 | 43,860 |
| Disposals | – | (136) | (450) | (1,879) | (2,870) | (74) | (3,776) | (6,191) |
| Depreciation and impairment | (582) | (574) | (9,936) | (8,178) | (3,772) | (3,150) | (19,961) | (18,200) |
| Revaluation increments/decrements | – | – | 58,603 | 27,506 | 4,750 | 3,021 | 63,393 | 85,344 |
| Transfers from/(to) Note C1-9 | – | – | – | – | – | (245) | – | (245) |
| Closing balance | 7,905 | 7,935 | 902,966 | 829,095 | 97,870 | 73,969 | 1,294,504 | 1,181,263 |

Highest and best use

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

E3-1 Contingencies

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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB 119 *Employee Benefits* for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formula and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors 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 (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service 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 future service employer contribution rates are:

| | |
|------------|---|
| Division B | 1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members* |
| Division C | 2.5% salaries |
| Division D | 1.64 times member contributions |

* For 180 Point Members, Employers are required to contribute 8.5% of salaries for the year ending 30 June 2024 (increasing to 9.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2023. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) 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

continued on next page ...

Page 62

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

E3-1 Contingencies (continued)

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 Council.

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2024 was \$272,836.96. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2023.

Council's expected contribution to the plan for the next annual reporting period is \$198,626.65.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2024 is:

| Employer reserves only * | \$millions | Asset Coverage |
|--------------------------|------------|----------------|
| Assets | 2,237.5 | |
| Past Service Liabilities | 2,141.9 | 104.5% |
| Vested Benefits | 2,159.8 | 103.6% |

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

The share of any funding surplus or deficit that can be attributed to Council is 0.82%.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

The key economic 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 | 3.5% for FY 23/24 2.5% per annum thereafter |

* 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 final end of year review, which will be a triennial actuarial investigation will be completed by December 2024.

(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 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

continued on next page ...

Page 63

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

E3-1 Contingencies (continued)

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

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.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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:

| \$ '000 | 2024 | 2023 |
|--------------------------|--------------|--------------|
| Compensation: | | |
| Short-term benefits | 3,882 | 3,660 |
| Post-employment benefits | 372 | 363 |
| Termination benefits | – | 221 |
| Total | 4,254 | 4,244 |

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 | Ref | Transactions during the year | Outstanding balances including commitments |
|---|-----|------------------------------|--|
| \$ '000 | | | |
| 2024 | | | |
| Director remuneration | 1 | 107 | – |
| Director remuneration | 2 | 46 | – |
| Payment of contributions, annual membership and advertising | 3 | 453 | – |
| Legal services | 4 | 136 | 14 |
| Tourism services and annual subscription | 5 | 99 | – |
| Development fees & contributions | 6 | 91 | – |
| Development fees & contributions | 7 | 297 | 30 |
| Operating subsidy | 8 | 199 | – |
| 2023 | | | |
| Director remuneration | 1 | 93 | – |
| Director remuneration | 2 | 40 | – |
| Payment of contributions, annual membership and advertising | 3 | 453 | – |
| Legal services | 4 | 212 | – |
| Tourism services and annual subscription | 5 | 93 | – |

continued on next page ...

Page 64

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

F1-1 Key management personnel (KMP) (continued)

| Nature of the transaction | Ref | Transactions during the year | Outstanding balances including commitments |
|----------------------------------|-----|------------------------------|--|
| \$ '000 | | | |
| Development fees & contributions | 6 | 133 | — |
| Development fees & contributions | 7 | 862 | — |
| Operating subsidy | 8 | 212 | — |

