

**TOWN OF PORT HEDLAND**

**Annual Financial Report: 2014-2015**

DRAFT

## Town of Port Hedland

Statement of Comprehensive Income (by Nature or Type)  
for the year ended 30 June 2015

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
<b>Revenue</b>				
Rates	24(a)	26,375	23,685	22,522
Operating Grants, Subsidies & Contributions	30	5,465	5,264	10,234
Fees & Charges	28	31,967	29,495	36,124
Service Charges	26	-	-	-
Interest Earnings	2(e)	3,572	2,045	3,297
Investment Property	2(f)	-	-	-
Other Revenue		10,943	7,402	4,193
		<u>78,322</u>	<u>67,891</u>	<u>76,370</u>
<b>Expenses</b>				
Employee Costs	33	(21,358)	(23,914)	(20,605)
Materials & Contracts		(23,958)	(21,791)	(25,512)
Utilities		(2,892)	(2,631)	(3,572)
Depreciation & Amortisation	2(a)	(13,132)	(11,349)	(11,172)
Interest Expenses	2(i)	(1,671)	(1,720)	(1,491)
Insurance		(1,244)	(1,296)	(1,309)
Other Expenditure		(1,373)	(1,109)	(6,048)
		<u>(65,628)</u>	<u>(63,810)</u>	<u>(69,709)</u>
<b>Operating Result from Continuing Operations</b>		<u>12,694</u>	<u>4,081</u>	<u>6,661</u>
Non-Operating Grants, Subsidies & Contributions	30	55,581	14,881	4,539
Fair Value Adjustments to financial assets at fair value through profit and loss	24(e)	-	-	-
Net Share of Interests in Controlled Entities, Associated Entities & Joint Ventures	17	-	-	-
Profit on Asset Disposals	21	2,071	16	97
Loss on Asset Disposal	21	(143)	-	(280)
		<u>57,509</u>	<u>14,897</u>	<u>4,356</u>
<b>Discontinued Operations</b>				
Net Profit/(Loss) from Discontinued Operations	42	-	-	-
<b>Net Result - Surplus (Deficit)</b>		<u>70,203</u>	<u>18,978</u>	<u>11,017</u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	10	113,281	-	89,410
<b>Total Other Comprehensive Income</b>		<u>113,281</u>	<u>-</u>	<u>89,410</u>
<b>Total Comprehensive Income</b>		<u>183,484</u>	<u>18,978</u>	<u>100,427</u>

## Town of Port Hedland

Statement of Comprehensive Income (by Program)  
for the year ended 30 June 2015

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
<b>Revenue</b>				
Governance		33	35	48
General Purpose Funding		33,309	31,443	29,809
Law, Order, Public Safety		300	239	307
Health		121	94	158
Education & Welfare		1,139	307	414
Housing		298	337	309
Community Amenities		13,135	12,575	14,648
Recreation & Culture		1,737	2,222	3,405
Transport		19,490	23,508	19,087
Economic Services		7,020	6,773	7,163
Other Property & Services		1,740	616	1,023
		<u>78,322</u>	<u>78,149</u>	<u>76,371</u>
<b>Expenses</b> (excl. Finance Costs)				
Governance		(1,186)	(1,553)	(1,931)
General Purpose Funding		(1,129)	(485)	(589)
Law, Order, Public Safety		(2,043)	(1,891)	(1,808)
Health		(805)	(824)	(709)
Education & Welfare		(4,137)	(1,446)	(1,364)
Housing		(1,734)	(2,245)	(3,043)
Community Amenities		(8,091)	(10,586)	(10,197)
Recreation & Culture		(20,203)	(23,151)	(26,577)
Transport		(18,719)	(19,766)	(16,618)
Economic Services		(3,104)	(9,515)	(3,303)
Other Property & Services		(2,806)	(901)	(2,060)
		<u>(63,957)</u>	<u>(72,363)</u>	<u>(68,219)</u>
<b>Finance Costs</b>				
Governance	2(4)	(59)	-	(2)
General Purpose Funding		-	-	-
Law, Order, Public Safety		(10)	(11)	(13)
Health		-	-	-
Education & Welfare		(93)	(82)	(15)
Housing		(371)	(311)	(261)
Community Amenities		(18)	(18)	(93)
Recreation & Culture		(1,052)	(1,187)	(1,026)
Transport		(60)	(103)	(78)
Economic Services		(8)	(8)	(3)
Other Property & Services		-	-	-
		<u>(1,671)</u>	<u>(1,720)</u>	<u>(1,491)</u>
<b>Operating Result from Continuing Operations</b>		<u>12,694</u>	<u>4,066</u>	<u>6,661</u>
<b>Non-Operating Grants, Subsidies, Contributions</b>				
Governance		-	-	-
General Purpose Funding		-	-	-
Law, Order, Public Safety		-	-	-
Health		-	-	-
Education & Welfare		1,425	1,750	-
Housing		-	-	-
Community Amenities		1,504	300	-
Recreation & Culture		1,255	2,654	1,982
Transport		1,511	10,177	2,557
Economic Services		49,886	-	-
Other Property & Services		-	-	-
	30	<u>55,581</u>	<u>14,881</u>	<u>4,539</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance		-	-	-
General Purpose Funding		-	-	-

