

TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

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TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Town of Port Hedland being the annual financial report and other information for the financial year ended 30th June 2012 are in my opinion properly drawn up to present fairly the financial position of the Town of Port Hedland at 30th June 2012 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 22nd day of February 2013



M.J. (Mal) Osborne
Chief Executive Officer

**TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
REVENUE				
Rates	22	15,450,679	15,508,133	13,571,692
Operating Grants, Subsidies and Contributions	28	7,135,769	8,154,544	6,470,557
Fees and Charges	27	26,983,048	23,036,410	21,207,469
Interest Earnings	2(a)	1,839,080	1,352,412	2,195,662
Other Revenue		935,464	546,910	494,801
		<u>52,344,040</u>	<u>48,598,408</u>	<u>43,940,181</u>
EXPENSES				
Employee Costs		(16,770,805)	(16,349,035)	(13,440,726)
Materials and Contracts		(15,941,066)	(15,272,666)	(12,545,565)
Utility Charges		(2,296,862)	(2,128,325)	(1,659,674)
Depreciation on Non-Current Assets	2(a)	(7,982,280)	(7,320,435)	(6,140,570)
Interest Expenses	2(a)	(886,991)	(1,412,011)	(438,565)
Insurance Expenses		(921,331)	(907,050)	(708,908)
Other Expenditure		(1,918,157)	(551,331)	(1,832,152)
		<u>(46,717,492)</u>	<u>(43,940,852)</u>	<u>(36,766,160)</u>
		5,626,548	4,657,557	7,174,021
Non-Operating Grants, Subsidies and Contributions	28	26,741,647	43,266,225	21,822,577
Profit on Asset Disposals	20	11,000	17,900	1,491
Loss on Asset Disposal	20	-	(83,100)	(23,430)
		<u>27,852,647</u>	<u>43,199,025</u>	<u>21,600,638</u>
NET RESULT		32,379,195	47,858,582	28,974,659
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>32,379,195</u></u>	<u><u>47,858,582</u></u>	<u><u>28,974,659</u></u>

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
REVENUE				
Governance		74,429	179,260	92,818
General Purpose Funding		19,797,838	19,851,886	19,334,947
Law, Order, Public Safety		384,163	287,658	600,884
Health		87,642	47,960	71,845
Education and Welfare		833,931	43,875	334,713
Housing		226,684	245,916	3,280,387
Community Amenities		8,728,700	8,264,429	7,504,098
Recreation and Culture		6,828,127	5,018,526	10,786,599
Transport		20,005,043	11,558,425	13,137,940
Economic Services		21,092,100	2,825,143	10,364,266
Other Property and Services		1,038,031	275,330	255,752
		<u>79,096,688</u>	<u>48,598,408</u>	<u>65,764,249</u>
EXPENSES EXCLUDING FINANCE COSTS				
Governance		(2,033,948)	(1,877,722)	(1,485,539)
General Purpose Funding		(382,952)	(520,388)	(367,773)
Law, Order, Public Safety		(1,573,000)	(1,567,539)	(1,240,196)
Health		(560,984)	(568,993)	(486,096)
Education and Welfare		(1,136,448)	(4,278,625)	(956,184)
Housing		(685,017)	(597,301)	(617,505)
Community Amenities		(7,959,351)	(7,776,205)	(6,970,489)
Recreation & Culture		(16,069,441)	(13,183,060)	(12,792,658)
Transport		(13,031,980)	(9,919,980)	(9,202,724)
Economic Services		(1,600,903)	(1,818,063)	(1,788,306)
Other Property and Services		(796,477)	(420,967)	(443,555)
		<u>(45,830,501)</u>	<u>(42,528,842)</u>	<u>(36,351,025)</u>
FINANCE COSTS				
Governance		(2,550)	(2,563)	(4,499)
Law, Order, Public Safety		(16,214)	(16,858)	(17,882)
Education and Welfare		(19,302)	(20,069)	(21,288)
Housing		(343,617)	(303,253)	(285,892)
Community Amenities		0	(49,215)	(10,688)
Recreation & Culture		(499,569)	(887,900)	(91,137)
Transport		(1,710)	(128,122)	(2,901)
Economic Services		(4,030)	(4,030)	(4,278)
	2 (a)	<u>(886,992)</u>	<u>(1,412,011)</u>	<u>(438,565)</u>
NET RESULT		<u>32,379,195</u>	<u>4,657,555</u>	<u>28,974,659</u>
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>32,379,195</u></u>	<u><u>4,657,555</u></u>	<u><u>28,974,659</u></u>

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2011 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	77,118,725	35,458,967
Trade and Other Receivables	4	10,981,715	6,915,465
Inventories	5	4,885	14,451
TOTAL CURRENT ASSETS		<u>88,105,325</u>	<u>42,388,883</u>
NON-CURRENT ASSETS			
Other Receivables	4	891,065	955,808
Property, Plant and Equipment	6	90,200,438	67,587,176
Infrastructure	7	129,210,527	116,744,977
TOTAL NON-CURRENT ASSETS		<u>220,302,030</u>	<u>185,287,961</u>
TOTAL ASSETS		<u>308,407,356</u>	<u>227,676,844</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	43,933,897	7,274,177
Long Term Borrowings	9	1,008,734	634,820
Provisions	10	1,516,073	1,491,158
TOTAL CURRENT LIABILITIES		<u>46,458,704</u>	<u>9,400,155</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	20,564,243	9,288,722
Provisions	10	117,412	100,166
TOTAL NON-CURRENT LIABILITIES		<u>20,681,655</u>	<u>9,388,888</u>
TOTAL LIABILITIES		<u>67,140,359</u>	<u>18,789,043</u>
NET ASSETS		<u>241,266,996</u>	<u>208,887,801</u>
EQUITY			
Retained Surplus		202,881,530	180,557,880
Reserves - Cash Backed	11	37,532,938	27,477,393
Reserves - Asset Revaluation	12	852,528	852,528
TOTAL EQUITY		<u>241,266,996</u>	<u>208,887,801</u>

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2012**

NOTE	RETAINED SURPLUS \$	RESERVES CASH/ BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2010	138,687,643	40,372,971	852,528	179,913,142
Net Result	28,974,659	0	0	28,974,659
Total Other Comprehensive Income	0	0	0	0
Reserve Transfers	12,895,578	(12,895,578)	0	0
Balance as at 30 June 2011	180,557,880	27,477,393	852,528	208,887,801
Net Result	32,379,195	0	0	32,379,195
Total Other Comprehensive Income	0	0	0	0
Reserve Transfers	(10,055,545)	10,055,545	0	0
Balance as at 30 June 2012	202,881,530	37,532,938	852,528	241,266,996

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
Cash Flows From Operating Activities				
Receipts				
Rates		15,530,245	15,197,971	13,669,902
Operating Grants, Subsidies and Contributions		7,135,769	8,154,544	6,470,557
Fees and Charges		22,841,333	21,116,709	21,169,768
Interest Earnings		1,839,080	1,352,412	2,195,662
Goods and Services Tax		7,364,997	0	2,710,938
Other Revenue		935,464	546,910	494,801
		<u>55,646,888</u>	<u>46,368,545</u>	<u>46,711,628</u>
Payments				
Employee Costs		(16,633,921)	16,235,104	(13,241,218)
Materials and Contracts		20,370,402	13,999,944	(10,660,080)
Utility Charges		(2,296,862)	2,021,908	(1,659,674)
Insurance Expenses		(921,331)	907,050	(708,908)
Interest expenses		(623,895)	1,412,011	(434,222)
Goods and Services Tax		(7,364,997)	0	(2,710,938)
Other Expenditure		(1,918,162)	551,331	(1,862,589)
		<u>(9,388,766)</u>	<u>35,127,348</u>	<u>(31,277,629)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>46,258,122</u>	<u>81,495,893</u>	<u>15,433,999</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(26,340,051)	(34,336,726)	(34,524,473)
Payments for Construction of Infrastructure		(16,721,040)	(36,207,509)	(15,387,879)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		26,741,647	43,266,255	21,352,577
Proceeds from Sale of Plant & Equipment		11,000	217,300	138,686
Proceeds from the sale of Investments		0	0	0
		<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided By (Used In) Investing Activities		<u>(16,308,444)</u>	<u>(27,060,710)</u>	<u>(28,421,089)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(607,563)	(935,374)	(698,576)
Transfer from Trust - Public Open Space		0	0	470,000
Transfer of Self Supporting Loan		0	(500,000)	(250,000)
Proceeds from Self Supporting Loans		60,642	66,907	56,767
Proceeds from New Debentures		12,257,000	21,778,000	3,930,000
		<u>12,257,000</u>	<u>21,778,000</u>	<u>3,930,000</u>
Net Cash Provided By (Used In) Financing Activities		<u>11,710,079</u>	<u>20,409,533</u>	<u>3,508,191</u>
Net Increase (Decrease) in Cash Held		41,659,758	4,590,020	(9,478,899)
Cash at Beginning of Year		35,458,967	25,808,332	44,937,866
Cash and Cash Equivalents at the End of the Year	13(a)	<u>77,118,725</u>	<u>30,398,353</u>	<u>35,458,967</u>