- Members 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.
- Members of Council's KMP is remunerated for the provision of board member services by Greater Newcastle Aerotropolis Pty Ltd which Port Stephens Council has a 50% shareholding in.
- 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, payments were also made for annual membership and advertising services. The KMP member is not remunerated by Destination Port Stephens for their Directorship.
- Port Stephens Council paid for legal services from Local Government Legal (a division of Arrow Collaborative Services Ltd) which is a joint operation between 11 Hunter Councils. A member of Council's KMP is a Director of Arrow Collaborative Services Ltd and is not remunerated for their Directorship.
- Port Stephens Council paid for tourism promotion services from Screen Hunter (a division of Arrow Collaborative Services Ltd) which is a joint operation between 11 Hunter Councils and an annual subscription to core funding. A member of Council's KMP is a Director of Arrow Collaborative Services Ltd and is not remunerated for their Directorship.
- Port Stephens Council received development fees and contributions from Newcastle Airport Pty Limited in relation to the terminal expansion. Council has members of its KMP which are directors of Newcastle Airport Pty Limited. The amounts received were under normal terms and conditions.
- Port Stephens Council received development fees, development contributions and rates from Greater Newcastle Aerotropolis Pty Limited in relation to Aero Astra lab expansion. Council has members of its KMP which are directors of Greater Newcastle Aerotropolis Pty Limited. The amounts received were under normal terms and conditions.
- Port Stephens Council paid a contribution towards the operating costs of Port Stephens Koala and Wildlife Preservation Society Limited which has 2 members of Council's KMP as a director.

F1-2 Councillor and Mayoral fees and associated expenses

| \$ '000 | 2024 | 2023 |
|---------|------|------|
|---------|------|------|

The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

| | | |
|---|------------|------------|
| Mayoral fee | 90 | 85 |
| Councillors' fees | 260 | 255 |
| Other Councillors' expenses (including Mayor) | 64 | 46 |
| Total | 414 | 386 |

Page 65

F2 Other relationships**F2-1 Audit fees**

| \$ '000 | 2024 | 2023 |
|---------|------|------|
|---------|------|------|

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

Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

| | | |
|--|-----|-----|
| Audit and review of financial statements | 106 | 101 |
|--|-----|-----|

| | | |
|--|------------|------------|
| Remuneration for audit and other assurance services | 106 | 101 |
|--|------------|------------|

| | | |
|---|------------|------------|
| Total Auditor-General remuneration | 106 | 101 |
|---|------------|------------|

Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

| | | |
|-------------------------------|----|----|
| Internal audit services - PKF | 67 | 72 |
|-------------------------------|----|----|

| | | |
|---|----|----|
| Internal audit services - Newcastle Airport Partnership | 16 | 76 |
|---|----|----|

| | | |
|--|----|----|
| Audit and review of financial statements - Newcastle Airport Partnership | 71 | 47 |
|--|----|----|

| | | |
|--|------------|------------|
| Remuneration for audit and other assurance services | 154 | 195 |
|--|------------|------------|

| | | |
|--|------------|------------|
| Total remuneration of non NSW Auditor-General audit firms | 154 | 195 |
|--|------------|------------|

| | | |
|-------------------------|------------|------------|
| Total audit fees | 260 | 296 |
|-------------------------|------------|------------|

G Other matters**G1-1 Statement of Cash Flows information****(a) Reconciliation of Operating Result**

| \$ '000 | 2024 | 2023 |
|--|---------------|---------|
| Net operating result from Income Statement | 46,928 | 41,112 |
| Add / (less) non-cash items: | | |
| Depreciation and amortisation | 21,107 | 19,329 |
| (Gain) / loss on disposal of assets | 3,879 | 1,715 |
| Non-cash capital grants and contributions | (3,009) | (7,134) |
| Losses/(gains) recognised on fair value re-measurements through the P&L: | | |
| – Investment property | (2,660) | (1,220) |
| Movements in operating assets and liabilities and other cash items: | | |
| (Increase) / decrease of receivables | (423) | 33 |
| Increase / (decrease) in provision for impairment of receivables | 123 | – |
| (Increase) / decrease of inventories | (109) | (168) |
| (Increase) / decrease of other assets | 161 | (126) |
| (Increase) / decrease of contract asset | (4,382) | (2,461) |
| Increase / (decrease) in payables | (664) | 1,261 |
| Increase / (decrease) in other accrued expenses payable | (1,987) | 3 |
| Increase / (decrease) in other liabilities | 1,221 | 1,353 |
| Increase / (decrease) in contract liabilities | (3,348) | (24) |
| Increase / (decrease) in employee benefit provision | 598 | 856 |
| Net cash flows from operating activities | 57,435 | 54,529 |