Law, Order, Public Safety	-	-	-
Health	-	-	-
Education & Welfare	-	-	-
Housing	-	-	(110)
Community Amenities	(156)	1	(122)
Recreation & Culture	-	-	-
Transport	42	30	49
Economic Services	2,042	-	-
Other Property & Services	-	-	-
21	<u>1,928</u>	<u>31</u>	<u>(183)</u>
<b>Other Income</b>			
Fair Value Adjustments to Financial Assets at Fair Value through Profit & Loss	2(n)	-	-
Net Share of interests in Controlled Entities, Associated Entities & Joint Ventures	17	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Discontinued Operations</b>			
Net Profit/(Loss) from Discontinued Operations	42	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Result - Surplus (Deficit)</b>	<u>70,203</u>	<u>18,978</u>	<u>11,017</u>
<b>Other Comprehensive Income</b>			
Changes on revaluation of non-current assets	15	113,281	-
	<u>113,281</u>	<u>-</u>	<u>89,410</u>
<b>Total Comprehensive Income</b>	<u>183,484</u>	<u>18,978</u>	<u>100,427</u>

## Town of Port Hedland

Statement of Financial Position  
as at 30 June 2015

\$ '000	Notes	2015 Actual	2014 Actual
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	50,834	68,409
Investments	4	30,300	7,000
Trade and Other Receivables	5	14,794	11,262
Inventories	6	551	10
Current assets classified as "held for sale"	38	1,187	-
Other		-	-
<b>Total Current Assets</b>		<b>97,666</b>	<b>86,681</b>
<b>Non-Current Assets</b>			
Investments	4	-	-
Trade and Other Receivables	5	1,144	1,224
Inventories	6	-	-
Property, Plant and Equipment	7	212,430	187,636
Infrastructure	5	295,014	163,633
Controlled Entities, Associated Entities & Interests in Joint Ventures	17	-	-
Investment Property	39	-	-
Intangible Assets	10	-	-
Non-current assets classified as "held for sale"	38	16,069	-
Other		-	-
<b>Total Non-Current Assets</b>		<b>524,658</b>	<b>352,493</b>
<b>TOTAL ASSETS</b>	18	<b>622,324</b>	<b>439,174</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	9	9,218	6,456
Borrowings	10	1,135	1,278
Provisions	11	2,618	2,632
Liabilities associated with assets classified as "held for sale"	38	-	-
Other		-	-
<b>Total Current Liabilities</b>		<b>12,971</b>	<b>10,366</b>
<b>Non-Current Liabilities</b>			
Trade and Other Payables	9	-	-
Borrowings	10	24,583	27,463
Provisions	11	166	225
Controlled Entities, Associated Entities & Interests in Joint Ventures	17	-	-
Liabilities associated with assets classified as "held for sale"	38	-	-
Other		-	-
<b>Total Non-Current Liabilities</b>		<b>24,749</b>	<b>27,688</b>
<b>TOTAL LIABILITIES</b>		<b>37,720</b>	<b>38,054</b>
<b>Net Assets</b>		<b>584,604</b>	<b>401,120</b>
<b>EQUITY</b>			
Retained Surplus		301,574	243,725
Reserves - Cash/Investment Backed	12	79,486	67,132
Reserves - Asset Revaluation	13	203,544	90,263
<b>Total Equity</b>		<b>584,604</b>	<b>401,120</b>