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 Actual \$	2012 Budget \$
REVENUE			
		74,429	179,260
		4,347,158	4,343,753
		384,163	837,658
		87,642	47,960
		833,931	3,893,875
		226,684	245,916
		8,728,700	8,264,429
		6,828,127	10,923,154
		20,005,043	36,437,922
		21,092,100	10,925,143
		1,038,031	275,330
		<u>63,646,008</u>	<u>76,374,400</u>
EXPENSES			
		(2,036,497)	(1,880,285)
		(382,952)	(520,388)
		(1,589,214)	(1,584,397)
		(560,984)	(568,993)
		(1,155,750)	(4,298,694)
		(1,028,633)	(900,554)
		(7,959,351)	(7,829,120)
		(16,569,009)	(14,070,960)
		(13,033,690)	(10,127,502)
		(1,604,934)	(1,822,093)
		(796,477)	(420,967)
		<u>(46,717,490)</u>	<u>(44,023,952)</u>
		16,928,518	32,350,448
Net Operating Result Excluding Rates			
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
		11,000	65,200
		263,096	0
		(1,105)	0
		94,722	0
		42,161	0
		7,982,280	7,320,435
Capital Expenditure and Revenue			
		(23,423,847)	(32,107,672)
		(1,023,755)	(32,086,293)
		(15,697,285)	(13,173,093)
		(1,493,105)	(2,628,000)
		(1,423,099)	(1,408,250)
		11,000	217,300
		(634,818)	(935,374)
		0	(500,000)
		12,257,000	17,848,000
		60,642	66,908
		0	0
		(45,467,628)	(21,929,716)
		35,412,082	28,016,147
ADD	Estimated Surplus/(Deficit) July 1 B/Fwd	7,728,477	3,375,828
LESS	Estimated Surplus/(Deficit) June 30 C/Fwd	7,077,017	0
	Amount Required to be Raised from Rates	<u><u>(15,450,679)</u></u>	<u><u>(15,508,133)</u></u>

This statement is to be read in conjunction with the accompanying notes.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the local Government Act 1995 and accompanying regulations.

Except for cash flow and rate setting information, the report has also been prepared on the accrual basis and is based on historical costs, modified where applicable, by the measurement at fair value of the selected non-current assets, financial assets and liabilities.

Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(b) The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 19 to these financial statements.

(c) Goods and Services Tax

Revenues, expenses and assets capitalised are stated net of any GST recoverable.

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

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

(e) Trade and Other Receivables

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

(f) Inventories

General

Inventories are measured at the lower of cost and net realisable value.

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 purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until Finance costs and holding charges incurred after development is completed are expensed.

Revenue arising from the sale of property is recognised in the statement of comprehensive income as at the time of signing an unconditional contract of sale.

Land held for resale is classified as current except where it is held as non-current based on Council's intention to release for sale.

(g) Fixed Assets

Each class of fixed assets is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation or impairment losses.

Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases in the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised as profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

Land under Roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the Local Government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB1051 - Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Council.

Depreciation of Non-Current Assets

All non-current assets having a limited useful life (excluding freehold land) are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Parks	10 to 40 years
Ovals	40 years
Street Verges	40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(h) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or at cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
- (d) less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

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

Held-to-maturity investments are included in current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets, are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to the asset previously recognised in other comprehensive income, is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Council no longer has any significant continued involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (eg AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Employee Benefits

Provision is made for the Council's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for the benefits. In determining the liability, consideration is given to the employee wage increases and the probability the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity matching the expected timing of cash flows.

(l) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(m) Provisions

Provisions are recognised when:

- a) the Council has a present legal or constructive obligation as a result of past events;
- b) for which it is probable that an outflow of economic benefits will result; and
- c) that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Council, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(o) Joint Venture

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture is set out in Note 16.

The Council's interest in joint venture entities are recorded using the equity method of accounting in the financial report.

When the Council contributes assets to the joint venture or if the Council purchases assets from the joint venture, only the portion of gain or loss not attributable to the Council's share of the joint venture shall be recognised. The Council recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

(p) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the Local Government's operation for the current reporting period.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Superannuation

The Council contributes to a number of superannuation funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar.

(t) Comparative Figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(u) Budget Comparative Figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New Accounting Standards and Interpretations for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2012.

Council's assessment of these new and amended standards and interpretations is set out below:

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 9 – Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 1053 - Application of Tiers of Australian Accounting Standards	June 2010	01 July 2013	Nil - Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iii) AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title and Topic	Issued	Applicable (*)	Impact
(iv) AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	June 2010	01 July 2013	Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(v) AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(vi) AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	December 2010	01 January 2012	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title and Topic	Issued	Applicable (*)	Impact
(vii) AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	01 January 2013	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2011 - 2 Amendments to Australian Accounting Standards - Arising from the Trans-Tasman Consequence Project - Reduced Disclosure Requirements. [AASB 101 & 1054]	May 2011	01 July 2013	
AASB 2011 - 3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to ABS GFS manual and related Amendments. [AASB 1049]	May 2011	01 July 2012	
AASB 2011 - 6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements [AASB 127,128 & 131]	July 2011	01 July 2013	

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests In Other Entities, AASB 127 - Separate Financial Statements, AASB 128 - Investments in Associates and Joint Ventures, AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	01 January 2013	Nil - None of these, except for AASB 128, are expected to have significant application to the operations of the Council. With respect to AASB 128, where the Council has an interest in a Joint Venture, the requirements of AASB 128 supercede those of the current Joint Venture Standard AASB 131. The new standard more clearly defines the accounting treatment and disclosure in relation to it. Due to the nature of the Joint Venture, it is not expected to have a significant impact on the Council.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title and Topic	Issued	Applicable (*)	Impact
(ix) AASB 13 - Fair Value Measurement, AASB 2011 - 8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	September 2011	01 January 2013	AASB 13 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. AASB 13 requires inputs to all fair value measurements to be categorised in accordance with fair value hierarchy. AASB 13 also requires enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value. AASB 13 will have particular relevance to the process of the Council adopting fair value methodology in relation to its fixed assets as mandated from 1 July 2012. Apart from the changes in value in relation to assets to be revalued (which are mandated by legislation and not changes to the standard) it is not expected to significantly impact the Council as the framework embodied in AASB 13 does not differ significantly from that which is present in existing standards. The amendments to the legislation requires the phasing in of fair value in relation to fixed assets over the three years from 1 July 2012. It is not possible to estimate the likely amount of any revaluations.
(x) AASB 2011 - 9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	01 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

	Title and Topic	Issued	Applicable (*)	Impact
(xi)	AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(xii)	AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	September 2011	01 July 2013	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
	AASB 2011 – 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	November 2011	01 January 2013	
	AASB 2011 – 13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	December 2011	01 July 2012	

Notes:

(*) Applicable to reporting periods commencing on or after the given date.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Adoption of New and Revised Accounting Standards

During the current year, the Council adopted all of the new and revised Australian Accounting Standards and interpretations which became mandatory and which were applicable to its operations.

These new and revised standards were:

- AASB 124
- AASB 1054
- AASB 2009 - 12
- AASB 2009 - 14
- AASB 2010 - 4
- AASB 2010 - 5
- AASB 2010 - 6
- AASB 2010 - 9
- AASB 2011 - 1

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

2. REVENUE AND EXPENSES

2012 **2011**
\$ **\$**

(a) Net Result

The Net Result includes:

(i) Charging as an Expense:

Auditors Remuneration

- Audit	18,259	21,200
- Other Services	<u>37,769</u>	<u>18,510</u>
	<u>56,028</u>	<u>39,710</u>

Depreciation

Buildings	2,099,341	1,325,246
Furniture and Equipment	345,334	310,856
Plant and Equipment	1,282,114	1,200,430
Roads	1,397,119	1,378,856
Infrastructure - Airport	663,021	526,864
Infrastructure - Other	<u>2,195,350</u>	<u>1,398,318</u>
	<u>7,982,279</u>	<u>6,140,570</u>

Interest Expenses (Finance Costs)

Debentures (<i>refer Note 21(a)</i>)	622,997	438,565
Accrued Interest	<u>287,228</u>	<u>0</u>
	<u>910,225</u>	<u>438,565</u>

Rental Charges

- Operating Leases	<u>321,207</u>	<u>276,360</u>
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(ii) Crediting as Revenue:

2012	2012	2011
\$	Budget	\$
	\$	

Interest Earnings

Investments		
- Reserve Funds	1,277,302	953,800
- Other Funds	355,727	270,000
- Loans	62,095	78,612
Other Interest Revenue (<i>refer note 26</i>)	<u>143,956</u>	<u>156,117</u>
	<u>1,839,080</u>	<u>1,470,402</u>
	<u>1,470,402</u>	<u>2,195,662</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis and for each of its broad activities/programs.