(b) Non-cash investing and financing activities

| | | |
|--|--------------|-------|
| Non cash developer contributions | 25 | – |
| Dedicated subdivisions | 2,766 | 7,134 |
| RFS assets | 218 | – |
| Total non-cash investing and financing activities | 3,009 | 7,134 |

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

G2-1 Commitments

Capital commitments (exclusive of GST)

| \$ '000 | 2024 | 2023 |
|---------|------|------|
|---------|------|------|

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

Property, plant and equipment

| | | |
|-------------------------------|---------------|---------------|
| Road and Civil Infrastructure | 2,019 | 3,333 |
| Buildings | 1,173 | 2,261 |
| Plant and equipment | 1,410 | 3,322 |
| Newcastle Airport Partnership | 31,972 | 9,158 |
| Open Space Infrastructure | 96 | 472 |
| Other | 99 | 87 |
| Total commitments | 36,769 | 18,633 |

These expenditures are payable as follows:

| | | |
|--|---------------|---------------|
| Within the next year | 36,769 | 18,601 |
| Later than one year and not later than 5 years | — | 32 |
| Total payable | 36,769 | 18,633 |

Details of capital commitments

The majority of Councils capital commitments relate to Newcastle Airport Partnership upgrades, the acquisition of new fleet and town centre upgrades.

G3-1 Events occurring after the reporting date

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

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

G4 Changes from prior year statements

G4-1 Correction of errors

In prior years, IPPE owned by Newcastle Airport Partnership has been measured at cost less any accumulated depreciation and any accumulated impairment losses. During the year ended 30 June 2024, Council undertook a valuation of Newcastle Airport Partnership's IPPE. The valuation identified a significant increase in the value of IPPE. A correction of prior period errors has been performed to increase the value of IPPE, with a corresponding increase to Revaluation Reserves.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2022) and taking the adjustment through to equity 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 2022

Statement of Financial Position

| \$ '000 | Original Balance 1 July, 2022 | Impact Increase/ (decrease) | Restated Balance 1 July, 2022 |
|---|-------------------------------------|-----------------------------------|-------------------------------------|
| Infrastructure, property, plant and equipment | 1,167,153 | 57,398 | 1,224,551 |
| Total assets | 1,312,042 | 57,398 | 1,369,440 |
| Net assets | 1,222,926 | 57,398 | 1,280,324 |
| IPPE revaluation reserves | 507,764 | 57,398 | 565,162 |
| Total equity | 1,222,926 | 57,398 | 1,280,324 |

Adjustments to the comparative figures for the year ended 30 June 2023

Statement of Financial Position

| \$ '000 | Original Balance 30 June, 2023 | Impact Increase/ (decrease) | Restated Balance 30 June, 2023 |
|---|--------------------------------------|-----------------------------------|--------------------------------------|
| Infrastructure, property, plant and equipment | 1,291,034 | 80,653 | 1,371,687 |
| Total assets | 1,453,544 | 80,653 | 1,534,197 |
| Net assets | 1,348,862 | 80,653 | 1,429,515 |
| Accumulated Surplus | 759,672 | 235 | 759,907 |
| IPPE revaluation reserve | 588,194 | 80,418 | 668,612 |
| Total equity | 1,348,862 | 80,653 | 1,429,515 |

Income Statement

| \$ '000 | Original Balance 30 June, 2023 | Impact Increase/ (decrease) | Restated Balance 30 June, 2023 |
|---|--------------------------------------|-----------------------------------|--------------------------------------|
| Depreciation, amortisation and impairment of non-financial assets | 19,564 | (235) | 19,329 |
| Total expenses from continuing operations | 147,553 | (235) | 147,318 |
| Net operating result for the year | 40,877 | 235 | 41,112 |

continued on next page ...