## Town of Port Hedland

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

\$ '000	Notes	Reserves			Total Equity
		Retained Surplus	Cash / Investment Backed	Asset Revaluation Reserve	
Balance as at 1 July 2013		225,281	74,559	853	300,693
Changes in Accounting Policy	41	-			-
Correction of Errors	41	-			-
<b>Restated Balance</b>		<b>225,281</b>	<b>74,559</b>	<b>853</b>	<b>300,693</b>
Net Result		11,017			11,017
Total OCI / Asset Revaluation Reserve Transfers	13 12	7,427	- 7,427	89,410	89,410
<b>Balance as at 30 June 2014</b>		<b>243,725</b>	<b>67,132</b>	<b>90,263</b>	<b>401,120</b>
Net Result		70,203			70,203
Total OCI / Asset Revaluation Reserve Transfers	13 12	- 12,354	12,354	113,281	113,281
<b>Balance as at 30 June 2015</b>		<b>301,574</b>	<b>79,486</b>	<b>203,544</b>	<b>584,604</b>

## Town of Port Hedland

## Statement of Cash Flows

for the year ended 30 June 2015

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
Rates		26,004	23,685	22,866
Operating Grants, Subsidies and Contributions		4,968	5,264	9,304
Fees and Charges		29,061	29,495	32,840
Interest Earnings		3,572	2,045	3,297
Goods and Services Tax		4,110	-	4,596
Investment Property		-	-	-
Other Revenue		7,069	7,402	3,812
		<u>74,784</u>	<u>67,891</u>	<u>76,714</u>
<b>Payments:</b>				
Employee Costs		(21,024)	(23,914)	(20,191)
Materials and Contracts		(22,980)	(21,791)	(9,852)
Utilities		(2,629)	(2,631)	(3,247)
Insurance		(1,131)	(1,296)	(1,190)
Interest		(1,700)	(1,720)	(1,491)
Goods and Services Tax		(422)	-	(1,391)
Other Expenditure		(462)	(1,099)	(5,498)
		<u>(50,347)</u>	<u>(52,451)</u>	<u>(42,860)</u>
<b>Net Cash provided (or used in) Operating Activities</b>	14(b)	<u>24,437</u>	<u>15,440</u>	<u>33,854</u>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
Nil				
Non-Operating Grants, Subsidies and Contributions	30	55,581	13,131	4,539
Proceeds from Development of Land for Resale			-	-
Proceeds from Sale of Assets	21	3,170	11,020	819
Proceeds from Sale of Investment Property	21	-	-	-
Proceeds from Sale of Joint Ventures		-	-	-
Proceeds from Advances		-	-	-
Proceeds from Discontinued Operations	38	-	-	-
Proceeds from Investments		7,000	-	-
Proceeds from Distributions from Joint Ventures		-	-	-
<b>Payments:</b>				
Nil				
Payments for Development of Land for Resale		-	-	-
Payments for Purchase of Property, Plant & Equipment	20	(48,979)	(37,924)	(7,715)
Payments for Construction of Infrastructure	20	(25,546)	(19,553)	(33,976)
Advances to Community Groups		-	-	(500)
Payments for Purchase of Investments		(30,300)	-	(7,000)
Payments for Purchase of Investment Property	39	-	-	-
Capital Contributions to Joint Ventures		-	-	-
Purchase of Interest in Joint Ventures		-	-	-
		<u>(39,074)</u>	<u>(33,326)</u>	<u>(43,833)</u>
<b>Net Cash provided (or used in) Investing Activities</b>		<u>(39,074)</u>	<u>(33,326)</u>	<u>(43,833)</u>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
Nil				
Proceeds from Self Supporting Loans	23(a)	87	325	68
Proceeds from New Debentures	23(b)	-	6,473	3,382
Proceeds from Finance Leases		-	-	-
<b>Payments:</b>				
Nil				
Repayment of Debentures	23(a)	(3,025)	(1,370)	(1,305)
Repayment of Finance Leases		-	-	-
		<u>(2,938)</u>	<u>5,428</u>	<u>2,145</u>
<b>Net Cash provided (or used in) Investing Activities</b>		<u>(2,938)</u>	<u>5,428</u>	<u>2,145</u>