Council operations as disclosed in this budget encompass the following service orientated activities/programs:

GOVERNANCE

Objective: To provide a decision making process for the efficient allocation of scarce resources.

Activities: Administration and operation of facilities and services to members of council; other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective: To collect revenue to allow for the provision of services.

Activities: Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective: To provide services to help ensure a safer community.

Activities: Supervision of various by-laws, fire prevention, emergency services & animal control.

HEALTH

Objective: To provide an operational framework for good community health.

Activities: Food quality and pest control, and Aboriginal Environment health

EDUCATION AND WELFARE

Objective: To meet the needs of the community in these areas.

Activities: Operation of senior and frail citizens' centres, day care centres and theatre; and assistance to playgroups, aged care and other voluntary services.

HOUSING

Objective: Help ensure adequate housing.

Activities: Maintenance of staff and community housing.

COMMUNITY AMENITIES

Objective: Provide services required by the community

Activities: Rubbish Collection services, operation of tips, administration of the town planning scheme, maintenance of cemeteries, maintenance of rest centre and storm water drainage.

RECREATION AND CULTURE

Objective: To establish and manage efficiently infrastructure and resources which will help the social wellbeing of the community.

Activities: Maintenance of halls, aquatic centres, recreation centres and various reserves; operation of library and arts centre operations.

TRANSPORT

Objective: To provide effective and efficient transport services to the community.

Activities: Airport operations; construction and maintenance of streets, roads, bridges; cleaning and lighting of streets.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

ECONOMIC SERVICES

Objective: To help promote the Town and improve its economic wellbeing.

Activities: The regulation and provision of tourism, area promotion, building control and cattleyards.

OTHER PROPERTY SERVICES

Activities: Private works operation, plant repairs and operation costs.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (*) 01-Jul-10 \$	Received (+) 2010/2011 \$	Expended (#) 2010/2011 \$	Closing Balance (*) 30-Jun-11 \$	Received (+) 2011/2012 \$	Expended (#) 2011/2012 \$	Closing Balance 30-Jun-12 \$
BHP - Environmental Projects		49,838	0	(49,838)	0	0		0
Building Safety; (Fire) Grant		15,000	0	0	15,000			15,000
Office of Crime Prevention (OCCPP)		20,000	0	(20,000)	0			0
Walk N Hedland		435	0	(435)	0			0
BHP - Hedland Turf Club Grandstand		100,000	0	(48,398)	51,601		(51,398)	205
PH Enhancement Scheme - Boat Ramp		27,562	0	(27,562)	0			0
PH Enhancement Scheme - Foreshore Park		79,847	0	(80,958)	9,888			9,888
PH Enhancement Scheme - Spoilbank Masterplan		647,301	0	(647,301)	0			0
Royalties for Regions - CLCF		57,005	0	(57,005)	0			0
Pilbara Development Commission - Turf B/W		140,873	0	(140,873)	0			0
DOTARS Grant - Airport Development		44,581	0	(44,581)	0			0
Local Road Grant		439,807	0	(439,807)	0			0
P/R (Design for Port Hedland Today)		15,000	0	(15,000)	0			0
BHP Billton Contrib, Port Hedland Future Tods		60,000	0	(60,000)	0			0
R4R CCT - Stage 2		100,000	0	(100,000)	0			0
D'ol of Racing, Liquor & Gambling - Club Funding		6,202	0	(6,202)	0			0
Lotteries Grant - Playground Development		81,931	0	(81,931)	0			0
Dept of Housing - 0910 Walkway Lighting 50-		1,552	0	(1,552)	0			0
BHP Billton Cont. Walkway Road Bridge 09-10		743,074	0	(743,074)	0			0
Federal Aboriginal Road Grant		25,578	0	(25,578)	0	44,000		44,000
Black Spot Funding Grant		27,254	0	(27,254)	0			0
MRWA Direct Grant		73,435	0	(73,435)	0			0
Roads To Recovery; 10-11 Carry over		358,155	0	(358,155)	0			0
Roads To Recovery Grants		0	0	0	0			0
Grant from DEWR - 40% Payment for Dole Participation		41,212	0	(41,212)	0			0
BHP Dept RDL - Joint Project Officer		32,951	0	(32,951)	0			0
CLP - Graffiti Removal Programme		0	11,000	0	11,000		(11,801)	(801)
CCP - Reduce the number of burglary and theft offences		0	20,000	(16,485)	3,515		7,803	11,218
BHP Sponsorship 2010 - Dune Restoration		0	20,000	0	20,000		(2,559)	(4,559)
BHP Sponsorship 2010 - Port Hedland International Airport Development Plan Project		0	77,273	(77,273)	0			0
BHP Community Sponsorship - 2011/12 - Skate Park		0	0	0	0			0
BHP Community Sponsorship - 2011/12 - Colin Matheson Change Rooms		0	0	0	0			0
BHP Community Sponsorship - 2011/12 - Pioneer Cemetery Upgrade		0	0	0	0			0
BHP Community Sponsorship - 2011/12 - Caravan and Backpackers Feasibility Study		0	0	0	0			0
BHP Community Sponsorship - 2011/12 - Cementy Beach Park		0	0	0	0			0
BHP Community Sponsorship - 2011/12 - 11ester Plan - Golf Turf Club		0	0	0	0			0
BHP Contributions 2010 - GP Housing Project		0	1,500,000	0	1,500,000	750,000	(842,115)	1,407,885
Royalties for Regions 2009/2010 - Community Development Projects		0	0	0	0			0
Royalties for Regions 2010/2011 - GP Housing		0	1,500,000	(72,840)	1,427,160	0	(800,125)	627,035
Royalties for Regions 2010/2011 - Cemetery, Park		0	3,000,000	(120,472)	2,879,528	0	(1,288,854)	1,590,674
Royalties for Regions - 5th Hedland Aquatic Centre		0	1,230,000	0	1,230,000	2,370,000	(1,817,024)	1,782,976
Royalties for Regions - 5th Hedland Library & Community Centre		0	685,000	0	638,000	0	0	665,000
CLCF 2010/11 - Town Entry Statement		0	0	0	0	100,000	0	100,000
Regional Local Council Incentive Program - 5th Hedland Aquatic Centre Upgrade		0	136,364	(33,842)	102,521		(102,521)	0
Community Contribution - Bicycle Plan		0	0	0	0	32,273	0	32,273
Children Book Council of Aust		0	0	0	0	3,000	0	3,000
Pilbara Cities Port Hedland Greyth Plan		0	100,000	(100,000)	0			0
PDC - Pilbara Regional Grant - Coastal Access & Managed Camping		0	50,000	(6,325)	43,675	0	(2)	43,673
Total		3,097,493	6,308,637	(5,448,242)	7,956,888	3,209,673	(4,830,485)	6,339,267

Notes:

(*) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(+) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(#) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2011 \$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand - Municipal (Unrestricted)	5,230	5,230
Cash at Bank - Municipal	39,580,611	7,976,344
Cash at Bank - Reserves (Restricted)	37,532,884	27,477,393
	<u>77,118,725</u>	<u>35,458,967</u>
 <u>Cash at Bank - Municipal</u>		
Unrestricted Balance	30,022,829	(467,368)
Restricted Grants Balance	9,557,782	8,443,712
	<u>39,580,611</u>	<u>7,976,344</u>
 The following restrictions have been imposed by regulations or other externally imposed requirements:		
Leave Reserve	949,398	909,268
Airport Reserve	12,832,619	11,256,168
Plant Reserve	284,697	272,663
Car Parking Reserve	226,624	158,275
Planning Projects Reserve	0	0
Waste Management Reserve	1,284,198	614,645
Bushfire Management Reserve	0	0
Lights Replacement Reserve	22,559	21,333
Depot Facilities Reserve	16,101	15,420
Oval Development Reserve	0	0
BHP - TPRH Alliance Reserve	0	0
South Hedland Library Reserve	14,202	13,602
SES Shed Reserve	34,355	32,903
Planning Permeability Reserve	0	0
Waste Management Recycle Reserve	441,559	422,895
BHP Reserve	7,778,997	8,347,897
Civil Building/Infrastructure Reserve	91,459	87,593
Newcrest Reserve	2,490	2,385
Spoilbank Reserve	10,386,348	514,333
Royalties for Regions Reserve	248,958	3,246,157
Community Facilities Reserve	2,219,262	1,561,856
GP Housing	699,113	0
	<u>37,532,939</u>	<u>27,477,393</u>
Unspent Grants	6,328,267	7,958,888
Unspent Loans	3,229,515	484,824
	<u>9,557,782</u>	<u>8,443,712</u>
 Total Restricted Funds	 <u>47,090,721</u>	 <u>35,921,105</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2011 \$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	54,128	132,589
Sundry Debtors	8,572,925	5,189,198
Provision for Doubtful Debts	(243,256)	(24,981)
Loans - Clubs/Institutions	63,638	60,642
Other Receivables	167,849	76,410
Accrued Income	2,366,431	1,481,607
	<u>10,981,715</u>	<u>6,915,465</u>
Non-Current		
Rates Outstanding - Pensioners	19,279	19,279
Service Charges - Underground Power	0	1,105
Loans - Clubs/Institutions	871,786	935,424
	<u>891,065</u>	<u>955,808</u>
5. INVENTORIES		
Current		
Fuel	1,445	7,842
Matt Dann Kiosk	3,440	4,270
JD Hardie Centre	0	2,339
	<u>4,885</u>	<u>14,451</u>
	2012	2011
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Land - Cost	<u>1,403,748</u>	<u>1,403,748</u>
	1,403,748	1,403,748
Land and Buildings - Cost	91,577,497	68,153,650
Less Accumulated Depreciation	<u>(13,193,013)</u>	<u>(11,093,672)</u>
	78,384,484	57,059,978
Furniture and Equipment - Cost	6,300,420	4,877,321
Less Accumulated Depreciation	<u>(3,941,836)</u>	<u>(3,596,502)</u>
	2,358,584	1,280,819
Plant and Equipment - Cost	17,079,570	15,647,164
Less Accumulated Depreciation	<u>(9,025,948)</u>	<u>(7,804,533)</u>
	8,053,622	7,842,631
	<u>90,200,438</u>	<u>67,587,176</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land \$	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at the beginning of the year 1/7/2011	1,403,748	57,059,978	1,280,819	7,842,631	67,587,176
Additions	-	23,423,847	1,423,099	1,493,105	26,340,051
(Disposals)	-	-	-	-	-
Revaluation - Increments - (Decrements)	-	-	-	-	-
Impairment - (losses) - reversals	-	-	-	-	-
Depreciation (Expense)	-	(2,099,341)	(345,334)	(1,282,114)	(3,726,789)
Carrying amount at the end of year 30/6/2012	<u>1,403,748</u>	<u>78,384,484</u>	<u>2,358,584</u>	<u>8,053,622</u>	<u>90,200,438</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	<u>Roads</u> \$	<u>Footpaths</u> \$	<u>Drainage</u> \$	<u>Parks and Ovals</u> \$	<u>Bridges</u> \$	<u>Bus Shelters</u> \$	<u>Depots</u> \$	<u>Airport</u> \$	<u>Total</u> \$
Balance at the beginning of the year	60,869,366	7,177,673	6,649,100	28,139,178	1,968,403	86,398	517,701	11,337,158	116,744,977
Additions	1,023,755	1,030	14,687	9,497,396	1,554,177	-	9,735	4,580,280	16,721,040
(Disposals)	-	-	-	-	-	-	-	-	-
Revaluation - Increments - (Decrements)	-	-	-	-	-	-	-	-	-
Impairment - (losses) - reversals	-	-	-	-	-	-	-	-	-
Depreciation (Expense)	(1,397,119)	(8,418)	(131,572)	(1,941,440)	(76,917)	(20,519)	(16,484)	(663,021)	(4,255,491)
Carrying amount at the end of year 30 June 2012	<u>60,496,002</u>	<u>7,170,285</u>	<u>6,532,215</u>	<u>35,695,134</u>	<u>3,485,663</u>	<u>65,879</u>	<u>510,952</u>	<u>15,254,397</u>	<u>129,210,527</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011
	\$	\$
7. INFRASTRUCTURE		
Roads - Cost	81,968,545	80,944,790
Less Accumulated Depreciation	<u>(21,472,543)</u>	<u>(20,075,424)</u>
	60,496,002	60,869,366
Footpaths - Cost	9,593,029	9,591,999
Less Accumulated Depreciation	<u>(2,422,744)</u>	<u>(2,414,326)</u>
	7,170,285	7,177,673
Drainage - Cost	9,880,203	9,865,516
Less Accumulated Depreciation	<u>(3,347,988)</u>	<u>(3,216,416)</u>
	6,532,215	6,649,100
Parks & Ovals - Cost	43,843,009	34,345,613
Less Accumulated Depreciation	<u>(8,147,875)</u>	<u>(6,206,435)</u>
	35,695,134	28,139,178
Bridges - Cost	3,953,103	2,358,926
Less Accumulated Depreciation	<u>(467,440)</u>	<u>(390,523)</u>
	3,485,663	1,968,403
Bus Shelters - Cost	205,185	205,185
Less Accumulated Depreciation	<u>(139,306)</u>	<u>(118,787)</u>
	65,879	86,398
Depot - Cost	666,027	656,292
Less Accumulated Depreciation	<u>(155,075)</u>	<u>(138,591)</u>
	510,952	517,701
Airport - Cost	27,088,038	22,507,777
Less Accumulated Depreciation	<u>(11,833,641)</u>	<u>(11,170,619)</u>
	15,254,397	11,337,158
	<u><u>129,210,527</u></u>	<u><u>116,744,977</u></u>

Council have adopted a policy of re-valuing with sufficient regularity to ensure the carrying amount of each road asset is fairly stated at reporting date.

This policy also accords with AASB 116.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	11,085,122	6,534,847
Income in Advance	32,373,607	621,980
Accrued Interest on Debentures	287,228	24,132
Accrued Salaries and Wages	187,940	93,218
	<u>43,933,897</u>	<u>7,274,177</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge		
Debentures	1,008,734	634,820
	<u>1,008,734</u>	<u>634,820</u>
Non-Current		
Secured by Floating Charge		
Debentures	20,564,243	9,288,722
	<u>20,564,243</u>	<u>9,288,722</u>
Additional detail on borrowings is provided in Note 21.		
10. PROVISIONS		
Current		
Provision for Annual Leave	1,000,056	862,559
Provision for Long Service Leave	305,684	198,129
Provision for Sick Leave	210,333	430,470
	<u>1,516,073</u>	<u>1,491,158</u>
Non-Current		
Provision for Long Service Leave	117,412	100,166
	<u>117,412</u>	<u>100,166</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

	2012 \$	2012 Budget \$	2011 \$
11. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	909,268	935,565	941,931
Amount Set Aside / Transfer to Reserve	40,130	42,100	44,156
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(76,819)</u>
	<u>949,398</u>	<u>977,665</u>	<u>909,268</u>
(b) Airport Reserve			
Opening Balance	11,256,168	8,277,905	6,808,985
Amount Set Aside / Transfer to Reserve	17,628,189	5,661,407	7,086,763
Amount Used / Transfer from Reserve	<u>(16,051,737)</u>	<u>(8,654,415)</u>	<u>(2,639,580)</u>
	<u>12,832,620</u>	<u>5,284,897</u>	<u>11,256,168</u>
(c) Plant Reserve			
Opening Balance	272,663	279,581	260,000
Amount Set Aside / Transfer to Reserve	12,034	12,600	12,663
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>284,697</u>	<u>292,181</u>	<u>272,663</u>
(d) Car Parking Reserve			
Opening Balance	158,275	262,299	150,924
Amount Set Aside / Transfer to Reserve	68,349	511,800	7,351
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>226,624</u>	<u>774,099</u>	<u>158,275</u>
(f) Waste Management Reserve			
Opening Balance	614,645	1,629,438	323,852
Amount Set Aside / Transfer to Reserve	2,791,793	2,539,087	1,748,366
Amount Used / Transfer from Reserve	<u>(2,122,240)</u>	<u>(2,352,811)</u>	<u>(1,457,573)</u>
	<u>1,284,198</u>	<u>1,815,714</u>	<u>614,645</u>
(h) Lights Replacement Reserve			
Opening Balance	21,333	4,083	36,380
Amount Set Aside / Transfer to Reserve	1,226	200	1,772
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(16,819)</u>
	<u>22,559</u>	<u>4,283</u>	<u>21,333</u>
(i) Depot Facilities Reserve			
Opening Balance	15,420	15,850	14,704
Amount Set Aside / Transfer to Reserve	681	700	716
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>16,101</u>	<u>16,550</u>	<u>15,420</u>
(l) South Hedland Library Reserve			
Opening Balance	13,602	13,963	12,970
Amount Set Aside / Transfer to Reserve	600	600	632
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>14,202</u>	<u>14,563</u>	<u>13,602</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