Page 69

G4-1 Correction of errors (continued)

Statement of Comprehensive Income

| \$ '000 | Original Balance 30 June, 2023 | Impact Increase/ (decrease) | Restated Balance 30 June, 2023 |
|---|--------------------------------------|-----------------------------------|--------------------------------------|
| Net operating result for the year | 40,877 | 235 | 41,112 |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | 84,063 | 23,020 | 107,083 |
| Other comprehensive income | 85,059 | 23,020 | 108,079 |
| Total comprehensive income for the year | 125,936 | 23,255 | 149,191 |

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

G5 Statement of developer contributions as at 30 June 2024

G5-1 Summary of developer contributions ¹

| \$ '000 | Opening balance at 1 July 2023 | Contributions received during the year | | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2024 | Cumulative balance of internal borrowings (to)/from |
|--|--------------------------------------|--|---------------|-------------------|---|---------------------|------------------------|--|--|
| | | Cash | Non-cash Land | Non-cash Other | | | | | |
| Civic Administration | 171 | 132 | – | 1 | 7 | (335) | – | (25) | – |
| Civic Administration - Works Depot | 85 | 144 | – | 1 | 4 | (220) | – | 13 | – |
| Town Centre Upgrades | 774 | 326 | – | – | 32 | (531) | – | 601 | – |
| Public Open Space, Parks and Reserves | 1,810 | 362 | – | 4 | 77 | (286) | (166) | 1,797 | (43) |
| Sports and Leisure Facilities | 8,133 | 843 | – | 12 | 342 | (888) | 166 | 8,596 | 43 |
| Community and Cultural Facilities | 2,146 | 199 | – | 4 | 91 | (188) | – | 2,248 | – |
| Road Works | 2,163 | 506 | – | 3 | 91 | (711) | – | 2,049 | – |
| Medowie, Traffic and Transport | 1,493 | 190 | – | – | 63 | – | 10 | 1,756 | 5 |
| Shared Paths | 358 | 313 | – | – | 16 | (324) | (10) | 353 | (5) |
| Bus Facilities | 25 | 10 | – | – | 2 | – | – | 37 | – |
| Fire and Emergency | 152 | 11 | – | – | 6 | – | – | 169 | – |
| Flood and Drainage Works | 602 | 138 | – | – | 25 | (22) | – | 743 | – |
| Haulage | 2,664 | 1,045 | – | – | 112 | (2,084) | – | 1,737 | – |
| Kings Hill Urban Release Area | 68 | 47 | – | – | 3 | – | – | 118 | – |
| S7.11 contributions – under a plan | 20,644 | 4,266 | – | 25 | 871 | (5,589) | – | 20,192 | – |
| S7.12 levies – under a plan | 1,445 | 1,391 | – | – | 61 | (1,669) | – | 1,228 | – |
| Total S7.11 and S7.12 revenue under plans | 22,089 | 5,657 | – | 25 | 932 | (7,258) | – | 21,420 | – |
| S7.4 planning agreements | – | 1,250 | – | – | – | (60) | – | 1,190 | – |
| Total contributions | 22,089 | 6,907 | – | 25 | 932 | (7,318) | – | 22,610 | – |