<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		(17,575)	(12,458)	(7,834)
Cash at the beginning of the year	3	68,409	63,766	76,243
<b>Cash &amp; Cash Equivalents - End of the Year</b>	14(a)	<u>50,834</u>	<u>51,308</u>	<u>68,409</u>
Additional Information:				
plus: <b>Investments on hand - end of year</b>	4	30,300	-	7,000
<b>Total Cash, Cash Equivalents &amp; Investments</b>		<u>81,134</u>	<u>51,308</u>	<u>75,409</u>

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## Town of Port Hedland

Rate Setting Statement (by Program)  
for the year ended 30 June 2015

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
<b>Revenue</b>				
Governance		33	35	48
General Purpose Funding (Excl Rates)		6,934	7,758	7,287
Law, Order, Public Safety		300	239	307
Health		121	94	158
Education and Welfare		2,564	307	414
Housing		298	337	309
Community Amenities		14,639	12,576	14,648
Recreation and Culture		2,992	2,222	5,386
Transport		21,001	23,539	21,740
Economic Services		58,977	6,773	7,163
Other Property and Services		1,740	616	1,023
		109,600	54,496	58,483
<b>Expenses</b>				
Governance		(1,245)	(1,553)	(1,934)
General Purpose Funding		(1,129)	(485)	(589)
Law, Order, Public Safety		(2,053)	(1,902)	(1,821)
Health		(805)	(824)	(709)
Education and Welfare		(4,230)	(1,528)	(1,378)
Housing		(2,105)	(2,556)	(3,414)
Community Amenities		(8,252)	(10,604)	(10,414)
Recreation and Culture		(21,254)	(24,338)	(27,602)
Transport		(18,779)	(19,869)	(16,742)
Economic Services		(3,112)	(9,523)	(3,306)
Other Property and Services		(2,806)	(901)	(2,080)
		(65,771)	(74,083)	(69,989)
<b>Net Result Excluding Rates</b>		43,829	(19,587)	(11,506)
<b>Adjustment for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure &amp; Revenue</b>				
(Profit)/Loss on Asset Disposal	21	(1,928)	(16)	183
Movement in Borrowings			-	-
Movement in Non-Current Deferred Pensioner Rates		(12)	-	13
Movement in Non-Current Employee Benefit Provisions		58	-	71
Movement in Self Supporting Loan Debtors			-	-
Depreciation & Amortisation on Assets	2(a)	13,132	11,349	11,172
Other Non-Cash (Revenue)/Expenditure		-	(1,750)	-
Other Non-Cash - Initial recognition of Land Held for Resale		1,187		
Bad debt expense		-	10	-
<b>Net Non-Cash Expenditure &amp; Revenue</b>		12,437	9,593	11,439
<b>Capital Expenditure</b>				
Purchase of Land Held for Resale		-	-	-
Purchase Land and Buildings	20	(40,231)	(13,402)	(2,552)
Purchase Plant and Equipment	20	(4,309)	(3,386)	(3,808)
Purchase Furniture and Equipment	20	(459)	(986)	(410)
Work in Progress	20	(3,980)	-	(945)
Purchase Infrastructure Assets	20	(25,546)	(41,453)	(33,976)
Advances to Community Groups		-	-	(500)
Repayment of Debentures	23(a)	(3,025)	(1,370)	(1,305)
Other non-cash capital purchase offset		-	16,521	-
<b>Net Capital Expenditure</b>		(77,550)	(44,076)	(43,496)
<b>Capital Revenue</b>				
Proceeds from Disposal of Assets	21	3,170	11,020	819
Proceeds from New Debentures	23(b)	-	6,473	3,382
Self-Supporting Loan Principal Income	23(a)	87	325	68
<b>Net Capital Revenue</b>		3,257	17,818	4,269

<b>Transfers</b>				
Transfers to Reserves (Restricted Assets)	12	(19,307)	(1,804)	(33,586)
Transfers from Reserves (Restricted Assets)	12	6,953	14,318	41,013
Transfer (to) / from Unspent Grants		1,310	1,656	(310)
Transfer (to) / from Unspent Loans		808	145	(808)
Transfer (to) / from Restricted Receivables		6,135	-	13,786
<b>Net Transfers</b>		<u>(4,101)</u>	<u>14,315</u>	<u>20,095</u>
Surplus/(Deficit) July 1 B/Fwd	24(b)	817	54	(2,506)
Surplus/(Deficit) June 30 C/Fwd	24(b)	5,064	1,802	817
<b>Amount Raised from Rates</b>	24(a)	<u>(26,375)</u>	<u>(23,685)</u>	<u>(22,522)</u>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2015

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

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

##### (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), other authoritative pronouncements of the Australian Standards Board, *Local Government Act 1995* and accompanying regulations. The report has also been prepared on the accrual basis under the convention of historical cost accounting modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

##### Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. 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 this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities 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 18 to this financial report.