11. RESERVES - CASH BACKED (continued)

(m) SES Shed Reserve			
Opening Balance	32,903	33,726	31,375
Amount Set Aside / Transfer to Reserve	1,452	1,500	1,528
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>34,355</u>	<u>35,226</u>	<u>32,903</u>
(o) Waste Management & Recycling Reserve			
Opening Balance	422,895	433,479	403,255
Amount Set Aside / Transfer to Reserve	18,664	19,500	19,640
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>441,559</u>	<u>452,979</u>	<u>422,895</u>
(p) BHP Reserve			
Opening Balance	8,347,897	4,629,607	13,384,242
Amount Set Aside / Transfer to Reserve	10,686,781	8,208,300	8,596,208
Amount Used / Transfer from Reserve	<u>(11,255,682)</u>	<u>(12,407,453)</u>	<u>(13,632,553)</u>
	<u>7,778,996</u>	<u>430,454</u>	<u>8,347,897</u>
(q) Civil Building/Infrastructure Reserve			
Opening Balance	87,593	89,557	83,525
Amount Set Aside / Transfer to Reserve	3,866	4,000	4,068
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>91,459</u>	<u>93,557</u>	<u>87,593</u>
(r) Newcrest Reserve			
Opening Balance	2,385	102,643	2,274
Amount Set Aside / Transfer to Reserve	105	104,600	100,111
Amount Used / Transfer from Reserve	<u>0</u>	<u>(200,000)</u>	<u>(100,000)</u>
	<u>2,490</u>	<u>7,243</u>	<u>2,385</u>
(s) Spoilbank Reserve			
Opening Balance	514,333	524,113	490,446
Amount Set Aside / Transfer to Reserve	9,872,015	23,600	23,887
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>10,386,348</u>	<u>547,713</u>	<u>514,333</u>
(t) Royalties for Regions Reserve			
Opening Balance	3,246,157	790,584	17,189,695
Amount Set Aside / Transfer to Reserve	146,168	35,600	686,336
Amount Used / Transfer from Reserve	<u>(3,143,367)</u>	<u>(558,268)</u>	<u>(14,629,874)</u>
	<u>248,958</u>	<u>267,916</u>	<u>3,246,157</u>
(u) Community Facilities Reserve			
Opening Balance	1,561,856	984,767	238,413
Amount Set Aside / Transfer to Reserve	1,196,338	919,322	1,323,443
Amount Used / Transfer from Reserve	<u>(538,932)</u>	<u>0</u>	<u>0</u>
	<u>2,219,262</u>	<u>1,904,089</u>	<u>1,561,856</u>
(v) GP Housing Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	2,999,238	3,844,800	0
Amount Used / Transfer from Reserve	<u>(2,300,125)</u>	<u>(3,843,200)</u>	<u>0</u>
	<u>699,113</u>	<u>1,600</u>	<u>0</u>
TOTAL CASH BACKED RESERVES	<u>37,532,938</u>	<u>12,920,729</u>	<u>27,477,393</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

11. RESERVES - CASH BACKED (continued)

All of the reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash of this financial report.

In accordance with council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

Leave Reserve

- to be used to fund annual and long service leave requirements.

Airport Reserve

- to fund the ongoing and future operation of the Port Hedland International Airport.

Plant Reserve

- to be used for the purchase of major plant on an ongoing basis.

Car Parking Reserve

- to be used to fund new car parking facilities when required. Funds come from developers and are restricted to specific purposes.

Waste Management Reserve

- to fund Council's waste management facilities, including landfill and waste collection operations.

Lights Replacement Reserve

- to be used for the upgrading and replacement of oval lights on an ongoing basis.

Depot Facilities Reserve

- to be used for the depot upgrade.

South Hedland Library Reserve

- to be used to fund South Hedland library upgrade/extension.

SES Shed Reserve

- to hold funds associated with the construction of the SES Shed at the Airport.

Waste Management & Recycling Reserve

- to fund future waste recycling products.

BHP Reserve

- to hold funds contributed by BHP to assist the Council in achieving the Strategic Plan.

Civic Building /Infrastructure Reserve

- to fund the upgrade of existing buildings, the construction of existing buildings, and the establishment of associated infrastructure.

Newcrest Reserve

- to hold funds contributed by Newcrest Mining to assist Council in achieving the Strategic Plan.

Spoilbank Reserve

- for development projects on the Port Hedland Spoilbank Reserve.

Royalties for Regions Reserve

- to hold funds associated with contributions from the State Government to fund Royalties for Regions projects to assist Council in achieving the Strategic Plan.

Community Facilities Reserve

- for the development and upgrade of community infrastructure within the Town of Port Hedland.

Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

12. RESERVES - ASSET REVALUATION

**2012
\$**

**2011
\$**

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:

(a) Land and Buildings

Opening balance	662,217	662,217
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2012	662,217	662,217

(b) Roads

Opening Balance	190,311	190,311
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2012	190,311	190,311

TOTAL ASSET REVALUATION RESERVES

	852,528	852,528
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**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2012	2012	2011
	\$	Budget	\$
		\$	
Cash and Cash Equivalents	<u>77,118,725</u>	<u>30,398,353</u>	<u>35,458,967</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net Result	32,379,195	47,858,581	28,974,659
Depreciation	7,982,280	7,320,435	6,140,570
(Profit)/Loss on Sale of Asset	(11,000)	65,200	21,939
(Increase)/Decrease in Receivables	(4,062,154)	(403,449)	60,509
(Increase)/Decrease in Inventories	9,566	(2,000)	(7,117)
Increase/(Decrease) in Payables	36,659,720	(349,515)	1,911,113
Increase/(Decrease) in Employee Provisions	42,161	18,170	154,903
Grants/Contributions for the Development of Assets	<u>(26,741,647)</u>	<u>(43,266,225)</u>	<u>(21,822,577)</u>
Net Cash from Operating Activities	<u>46,258,122</u>	<u>11,241,197</u>	<u>15,433,999</u>

**(c) Undrawn Borrowing Facilities
Credit Standby Arrangements**

Bank Overdraft limit	0	50,000
Bank Overdraft at Balance Date	0	0
Credit Card limit	13,000	13,000
Credit Card Balance at Balance Date	<u>7,787</u>	<u>(5,919)</u>
Total Amount of Credit Unused	<u>20,787</u>	<u>57,081</u>

Loan Facilities

Loan Facilities - Current	1,008,734	634,820
Loan Facilities - Non-Current	<u>20,564,243</u>	<u>9,288,722</u>
Total Facilities in Use at Balance Date	<u>21,572,977</u>	<u>9,923,542</u>

Unused Loan Facilities at Balance Date	<u>20,787</u>	<u>57,081</u>
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**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

14. CONTINGENT LIABILITIES

There were no known contingent liabilities as at 30 June 2012.

	2012	2011
	\$	\$
15. CAPITAL AND LEASING COMMITMENTS		
(a) Finance Lease Commitments		
Nil		
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	302,899	104,273
- later than one year but not later than five years	377,800	140,926
- later than five years	0	0
	<u>680,699</u>	<u>245,199</u>
(c) Capital Expenditure Commitments		
Contracted for:		
- Building expenditure projects	10,183,515	13,238,870
- Road expenditure projects	1,231,157	1,487,881
- Airport expenditure projects	(33,689)	888,103
- Drainage expenditure projects	125,718	133
- Footpaths expenditure projects	89,768	28,248
- Parks expenditure projects	2,064,682	6,969,996
- Land development expenditure projects	187	7,118
- Furniture & equipment purchases	672,804	24,030
- Plant & equipment purchases	254,696	383,496
	<u>14,588,838</u>	<u>23,027,875</u>
Payable:		
- not later than one year	14,588,838	23,027,875

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

16. JOINT VENTURE

The Town of Port Hedland together with the Pilbara Arts Craft Design Aboriginal Corporation (PACDAC) have a joint venture arrangement to purchase the "Court House" in Edgar Street Port Hedland on a 50/50 basis. The purpose of the joint venture is to establish a community arts facility.