(1) Interest is earned according to the opening balance for the year

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

G5-2 Developer contributions by plan

| \$ '000 | Opening balance at 1 July 2023 | Contributions received during the year | | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2024 | Cumulative balance of internal borrowings (to)/from |
|---|--------------------------------------|--|---------------|-------------------|---|---------------------|------------------------|--|--|
| | | Cash | Non-cash Land | Non-cash Other | | | | | |
| CATCHMENT DISTRICT – RAYMOND TERRACE - RURAL | | | | | | | | | |
| Town Centre Upgrades | 170 | 143 | – | – | 7 | (175) | – | 145 | – |
| Public Open Space, Parks and Reserves | 534 | 46 | – | – | 23 | (8) | – | 595 | – |
| Sports and Leisure Facilities | 1,598 | 113 | – | – | 67 | (95) | – | 1,683 | – |
| Community and Cultural Facilities | 151 | 21 | – | – | 6 | (62) | – | 116 | – |
| Road Works | 338 | 236 | – | – | 14 | – | – | 588 | – |
| Shared Paths | 44 | 166 | – | – | 2 | – | – | 212 | – |
| Bus Facilities | – | 1 | – | – | 1 | – | – | 2 | – |
| Fire and Emergency | 51 | 3 | – | – | 2 | – | – | 56 | – |
| Flood and Drainage Works | 41 | 30 | – | – | 2 | – | – | 73 | – |
| Kings Hill Urban Release Area | 27 | 32 | – | – | 1 | – | – | 60 | – |
| Total | 2,954 | 791 | – | – | 125 | (340) | – | 3,530 | – |
| CATCHMENT DISTRICT – CENTRAL GROWTH CORRIDOR | | | | | | | | | |
| Town Centre Upgrades | 286 | 74 | – | – | 12 | (175) | – | 197 | – |
| Public Open Space, Parks and Reserves | 432 | 178 | – | 4 | 18 | (229) | (166) | 233 | (43) |
| Sports and Leisure Facilities | 4,250 | 407 | – | 12 | 179 | (729) | 166 | 4,273 | 43 |
| Community and Cultural Facilities | 1,079 | 135 | – | 4 | 46 | (62) | – | 1,198 | – |
| Road Works | 1,055 | 152 | – | 3 | 44 | (515) | – | 736 | – |
| Medowie, Traffic and Transport | 1,493 | 190 | – | – | 63 | – | 10 | 1,756 | 5 |
| Shared Paths | – | 10 | – | – | – | – | (10) | – | (5) |
| Bus Facilities | 3 | 1 | – | – | – | – | – | 4 | – |
| Flood and Drainage Works | 336 | 50 | – | – | 14 | (5) | – | 395 | – |
| Kings Hill Urban Release Area | 20 | 6 | – | – | 1 | – | – | 27 | – |
| Total | 8,954 | 1,203 | – | 23 | 377 | (1,715) | – | 8,819 | – |
| CATCHMENT DISTRICT – TOMAREE | | | | | | | | | |
| Town Centre Upgrades | 310 | 106 | – | – | 13 | (175) | – | 254 | – |
| Public Open Space, Parks and Reserves | 785 | 67 | – | – | 33 | (41) | – | 844 | – |
| Sports and Leisure Facilities | 2,135 | 70 | – | – | 90 | (16) | – | 2,279 | – |
| Community and Cultural Facilities | 915 | 42 | – | – | 39 | (64) | – | 932 | – |
| Road Works | 752 | 114 | – | – | 32 | (196) | – | 702 | – |

continued on next page ...

Page 72

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

G5-2 Developer contributions by plan (continued)

| \$ '000 | Opening balance at 1 July 2023 | Contributions received during the year | | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2024 | Cumulative balance of internal borrowings (to)/from |
|--|--------------------------------|--|---------------|----------------|---------------------------------------|------------------|---------------------|--|---|
| | | Cash | Non-cash Land | Non-cash Other | | | | | |
| Shared Paths | 228 | 102 | - | - | 10 | (236) | - | 104 | - |
| Bus Facilities | 1 | - | - | - | - | - | - | 1 | - |
| Fire and Emergency | 101 | 8 | - | - | 4 | - | - | 113 | - |
| Flood and Drainage Works | 225 | 58 | - | - | 9 | (17) | - | 275 | - |
| Kings Hill Urban Release Area | 19 | 9 | - | - | 1 | - | - | 29 | - |
| Total | 5,471 | 576 | - | - | 231 | (745) | - | 5,533 | - |
| CATCHMENT DISTRICT – FERN BAY | | | | | | | | | |
| Town Centre Upgrades | 8 | 3 | - | - | - | (6) | - | 5 | - |
| Public Open Space, Parks and Reserves | 59 | 71 | - | - | 3 | (8) | - | 125 | - |
| Sports and Leisure Facilities | 150 | 253 | - | - | 6 | (48) | - | 361 | - |
| Community and Cultural Facilities | 1 | 1 | - | - | - | - | - | 2 | - |
| Shared Paths | 86 | 35 | - | - | 4 | (88) | - | 37 | - |
| Road Works | 18 | 4 | - | - | 1 | - | - | 23 | - |
| Bus Facilities | 21 | 8 | - | - | 1 | - | - | 30 | - |
| Kings Hill Urban Release Area | 2 | - | - | - | - | - | - | 2 | - |
| Total | 345 | 375 | - | - | 15 | (150) | - | 585 | - |
| CATCHMENT DISTRICT – SHIRE WIDE | | | | | | | | | |
| Haulage | 2,664 | 1,045 | - | - | 112 | (2,084) | - | 1,737 | - |
| Civic Administration | 171 | 132 | - | 1 | 7 | (335) | - | (25) | - |
| Civic Administration - Works Depot | 85 | 144 | - | 1 | 4 | (220) | - | 13 | - |
| Total | 2,920 | 1,321 | - | 2 | 123 | (2,639) | - | 1,725 | - |