##### (c) Goods and Services Tax

In accordance with recommended practice, 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.

##### (d) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits with an original maturity 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.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the Statement of Financial Position.

##### (e) Trade and Other Receivables

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which 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

##### (i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the established selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2015

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

##### (ii) Land Held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Revenue arising from the sale of property is recognised in the operating statement as at the time of signing a binding contract of sale. Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

##### (g) Fixed Assets

###### 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 includes the cost of all materials, direct labour and variable and fixed overheads.

###### 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 a basis 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 of the same asset are charged against fair

value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

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 significantly 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 AASB 1051 Land under Roads and the fact that *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 that, 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.

##### (h) Depreciation of Non-Current Assets

All non-current assets having a limited useful life 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 the Financial Statements

for the year ended 30 June 2015

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

Expenditure on items of equipment under \$5,000 are not capitalised but are placed on an "Attractive Items" list for reference and maintenance.

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

<b>Buildings</b>	30 to 60 years
<b>Furniture &amp; Equipment</b>	4 to 20 years
<b>Plant &amp; Equipment</b>	5 to 15 years
<b>Sealed Roads &amp; Streets</b>	
- Formation	Not Depreciated
- Pavement	50 years
- Seal:	
Bituminous Seals	12 years
Asphalt Surfaces	20 years
<b>Gravel Roads</b>	
- Formation	Not Depreciated
- Gravel Sheet	5 years
<b>Formed Roads (unsealed)</b>	
- Formation	Not Depreciated
<b>Footpaths</b>	30 -40 years
<b>Sewerage Piping</b>	100 years
<b>Water Supply Piping &amp; Drainage Systems</b>	75 years

The assets residual value 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 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.

**(i) Financial instruments****Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the Council becomes a part 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 (i.e. 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.

**Classification and Subsequent Measurement**

Financial instruments are subsequently measured at amortised cost using the effective interest rate method or 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:

- the amount is which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- 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
- Less any reduction for impairment.

The effective interest method used is to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums of 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 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 or loss**

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2015

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

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

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the Statement of Financial Position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

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

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

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

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

##### (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 recognised in the Statement of Comprehensive Income.

##### (j) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

##### (k) Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

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

included in the same class of obligations may be small.

**(l) Leases**

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. Lease payments under 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.

**(m) Impairment**

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are tested annually for impairment. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with *AASB 136 Impairment of Assets* and appropriate adjustments made. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the Statement of Comprehensive Income.

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

**(n) Trade and Other Payables**

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Municipality prior to the end of the financial year that are unpaid and arise when the Municipality 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.

**(o) Interest-bearing Loans and Borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid of the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

**(p) Employee Benefits**

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

***Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)***

The provision for employees' benefits wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the Council has a present obligation to pay resulting from employee's services provided to balance date. The

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2015

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

provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

##### **Long Service Leave (Long-term Benefits)**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows.

Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

##### **(q) Superannuation**

The Council contributes to a number of Superannuation Funds on behalf of their employees. Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### **(r) Joint Venture**

The municipality'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 relevant items reported in the Statement of Financial Position and Statement of Comprehensive Income. Information about the joint venture is set out in Note 17.

##### **(s) 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 at Note 2(d). 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.

##### **(t) 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 operation 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 the Council's intentions to release for sale.

##### **(u) Rounding Off Figures**

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

##### **(v) Comparative Figures**

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2015

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

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

#### **(w) 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.

#### **(x) Investment Property**

Investment property, principally comprising freehold office buildings, is held for long-term rental yields. Investment property is carried at fair value, representing open-market value determined annually by external users.

#### **(y) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

#### **(z) Intangible Assets**

Council has not classified any assets as Intangible.