The operations of the facility are recorded in the financial statements under Education and Welfare and described within Function 8 of the schedules. The only asset of the joint venture is the court house building. Council's half of the building is included in the asset register under Buildings as follows:

	2012 \$	2011 \$
Non-Current Assets		
Buildings	463,811	455,350
Less: Accumulated Depreciation	(91,334)	(78,898)
	<u>372,477</u>	<u>376,452</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	4,531,999	1,408,167
General Purpose Funding	73,407	151,868
Law, Order, Public Safety	4,411,756	1,959,751
Health	420,262	451,174
Education and Welfare	8,102,184	2,190,439
Housing	12,829,502	10,459,571
Community Amenities	6,429,289	6,659,957
Recreation and Culture	91,270,443	66,445,490
Transport	121,670,226	118,649,302
Economic Services	553,933	642,534
Other Property and Services	3,575,749	4,135,317
Unallocated	14,746,011	14,523,274
	<u>268,614,761</u>	<u>227,676,844</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011	2010
18. FINANCIAL RATIOS			
Current Ratio	0.965	1.489	1.245
Untied Cash to Unpaid Trade Creditors Ratio	-0.095	0.002	0.385
Debt Ratio	0.218	0.083	0.071
Debt Service Ratio	0.049	0.026	0.033
Gross Debt to Revenue Ratio	0.410	0.226	0.192
Gross Debt to Economically Realisable Assets Ratio	0.120	0.089	0.075
Rate Coverage Ratio	0.298	0.209	0.258
Outstanding Rates Ratio	0.003	0.010	0.013

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Untied Cash to Unpaid Trade Creditors Ratio	$\frac{\text{untied cash}}{\text{unpaid trade creditors}}$
Debt Ratio	$\frac{\text{total liabilities}}{\text{total assets}}$
Debt Service Ratio	$\frac{\text{debt service cost}}{\text{available operating revenue}}$
Gross Debt to Revenue Ratio	$\frac{\text{gross debt}}{\text{total revenue}}$
Gross Debt to Economically Realisable Assets Ratio	$\frac{\text{gross debt}}{\text{economically realisable assets}}$
Rate Coverage Ratio	$\frac{\text{net rate revenue}}{\text{operating revenue}}$
Outstanding Rates Ratio	$\frac{\text{rates outstanding}}{\text{rates collectable}}$

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

19. TRUST FUNDS

Funds held at balance date over which the Shire has no control and which are not included in the financial statements are as follows:

	Balance 01-Jul-11 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-12 \$
Special Projects	1,300	900		2,200
Building Retention	4,616			4,616
Staff Bonds	18,276	7,490	(1,860)	23,906
Nomination Election Bonds	0	720	(720)	0
Ranger Services	1,160	4,018	(3,774)	1,404
Community Bank	960			960
Deposits - Halls	15,550	36,600	(40,650)	11,500
Deposits - Trailer/Comm Bus	900	4,500	(4,000)	1,400
Deposits - Sportsgrounds	14,390	16,550	(13,400)	17,540
POS Reserve	898			898
Blackrock Stakes Donations	178			178
Airport Cafe	0			0
BRB Levy	3,131	41,383	(29,723)	14,791
BCITF Levy	55,394	1,064,645	(1,083,600)	36,439
Unclaimed Money	2,547			2,547
Sundry	601	94		695
Garden Competition	4,850			4,850
MDCC Hire Events	0	500	(500)	0
Building Bonds	22,280			22,280
DAP	0	95,207	(83,701)	11,506
Cyclone George	128,740			128,740
	275,773	1,272,607	-1,261,928	286,450

20. DISPOSALS OF ASSETS - 2011/12 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Community Amenities						
PH10281 - Hilux 4x4 Single Cab	0	21,200	0	17,500	0	(3,700)
Transport						
PH9743 - Camry Altise	0	13,000	0	11,100	0	(1,900)
PH10814 - Hilux 4x4 Extra Cab	0	34,600	0	24,400	0	(10,200)
PH9742 - Camry Altise	0	13,000	0	11,100	0	(1,900)
PH10214 - Hilux 4x2 Dual Cab	0	19,700	0	15,300	0	(4,400)
PH9903 - Hilux 4x2 Dual Cab	0	19,500	0	15,300	0	(4,200)
PH10732 - Hilux 4x4 Dual Cab	0	32,600	0	25,100	0	(7,500)
PH10280 - Hilux 4x2 Dual Cab	0	21,200	0	15,300	0	(5,900)
PH10283 - Hilux 4x2 Single Cab	0	18,500	0	12,400	0	(6,100)
PH10278 - Hilux 4x2 Single Cab	0	18,500	0	12,400	0	(6,100)
PH10213 - Hilux 4x2 Single Cab	0	18,200	0	12,400	0	(5,800)
P12081707 - Toro Z-Master Mower	0	15,200	0	5,000	0	(10,200)
P30427 - John Deere	0	0	0	5,000	0	5,000
P30471 - John Deere	0	11,800	0	5,000	0	(6,800)
P30323 - John Deere	0	3,800	0	5,000	0	1,200
P12081807 - Toro Groundmaster	0	13,400	0	5,000	0	(8,400)
P1212270 - Kubota	0	0	11,000	10,000	11,000	10,000
P30218 - John Deere	0	8,300	0	10,000	0	1,700
	0	282,500	11,000	217,300	11,000	(65,200)

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 01-Jul-11 \$	New Loans \$	Principal Repayments		Principal 30-Jun-12		Interest Repayments		
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	
Governance									
Admin/Civic Centre Upgrade	117	55,935	36,784	30,784	13,151	54,003	2,563	2,563	
Law, Order & Public Safety									
State Emergency Services Shed(*)	123	271,708	27,001	27,001	244,707	270,071	16,858	16,858	
Education & Welfare									
HACC House Upgrade	122	323,462	32,144	32,144	291,318	321,512	20,069	20,069	
Housing									
Staff Housing	106	360,812	112,188	112,188	248,624	353,434	23,060	23,060	
Staff Housing	107	170,612	53,771	53,771	116,841	167,733	8,780	8,780	
Staff Housing - Morgans Street	125	1,423,178	42,410	42,410	1,380,768	1,420,453	95,361	95,361	
Staff Housing - Morgans Street	127	2,079,365	58,921	58,921	2,020,444	2,075,564	139,999	139,999	
Staff Housing Airport	131	1,300,000	34,844	33,102	1,265,156	1,266,898	78,002	84,901	
Staff Housing Airport			-	5,093	-	-	194,907	-	
Catamore Court Housing			-	13,718	-	1,081,282	-	36,052	
GP Housing			-	18,792	-	1,481,208	-	49,215	
Community Amenities									
Underground Power	124	-	-	-	-	-	-	-	
Recreation & Culture									
Aquatic Centres	112	452,694	63,568	63,568	389,126	448,633	29,327	29,327	
Swimming Pool Extensions	114	269,431	35,232	35,232	234,199	267,476	15,097	15,097	
JD Hardie Upgrade 2	129	1,550,000	41,499	41,499	1,508,501	1,508,501	93,157	94,101	
JD Hardie Upgrade 3			-	36,820	-	1,409,180	-	94,331	
Tennis Courts	120	15,066	9,901	9,901	5,165	14,521	725	725	
PH Gold Club (*)	111	883	883	883	-	5,115	7	7	
Yacht Club (Carried Forward*)	126	474,292	22,116	22,116	452,176	472,907	30,085	30,085	
Yacht Club Additional (*)	128	249,183	10,642	10,643	238,541	239,357	14,710	14,947	
Marquee Park Loan A	130	830,000	22,222	22,222	807,778	807,778	49,884	50,390	
Marquee Park Loan B	132		-	113,005	4,438,000	4,324,995	-	287,593	
Multi-purpose Recreation Centre	133		-	97,956	7,819,000	7,721,044	-	254,582	
South Hedland Bowling Club			-	6,264	-	493,736	-	16,715	
Transport									
Depot	113	26,216	26,216	26,218	-	24,594	1,283	1,283	
Wallwork Road Bridge			-	10,649	-	839,351	-	28,090	
Economic Services									
Port Hedland Visitors' Centre	116	70,706	4,476	4,476	66,230	70,458	4,030	4,030	
			9,923,543	12,257,000	634,818	935,374	21,545,725	27,334,711	622,997
								1,412,911	

(*) Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

21. INFORMATION ON BORROWINGS (Cont'd)

(b) New Debentures - 2011/12

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Multi-purpose Recreation Centre	7,819,000	7,819,000	WATC	Debenture	20	204,076	5.22%	4,589,485	7,819,000	3,229,515
Marquee Park	4,438,000	4,438,000	WATC	Debenture	20	115,832	5.22%	4,438,000	4,438,000	0

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 01-Jul-11 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-12 \$
Multi-purpose Recreation Centre	03-Feb-12	0	7,819,000	4,589,485	3,229,515

(d) Overdraft

Council does not have an overdraft facility in place for the year ended 30 June 2012.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