S7.12 Levies – under a plan

S7.12 LEVIES – UNDER A PLAN

| | | | | | | | | | |
|--------------|--------------|--------------|----------|----------|-----------|----------------|----------|--------------|----------|
| Section 7.12 | 1,445 | 1,391 | - | - | 61 | (1,669) | - | 1,228 | - |
| Total | 1,445 | 1,391 | - | - | 61 | (1,669) | - | 1,228 | - |

G5-3 S7.4 planning agreements

| | | | | | | | | | |
|----------------------------|----------|--------------|----------|----------|----------|-------------|----------|--------------|----------|
| Brandy Hill Shared Pathway | - | 1,250 | - | - | - | (60) | - | 1,190 | - |
| Total | - | 1,250 | - | - | - | (60) | - | 1,190 | - |

Page 73

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council | Notes to the Financial Statements 30 June 2024

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

| \$ '000 | Amounts 2024 | Indicator 2024 | Indicator 2023 | Benchmark |
|---|-----------------|--------------------|-------------------|---------------|
| 1. Operating performance ratio | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2} | 7,504 | 4.60% | 5.99% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 163,050 | | | |
| 2. Own source operating revenue ratio | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 145,058 | 71.17% | 71.69% | > 60.00% |
| Total continuing operating revenue ¹ | 203,830 | | | |
| 3. Unrestricted current ratio | | | | |
| Current assets less all external restrictions | 62,534 | 2.18x | 2.20x | > 1.50x |
| Current liabilities less specific purpose liabilities | 28,694 | | | |
| 4. Debt service cover ratio | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 31,553 | 5.17x | 4.97x | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 6,103 | | | |
| 5. Rates and annual charges outstanding percentage | | | | |
| Rates and annual charges outstanding | 1,582 | 2.01% | 1.72% | < 10.00% |
| Rates and annual charges collectable | 78,544 | | | |
| 6. Cash expense cover ratio | | | | |
| Current year's cash and cash equivalents plus all term deposits | 86,140 | 6.98 months | 8.77 months | > 3.00 months |
| Monthly payments from cash flow of operating and financing activities | 12,336 | | | |

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

End of the audited financial statements

Port Stephens Council

SPECIAL SCHEDULES
for the year ended 30 June 2024

"A great lifestyle in a treasured environment"



Port Stephens Council**Special Schedules**

for the year ended 30 June 2024

| Contents | Page |
|--|------|
| Special Schedules: | |
| Permissible income for general rates | 3 |
| Report on infrastructure assets as at 30 June 2024 | 4 |