#### **(aa) New Accounting Standards and Interpretations for Application in Future Periods**

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

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

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new suite of consolidation standards resulted in some material changes to Council's accounting policies. These standards comprised AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 127 (revised 2011) Separate Financial Statements and AASB 128 (revised 2011) Investments in Associates and Joint Ventures. The impact of these standards is summarised below:

AASB 11 Joint Arrangements replaced AASB 131 Interests in Joint Ventures for the 2014-15 financial

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2015

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

year. AASB 11 specifies how a joint arrangement, where two or more parties have control, should be accounted for. Under AASB 11 joint arrangements are classified as either joint operations or joint ventures and this, in turn, determines the accounting treatment. This classification is based on the rights and obligations of the parties and, when relevant, other facts and circumstances. Previously, AASB 131 classified joint arrangements based primarily on legal form. Under that standard there were three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets.

AASB 12 is a new disclosure standard applicable to interests in subsidiaries, joint ventures, associates and unconsolidated structured entities. In general applying this standard has resulted in greater disclosure (refer Notes 1.AD, Note 1.AE & Note 34).

Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. Council applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, AASB 9 Financial Instruments is the only new accounting standard with a future application date that is expected to have a material impact on council's financial statements.

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

As a result, Council will be required to measure its financial assets at fair value. There will be no financial impact on the consolidated financial statements.

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1

January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

Due to its recent release, Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 Revenue from Contracts with Customers will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2017 and will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

From 1 July 2016 AASB 124 Related Party Disclosures will apply to Council. This means that council will disclose more information about related parties and transactions with those related parties. Council is currently preparing for this change by identifying related parties. Related parties will include the Mayor, councillors and some council staff. In addition the close family members of those people and any organisations that they control or are associated with will be classified as related parties.

#### Effective for periods commencing 1 January 2015:

- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* [Operative dates: Part A Conceptual Framework – 20 Dec 2013; Part B Materiality – 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]
- AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014). Application of AASB 9 (December 2009) and AASB 9 (December 2010).

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

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

**Effective for periods commencing 1 July 2015:**

- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*
- AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent* [AASB 127 & AASB 128]

**Effective for periods commencing 1 January 2016:**

- AASB 14 *Regulatory Deferral Accounts*
- AASB 2014-1 *Amendments to Australian Accounting Standards*
- AASB 2014-3 *Amendments to Australian Accounting Standards-Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2014-6 *Amendments to Australian Accounting Standards-Agriculture: Bearer Plants*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* [AASB 1, 127 & 128]
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [AASB 10 & AASB 128]
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]

- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* [AASB 10, AASB 12 & AASB 128]

**Effective for periods commencing 1 July 2016:**

- AASB 1056 *Superannuation Entities*
- AASB 124 *Related Parties*

**Effective for periods commencing 1 January 2017:**

- AASB 15 *Revenue from Contracts with Customers*
- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

**Effective for periods commencing 1 January 2018:**

- AASB 9 *Financial Instruments* (December 2009)
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010).
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014).

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2016.

**Not applicable to Local Government per se;**

None

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2015

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

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##### **(ab) Comparative Figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

##### **(ac) Disclaimer**

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

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## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 2. Operating Revenues and Expenses