22. RATING INFORMATION - 2011/12 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate In \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV Residential	4.5625	4,472	194,789,731	8,856,043	231,108	32,413	9,119,565	8,887,281	500,000	0	9,387,261
GRV Commercial	5.4315	162	15,539,651	837,352	(58,058)	25,093	804,387	844,036	0	0	844,036
GRV Industrial	4.5625	236	22,174,578	1,016,876	78,209	15,168	1,110,253	1,011,715	0	0	1,011,715
GRV Shopping Centre	9.1250	2	6,801,360	620,624	0	0	620,624	620,624	0	0	620,624
GRV Ex Gratia	4.5625	0	0	0	0	0	0	0	0	0	0
GRV Mass Accommodation	9.1250	16	18,533,320	1,691,165	(17,394)	18,862	1,692,633	1,691,165	0	0	1,691,165
UV Mining Improved	31.3051	48	1,578,110	491,451	3,697	(509)	494,640	494,029	0	0	494,029
UV Mining Vacant	31.3050	53	789,892	257,964	74,343	285	332,592	247,276	0	0	247,276
UV Pastoral	5.1049	8	1,611,665	82,274	(28)	(7)	82,241	82,274	0	0	82,274
UV Other	10.3731	13	1,566,662	162,501	0	0	162,501	162,511	0	0	162,511
UV Other Vacant	11.7752	1	200,000	23,550	0	0	23,550	23,550	0	0	23,550
Sub-Totals		5,071	283,584,969	14,039,800	311,879	91,305	14,442,986	14,064,463	500,000	0	14,564,463
Minimum Rates											
Minimum \$											
GRV Residential	1000	534	3,947,493	534,000	0	0	534,000	460,000	0	0	460,000
GRV Commercial	1000	210	1,758,260	210,000	0	0	210,000	199,000	0	0	199,000
GRV Industrial	1000	39	325,110	36,000	0	0	36,000	31,000	0	0	31,000
GRV Shopping Centre	1000	0	0	0	0	0	0	0	0	0	0
GRV Ex Gratia	1000	0	0	0	0	0	0	0	0	0	0
UV Mining Improved	1000	50	58,637	50,000	0	0	50,000	46,000	0	0	46,000
UV Mining Vacant	1000	254	190,400	254,000	0	0	254,000	291,000	0	0	291,000
UV Pastoral	1000	3	27,623	3,000	0	0	3,000	3,000	0	0	3,000
UV Other	1000	1	0	1,000	0	0	1,000	0	0	0	0
UV Other Vacant	1000	9	48	9,000	0	0	9,000	9,000	0	0	9,000
Sub-Totals		1,089	6,307,571	1,099,000	0	0	1,099,000	1,039,000	0	0	1,039,000
Ex-Gratia Rates											
Specified Area Rate (refer note 23)											
							15,541,986				15,603,463
							0				0
							0				0
							15,541,986				15,603,463
							(91,307)				(95,329)
Concessions (refer note 25)											
Totals							15,450,679				15,508,133

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

23. SPECIFIED AREA RATE - 2011/12 FINANCIAL YEAR

No specified area rates were raised in 2011/12.

24. SERVICE CHARGES - 2011/12 FINANCIAL YEAR

No service charges were imposed in 2011/12.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2011/12 FINANCIAL YEAR**

Discounts

Council does not offer any discount for early payment of rates.

Incentives

Council has expanded their Rates Incentive Program that provides an incentive to ratepayers who elect to pay their rates as per Option 1 by 12 September 2011.

Platinum Sponsors

*** Town of Port Hedland:-**

- \$14,536 – 2012 Nissan Micra Hatch including on-road costs
- \$2,419 – Electrical Goods (in conjunction with Harvey Norman Port Hedland)
- \$2,350 – Holiday Package for 2 to Bali including return flights
- \$1,172 – OZ Tent RV 5
- \$1,100 – Engel 40ltr Fridge Platinum Series
- \$435 – Double Jolly Matilda Swag

*** Airnorth:-**

- \$2,100 – 2x Return Airfares from Port Hedland to Broome

*** Silver Star: -**

- \$2000 – Private Dining Experience at the Silverstar Cafe

*** Shane Jacob Settlements: -**

- \$2000 – Settlements Fees as prescribed under the Settlement Agents Act

*** Pilbara Logistics: -**

- \$2000 – Cash

*** BJ Young Earthmoving: -**

- \$2000 – Cash

*** North West Telegraph:-**

- \$2000 – Advertising Package

*** Hanson Construction Materials: -**

- \$2000 – Concrete delivered to any site in South Hedland, Port Hedland or Wedgefield

Gold Sponsors

*** Harvey Norman (in conjunction with the Town of Port Hedland):-**

- \$81 – Ipod Touch 8GB
- \$33 – Olympus Digital Camera
- \$71 – Westinghouse 120ltr Bar Fridge
- \$217 – Yamaha Ipod Docking Station
- \$53 – Playstation 3 320GB
- \$635 – Beefeater 6 Gas Burner BBQ

*** Dampier Salt:-**

- \$1,100 – Cash, along with an engraved salt grinder and salt

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

Gold Sponsors continued

*R2R Services: -

\$1,000 – Cash

*O'Donnell Griffin: -

\$1,000 – Cash

*National Australia Bank: -

\$1,000 – Cash

Silver Sponsors

*Esplanade Hotel

\$566 – Weekend Package for two, including breakfast/ dinner and accommodation

*AllSeasons Karratha

\$560 – Overnight Package at All Seasons Karratha

*Pilbara Motor Group

\$500 – Cash

*Pike Plumbing & South Bound Electrical JV

\$500 – Cash

*Hedland Home Hardware & Garden

\$500 – Cash

*South Hedland Shopping Centre

\$500 – Cash

*LMCD Construction

\$500 – Cash

*Port Hedland Boulevard Shopping Centre

\$500 – Cash

Bronze Sponsors

* Goodearth & Perth Ambassador Hotels: -

\$295 – Winner's Choice Voucher at either Hotel

*Elisi Therapies: -

\$100 – Therapy Voucher

Concessions

Council in accordance with Section 6.47 of the Local Government Act 1995 (as amended) allowed for a concession of rates on the following properties:

100% Concession

A106284 – 9 Hamilton Road, South Hedland
A113927 – 22 Beroona Loop, South Hedland
A400610 – 10 Smith Street, South Hedland
A130114 – 2 Leake Street, South Hedland
A401480 – 32 Demarchi Road, South Hedland
A156490 – Lot 5164 Shoata Road, South Hedland
A803051 – P48 Wharf Road, Port Hedland
A130005 – 29 Johnson Lane, Port Hedland
A156260 – Loc 118 Madigan Road, Port Hedland
A802155 – Lot 5164 Shoata Road, South Hedland
A156550 – Lot 55, 56, 57 McKay Street, Port Hedland
A106282 – 1-5 Hamilton Road, South Hedland
A406870 – Lot 2916 Stanley Street, South Hedland
A802207 – Lot 2466 Lawson Street, South Hedland

Bloodwood Tree Association
Frontier Services/ Uniting Church
Frontier Services/ Uniting Church
Lotteries House
Pilbara Family Violence Prevention Lega
Port Hedland Golf Club
Port Hedland Peace Memorial Seafarers
Port Hedland Pony Club
Port Hedland Speedway Club
South Hedland Owners & Trainers
Volunteer Marine Rescue Service
Wirraka Maya Health Service
Youth Involvement Centre
Youth Involvement Centre

50% Concession

A402430 - Lot 2513 Dempster St, Port Hedland
A154780 - 4 Treloar Street, South Hedland

Len Taplin Centre
Treloar Child Care Centre

Write-offs

Council in accordance with Section 6.12 of the Local Government Act 1995 (as amended) wrote-off debts amounting to \$52.14 during the financial year.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

26. INTEREST CHARGES AND INSTALMENTS - 2011/12 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.50%	59	86,290	117,990
Interest on Instalments Plan	5.50%		57,665	50,000
Total Interest on Instalment Plan			143,955	167,990
Charges on Instalment Plan	0.00%	12.10	46,105	66,000
Total Charges on Instalment Plan			46,105	66,000

Ratepayers had the option of paying rates in four equal instalments, due on 12th September 2011, 18th November 2011, 19 January 2012 and 22nd March 2012. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2012 \$	2011 \$
Governance	4,555	7,754
General Purpose Funding	88,296	100,072
Law, Order, Public Safety	153,457	86,006
Health	57,767	51,581
Education and Welfare	29,386	-6,334
Community Amenities	7,841,724	6,747,514
Recreation and Culture	754,310	491,947
Transport	14,937,668	11,429,088
Economic Services	2,977,555	2,161,511
Other Property and Services	138,330	138,330
	<u>26,983,048</u>	<u>21,207,469</u>

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

28. GRANT REVENUE

Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:

By Nature and Type:	2012 \$	2011 \$
Operating Grants, Subsidies and Contributions	7,135,769	6,470,557
Non-Operating Grants, Subsidies and Contributions	26,741,647	21,822,577
	<u>33,877,416</u>	<u>28,293,134</u>
By Program:		
Governance	49,299	66,697
General Purpose Funding	2,481,879	3,519,381
Law, Order, Public Safety	213,848	496,381
Health	29,875	20,264
Education and Welfare	804,545	292,134
Housing	7,655	3,023,056
Community Amenities	886,976	756,584
Recreation and Culture	5,855,323	10,115,098
Transport	5,033,819	1,696,563
Economic Services	18,114,545	8,202,755
Other Property and Services	399,652	104,221
	<u>33,877,416</u>	<u>28,293,134</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

29. ELECTED MEMBERS REMUNERATION	2012 \$	2012 Budget \$	2011 \$
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	67,062	63,000	60,083
Mayor's Allowance	60,000	60,000	60,000
Deputy Mayor's Allowance	15,000	15,000	11,250
Travelling Expenses	44,476	5,000	27,004
Telecommunications Allowance	20,296	19,200	18,200
Technology Allowance	7,457	8,000	6,833
	214,291	170,200	183,370

30. EMPLOYEE NUMBERS	2012	2011
The number of full-time equivalent employees as at 30 June 2012	161	150

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

31. MAJOR LAND TRANSACTIONS

Port Hedland International Airport: Transient Workforce Accommodation

(a) Details

In March 2009 the Town of Port Hedland entered into a lease agreement with Compass Group Pty Ltd for the development of a Transient Workforce Accommodation area at the Port Hedland International Airport. The land associated with the venture is owned freehold by the Town of Port Hedland, and the major land transaction requires no expenditure by the Town other than staff time and legal costs associated with the preparation of the lease and deed of covenant documents. The financial return of approximately \$8.6 million over the term of the lease will increase the net operating income of the Town, which will consequently give additional funds to provide improved services and facilities for Town of Port Hedland residents.