Port Stephens Council

Permissible income for general rates

| \$ '000 | Notes | Calculation 2023/24 | Calculation 2024/25 |
|---|-----------------|------------------------|------------------------|
| Notional general income calculation ¹ | | | |
| Last year notional general income yield | a | 47,913 | 52,917 |
| Plus or minus adjustments ² | b | 403 | 191 |
| Notional general income | c = a + b | 48,316 | 53,108 |
| Permissible income calculation | | | |
| Percentage increase | d | 9.50% | 9.50% |
| Plus percentage increase amount ³ | f = d x (c + e) | 4,590 | 5,045 |
| Sub-total | g = (c + e + f) | 52,906 | 58,153 |
| Plus (or minus) last year's carry forward total | h | 60 | 49 |
| Sub-total | j = (h + i) | 60 | 49 |
| Total permissible income | k = g + j | 52,966 | 58,202 |
| Less notional general income yield | l | 52,917 | 58,071 |
| Catch-up or (excess) result | m = k - l | 49 | 131 |
| Carry forward to next year ⁴ | p = m + n + o | 49 | 131 |

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'percentage increase' is inclusive of the rate-peg percentage, and/or special variation and/or Crown land adjustment (where applicable).
- (4) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

Port Stephens Council

Report on infrastructure assets as at 30 June 2024

| Asset Class | Asset Category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring assets to agreed level of service set by Council | 2023/24 Required maintenance ^a | 2023/24 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|---|---------------------|---|--|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|--------------|-------------|
| | | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | 1 | 2 | 3 | 4 | 5 |
| Buildings | Other | 888 | 2,389 | 2,827 | 2,997 | 179,580 | 248,972 | 21.1% | 32.4% | 39.5% | 6.3% | 0.7% |
| | Sub-total | 888 | 2,389 | 2,827 | 2,997 | 179,580 | 248,972 | 21.1% | 32.4% | 39.5% | 6.3% | 0.7% |
| Other structures | Other structures | – | – | 320 | 294 | 7,905 | 21,558 | 4.7% | 52.9% | 41.8% | 0.5% | 0.1% |
| | Sub-total | – | – | 320 | 294 | 7,905 | 21,558 | 4.7% | 52.9% | 41.8% | 0.5% | 0.1% |
| Roads | Sealed roads | 27,262 | 37,839 | 6,430 | 7,134 | 369,573 | 461,359 | 48.0% | 21.3% | 14.9% | 10.4% | 5.4% |
| | Unsealed roads | – | – | 780 | 904 | 10,530 | 11,845 | 6.6% | 44.3% | 42.3% | 6.8% | 0.0% |
| | Bridges | – | – | 1 | 1 | 20,298 | 22,484 | 51.9% | 48.1% | 0.0% | 0.0% | 0.0% |
| | Footpaths | 1,273 | 4,731 | 248 | 332 | 78,232 | 93,030 | 26.2% | 20.7% | 46.9% | 6.0% | 0.2% |
| | Other road assets | 1,275 | 1,699 | 2,974 | 3,097 | 91,498 | 107,571 | 27.0% | 53.5% | 16.5% | 2.7% | 0.3% |
| | Sub-total | 29,810 | 44,269 | 10,433 | 11,468 | 570,131 | 696,289 | 41.3% | 27.5% | 19.4% | 8.2% | 3.6% |
| Stormwater drainage | Stormwater drainage | 53 | 815 | 1,733 | 1,520 | 282,344 | 308,487 | 23.2% | 66.3% | 9.3% | 1.1% | 0.1% |
| | Sub-total | 53 | 815 | 1,733 | 1,520 | 282,344 | 308,487 | 23.2% | 66.3% | 9.3% | 1.1% | 0.1% |
| Open space / recreational assets | Swimming pools | – | – | 326 | 326 | 3,485 | 10,887 | 0.0% | 0.0% | 100.0% | 0.0% | 0.0% |
| | Open space | 193 | 1,182 | 3,709 | 3,803 | 34,127 | 40,913 | 7.0% | 42.5% | 42.8% | 7.6% | 0.1% |
| | Sub-total | 193 | 1,182 | 4,035 | 4,129 | 37,612 | 51,800 | 5.5% | 33.6% | 54.8% | 6.0% | 0.1% |
| Other infrastructure assets | Other | 910 | 1,980 | 395 | 414 | 12,880 | 18,020 | 3.0% | 53.0% | 31.0% | 13.0% | 0.0% |
| | Sub-total | 910 | 1,980 | 395 | 414 | 12,880 | 18,020 | 3.0% | 53.0% | 31.0% | 13.0% | 0.0% |
| Total – all assets | | 31,854 | 50,635 | 19,743 | 20,822 | 1,090,452 | 1,345,126 | 30.9% | 38.3% | 22.7% | 6.1% | 2.0% |