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
<b>(a) Net Result</b>				
The Result includes:				
<b>(i) Charging as an Expense:</b>				
<b>Auditors Remuneration</b>				
- Audit of the Financial Report		71	40	50
- Assistance with the finalisation of the annual financial report		-	-	8
- Other Services - Disbursements and Grant Acquittals		35	20	20
		<u>106</u>	<u>60</u>	<u>78</u>
<b>Bad &amp; Doubtful Debts</b>				
Rates	27(b)	2	-	131
General Debtors	27(b)	88	-	219
<b>Depreciation &amp; Amortisation</b>				
<i>Property, Plant &amp; Equipment</i> 7(b)				
- Buildings		3,984	3,170	2,670
- Furniture and Equipment		926	748	1,071
- Plant and Equipment		2,320	2,044	2,044
<i>Infrastructure</i> 8(b)				
- Roads		1,754	1,532	1,532
- Drainage		239	173	173
- Bridges		448	461	461
- Footpaths		9	9	9
- Parks & Ovals		2,465	2,266	2,266
- Airports		843	825	825
- Other Infrastructure		85	-	-
- Bus Shelters		21	-	-
- Depot		38	21	21
- Work in Progress		-	20	20
		80	80	80
		<u>13,132</u>	<u>11,349</u>	<u>11,172</u>
<b>Interest Expenses (Finance Costs)</b>				
Debentures	23(a)	1,671	1,720	1,491
		<u>1,671</u>	<u>1,720</u>	<u>1,491</u>
<b>Rental Charges</b>				
- Operating Leases		183	190	199
		<u>183</u>	<u>190</u>	<u>199</u>
<b>(ii) Crediting as Revenue:</b>				
<b>Interest Earnings</b>				
Investments - Reserve Funds		43	37	146
Investments - Other Funds		3,093	1,679	2,856
Other Interest Revenue	25	436	329	295
		<u>3,572</u>	<u>2,045</u>	<u>3,297</u>
<b>Rental Income</b>				
Other Council Properties		5,929	4,056	5,965
		<u>5,929</u>	<u>4,056</u>	<u>5,965</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 2. Operating Revenues and Expenses (continued)

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**\$ '000**

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**(b). Statement of Objectives, Reporting Programs and Nature or Type**

Town of Port Hedland is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

**REPORTING PROGRAM DESCRIPTIONS**

Council operations that are disclosed encompass the following service orientated activities/programs:

**GOVERNANCE**

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

Activities: Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task 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 and environmentally conscious community.

Activities: Supervision and enforcement of various local laws relating to fire prevention, animal control and protection of the environment and other aspects of public safety including emergency services.

**HEALTH**

Objective: To provide services to achieve community and environmental health.

Activities: Maternal and infant health facilities, immunisation, meat inspection services, inspection of food outlets, noise control and pest control services.

**EDUCATION & WELFARE**

Objective: To provide services to children, youth, the elderly and disadvantaged persons.

Activities: Pre-school and other education services, child minding facilities, playgroups, senior citizens' centres, meals on wheels and home care services.

**HOUSING**

Objective: To provide and maintain staff housing and elderly residents' housing.

Activities: Provision and maintenance of staff housing and elderly residents' housing.

**COMMUNITY AMENITIES**

Objective: To provide services required by the community.

Activities: Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemeteries and public conveniences.

**RECREATION & CULTURE**

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

Activities: Maintenance of public halls, civic centre, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

**TRANSPORT**

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

Activities: Construction (if not capitalised) and maintenance of roads, streets, footpaths, depots, cycleways, parking facilities and traffic control. Aerodromes and water transport facilities, cleaning of streets and maintenance of street trees, street lighting etc.

**ECONOMIC SERVICES**

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

Activities: Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building control.

**OTHER PROPERTY & SERVICES**

Objective: To monitor and control council's overheads operating accounts.

Activities: Private works operation, plant repair and operation costs and engineering operation costs.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 2. Operating Revenues and Expenses (continued)

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**\$ '000**

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**(c) Nature or Type Classifications**

Town of Port Hedland is required by the Australian Accounting Standards to disclose revenue and expenditure according to its nature or type classification. The following nature or function descriptions are also required by State Government regulations.

**REVENUE****Rates**

All rates levied under the Local Government Act 1995. Includes general, differential, specific area rates, minimum rates, interim rates, back rates, ex-gratia rates, less discounts offered. Excludes administration fees, interest on instalments, interest on arrears, service charges and waste and sewerage rates.

**Operating Grants, Subsidies and Contributions**

Refer to all amounts received as grants, subsidies and contributions that are not non-operating grants.

**Non-Operating Grants, Subsidies and Contributions**

Amounts received specifically for the acquisition, construction of new or the upgrading of non-current assets paid to a local government, irrespective of whether these amounts are received as capital grants, subsidies, contributions or donations.

**Profit on Asset Disposal**

Profit on the disposal of assets including gains on the disposal of long term investments. Losses are disclosed under the expenditure classifications.

**Fees and Charges**

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information fines, penalties and administration fees.

**Service Charges**

Service charges imposed under Division 6 of Part 6 of the Local Government Act 1995. Regulation 54 of the Local Government (Financial Management) Regulations identifies the charges which can be raised. These are television and radio rebroadcasting, underground electricity, property surveillance and security and water services. Excludes rubbish removal and charges for the provision of waste services.