(b) Current year transactions	2012 \$	2012 Budget \$	2011 \$
Operating Revenue			
- Rental Income	810,627	526,622	785,739
Capital Revenue			
- Sale Proceeds	0	0	0
Capital Expenditure			
- Purchase of Land	0	0	0
- Development Costs	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

There are no liabilities in relation to this land transaction as at 30 June 2012.

(c) Expected Future Cash Flows

	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$	Total \$
Cash Outflows						
- Development Costs	0	0	0	0	0	0
- Loan Repayments	0	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Inflows						
- Lease Revenue	808,094	833,367	858,368	884,119	910,643	4,294,591
	<u>808,094</u>	<u>833,367</u>	<u>858,368</u>	<u>884,119</u>	<u>910,643</u>	<u>4,294,591</u>
Net Cash Flows	<u>808,094</u>	<u>833,367</u>	<u>858,368</u>	<u>884,119</u>	<u>910,643</u>	<u>4,294,591</u>

Port Hedland International Airport: Transient Workforce Accommodation

In December 2009 the Town of Port Hedland entered into a lease agreement with Mia Mia Port Hedland International Airport Pty Ltd for the development of a Transient Workforce Accommodation area at the Port Hedland International Airport. The lease revenue incorporated into the 2012/13 Budget is \$170,716 plus a contribution from the lessor of \$350,000 as an unconditional contribution to the Town of Port Hedland's community projects.

During 2012/13 the Town of Port Hedland may be entering into a lease agreement with Mia Mia Port Hedland International Airport Pty Ltd for the further extension of their Transient Workforce Accommodation area at the Port Hedland International Airport. This will be an extension to the existing lease. No additional lease fees have been incorporated into the budget at this stage until the area and rate are agreed. These lease fees will therefore be the subject of a budget review throughout the financial year.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

31. MAJOR LAND TRANSACTIONS continued

Port Hedland International Airport: Transient Workforce Accommodation continued

During 2012/13 the Town may be entering into a lease agreement with Mineral Resources Ltd for the establishment of a Transient Workforce Accommodation area. The terms agreed by way of a business plan and subsequent endorsement of Council indicate a base rental fee of \$750,000 per annum, plus a community contribution amount of \$911,460 and a once off donation to the of \$25,000 to a key community project. As this business plan has not been endorsed by Council, the lease fees, community contributions and donations outlined above have not been factored into the 2012/13 budget.

General Practitioner Accommodation

During 2010/11 the Town of Port Hedland commenced a doctor housing project in conjunction with BHP Billiton and the State Government to facilitate the development and construction of housing for general practitioners throughout the Town of Port Hedland. The development is a staged project that is anticipated to be delivered in three phases. The proposal at this present time has a maximum yield of 23 lots with a central park and loop road. The first stage, and the only stage funded at this time will see the construction of between 5-8 executive style residences. The total project incorporates funding of \$5.25 million from all parties (including a \$1.5 million self supporting loan from the Town which has been factored into the 2012/13 Budget. A Business Plan was developed and advertised for public consultation during 2010/11. The project is still underway with construction continuing in 2012/13.

Port Hedland International Airport: Development of Precinct 3

(a) Details

During 2011/12 the Town entered into a private treaty arrangement with BHP Billiton Iron Ore to facilitate the subdivision of a portion of 'Precinct 3' by BHPB to create 40 lots, 39 of which would be serviced lots, and 38 of which would be retained by the Town (the balance lot will not be serviced and will be incorporated into the rest of the airport land); the lease of proposed Lot 35 to BHPB to facilitate the development of a 4,000 bed Transient Workforce Accommodation facility for a construction workforce; the sale of proposed Lot 34 to BHPB for a warehouse facility.

The terms agreed between Council and BHPB indicate overall revenue generated by the Town of \$178,852,345 for a 10 year period.

The proceeds from the sale of Lot 34 and the initial prepayment for the lease of Lot 35 were agreed by Council to be redirected from the Airport Reserve to the Spoilbank Reserve to facilitate the development of the Spoilbank Precinct, with the \$40 million being 'made good' with the cashflows generated thereafter.

(b) Current year transactions	2012 \$	2011 \$
Operating Revenue		
- Rental Income recognised in 11/12	849,315	0
- Rental Income recognised in 12/13	30,150,685	0
Capital Revenue		
- Sale Proceeds	9,000,000	0
Capital Expenditure	0	0
Net Cash Flows	<u>40,000,000</u>	<u>0</u>

The 2012/13 Budget does not incorporate any cashflow from the proposal on the basis that the \$40 million prepayment was intended to be received as Year 1 and in 2012/13, but was paid in the 2011/12 financial year.

**TOWN OF PORT HEDLAND
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31. MAJOR LAND TRANSACTIONS continued

Port Hedland International Airport: Hotel

During 2012/13 a request for proposal for the development of an Airport Hotel will be released which will ultimately be reduced to a ground lease for land. This may become subject to a business plan.

Future Transient Workforce Accommodation

Further major land transactions are likely to occur in relation to the establishment of Transient Workforce Accommodation, although until approved by Council, they have not been incorporated into the 2012/13 Budget document.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2011/12 financial year.

33. SUBSEQUENT EVENTS

There were no material events after 30 June 2012 that require inclusion in the notes to the financial statements.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

34. FINANCIAL RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

Financial risk management is carried out by the finance area under policies approved by the Council.

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	77,118,725	35,458,967	77,118,725	35,458,967
Receivables	11,872,780	7,871,273	11,872,780	7,871,273
	<u>88,991,505</u>	<u>43,330,240</u>	<u>88,991,505</u>	<u>43,330,240</u>
Financial Liabilities				
Payables	(43,933,897)	(7,274,177)	(43,933,897)	(7,274,177)
Borrowings	(21,572,977)	(9,923,542)	(21,572,977)	(8,900,352)
	<u>(65,506,874)</u>	<u>(17,197,719)</u>	<u>(65,506,874)</u>	<u>(16,174,529)</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns.

Another risk associated with cash and investments is 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 independent advisers (where applicable) before placing any cash and investments.

	2012	2011
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	2,412,670	354,590
- Statement of Comprehensive Income	323,792	354,590

Notes:

(*) Sensitivity percentages based on management's expectation of future possible market movements.

Recent market volatility has seen large market movements for certain types of investments.

**TOWN OF PORT HEDLAND
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34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land – 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 payment.

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

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

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

The profile of the Council's credit risk at balance date was:

	2012	2011
Percentage of Rates and Annual Charges		
- Current	73.49%	68.96%
- Overdue	26.51%	31.04%
Percentage of Other Receivables		
- Current	52.03%	77.65%
- Overdue	47.97%	22.35%

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34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings

Payables and borrowings are both subject to liquidity risk – that is 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 be extended and overdraft facilities drawn upon if required.

The contractual undiscounted cash flows of Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
2012					
Payables	43,933,897	0	0	43,933,897	43,933,897
Borrowings	2,211,396	7,834,963	24,601,997	34,648,356	21,572,977
	<u>46,145,293</u>	<u>7,834,963</u>	<u>24,601,997</u>	<u>78,582,253</u>	<u>65,506,874</u>
2011					
Payables	7,274,177	0	0	7,274,177	7,274,177
Borrowings	1,262,734	4,366,875	10,558,004	16,187,613	9,923,542
	<u>8,536,911</u>	<u>4,366,875</u>	<u>10,558,004</u>	<u>23,461,790</u>	<u>17,197,719</u>

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34. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings (Continued)**

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year Ended 30 June 2012								
Payables Borrowings	43,933,897							
Fixed Rate Debentures	24,315	0	365,466	0	389,125	20,766,816	21,545,722	6.18%
Weighted Average Effective Interest Rate	5.43%	0.00%	6.42%	0.00%	6.61%	6.17%		
Year Ended 30 June 2011								
Payables Borrowings								
Fixed Rate Debentures	27,100	71,000	0	531,425	0	9,294,017	9,923,542	6.36%
Weighted Average Effective Interest Rate	6.88%	6.44%	6.35%	0.00%	0.00%	6.62%		