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

Infrastructure asset condition assessment 'key'

| # | Condition | Integrated planning and reporting (IP&R) description |
|---|---------------------|--|
| 1 | Excellent/very good | No work required (normal maintenance) |
| 2 | Good | Only minor maintenance work required |

continued on next page ...

Page 4

Port Stephens Council

Report on infrastructure assets as at 30 June 2024 (continued)

| | | |
|---|---------------------|-----------------------------------|
| 3 | Satisfactory | Maintenance work required |
| 4 | Poor | Renewal required |
| 5 | Very poor | Urgent renewal/upgrading required |

Port Stephens Council

Report on infrastructure assets as at 30 June 2024

Infrastructure asset performance indicators (consolidated) *

| \$ '000 | Amounts 2024 | Indicator 2024 | Indicator 2023 | Benchmark |
|--|------------------|-------------------|-------------------|-----------|
| Buildings and infrastructure renewals ratio | | | | |
| Asset renewals ¹ | 28,191 | 199.00% | 198.80% | > 100.00% |
| Depreciation, amortisation and impairment | 14,166 | | | |
| Infrastructure backlog ratio | | | | |
| Estimated cost to bring assets to a satisfactory standard | 31,854 | 2.85% | 2.28% | < 2.00% |
| Net carrying amount of infrastructure assets | 1,118,577 | | | |
| Asset maintenance ratio | | | | |
| Actual asset maintenance | 20,822 | 105.47% | 105.58% | > 100.00% |
| Required asset maintenance | 19,743 | | | |
| Cost to bring assets to agreed service level | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 50,635 | 3.76% | 3.66% | |
| Gross replacement cost | 1,345,126 | | | |

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

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

ITEM 11 - ATTACHMENT 1 2023-2024 DRAFT FINANCIAL STATEMENTS.

| Port Stephens Council Holiday Parks and Investment Property Report Financial Year 2023/2024 | | | | | | |
|---|---------|------------------|-----------------------|------------|-----------------|-------|
| Holiday Parks | | Operating Income | Operating Expenditure | EBITDA (2) | Net Yield % (1) | Notes |
| Fingal Bay | Crown | 5,660,133 | 4,379,340 | 1,280,793 | 8% | |
| Halifax | Crown | 3,662,357 | 2,852,280 | 810,076 | 7% | |
| Shoal Bay | Crown | 1,345,078 | 921,551 | 423,527 | 7% | |
| | Council | 2,498,002 | 1,711,453 | 786,550 | | |
| | | 3,843,080 | 2,633,004 | 1,210,076 | | |
| Thou Walla | Council | 885,821 | 923,546 | (37,725) | (0%) | |
| Koala Sanctuary | Council | 2,234,691 | 2,787,810 | (553,119) | (4%) | |
| Investment Property | | Operating Income | Operating Expenditure | EBITDA | Net Yield % (1) | Notes |
| | Total | 2,296,285 | 371,107 | 1,925,178 | 6% | |
| Newcastle Airport | | Operating Income | Operating Expenditure | EBITDA | Net Yield % (3) | Notes |
| | Total | 38,088,121 | 24,403,290 | 13,684,830 | 7% | 4 |
| Notes 1 Net Yield = EBITDA/Capital 2 EBITDA used as the numerator for Return on Investment calculation in accordance with Crown Lands reporting 3 Net Yield = Net Profit/Capital 4 Due to the capital expansion, no dividend was paid by the Newcastle Airport Partnership to Council. | | | | | | |