**Interest Earnings**

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

**Other Revenue**

Other revenue, which cannot be classified under the above headings, includes dividends, discounts, rebates, etc.

**EXPENDITURE****Employee Costs**

All costs associated with the employment of persons such as salaries, wages, allowances, benefits such as vehicle and housing, superannuation, employment expenses, removal expenses, relocation expenses, worker's compensation insurance, training costs, conferences, safety expenses, medical examinations, fringe benefits tax etc.

**Material and Contracts**

All expenditure on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, membership, periodicals, publications, hire expenses, rental, leases, postage and freight etc.

**Utilities (Gas, Electricity, Water, etc.)**

Expenditures made to respective agencies for the provision of power, gas or water. Excludes expenditure incurred for the re-instatement of road works on behalf of these agencies.

**Depreciation and Amortisation**

Depreciation and amortisation expense raised on all classes of assets.

**Loss on Asset Disposal**

Loss on the disposal of fixed assets.

**Interest Expenses**

Interest and other costs of finance paid, including costs of finance for loan debentures, overdraft accommodation and re-financing expenses.

**Insurance**

All insurance other than worker's compensation and health benefit insurance included as a cost of employment.

**Other Expenditure**

Statutory fees, taxes, provision of bad debts. Donations and subsidies made to community groups.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 01-Jul-13	Received <sup>2</sup> 2014	Expended <sup>3</sup> 2014	Closing Balance <sup>1</sup> 30-Jun-14	Received <sup>2</sup> 2015	Expended <sup>3</sup> 2015	Closing Balance 30-Jun-15
<b>\$ '000</b>							
<b>(d). Conditions Over Grants, Subsidies &amp; Contributions</b>							
<b>Law, Order &amp; Public Safety</b>							
Environment Health - Dog Health Programme - 09/10	8	-	(6)	2	-	-	2
Aware Grant - SEMC - Update Emergency Risk Management	-	12	-	12	-	(12)	-
<b>Health</b>							
Environment Help - Pilbara Regions Aboriginal Health Workshop	4	-	-	4	-	-	4
Environmental Health - Prepare EH Plan for Yandeyarra	11	-	(11)	-	-	-	-
Department of Health - Port Hedland CLAG	-	33	(17)	16	12	(16)	12
<b>Community Amenities</b>							
Country Local Government Funding Round 12/13	-	808	(50)	758	-	(694)	64
Pilbara Development Commission -Wayfinding Signage - (Formally Coastal Access Managed Camped)	36	14	(41)	9	-	-	9
Building Safety (Fire) Grant	15	-	(15)	-	-	-	-
<b>Recreation &amp; Culture</b>							
LandCorp - Skate Park/Youth Space	350	-	-	350	-	(350)	-
Government of WA - NPP - Foreshore Master Plan	30	45	(58)	17	-	-	17
Atlas Iron - Trails Master Plan	-	8	-	8	-	-	8
PH Enhancement Scheme - Foreshore Park	10	-	(10)	-	-	-	-
Royalties for Regions - South Hedland Library & Community Centre	665	-	(373)	292	-	(14)	278
Royalties for Regions - South Hedland Bowls and Tennis Club	500	1,500	(2,000)	-	-	-	-
Pilbara Development Commission - South Hedland Bowls & Tennis Clu	250	250	(500)	-	-	-	-
Community Contribution - Bicycle Plan	32	-	-	32	-	-	32
Dept of Sport and Rec - CSRFF Grant Master Planning	-	25	-	25	-	-	25
Atlas Iron - In term Swimming	-	25	(3)	22	-	(22)	-
WA Police Service - The Slam	-	20	(6)	14	-	(14)	-
Garnduwa Amboorny Wirman Grant Indigenous Sport Program - The Slam and Port Bound	-	12	-	12	8	(12)	8
Creating Communities - The Slam	-	10	-	10	-	(10)	-
Dept of Corrective Services - The Slam	-	9	-	9	-	(9)	-
Atlas Iron "Catch for your thought" music at JD Hardie	-	12	(6)	6	-	(6)	-
Dept of Sport and Rec - Hedland Junior Basketball Program	-	5	-	5	-	(5)	-
Atlas Iron - "Through our eyes" - Oral history of Aboriginal people of Port Hedland	-	5	-	5	-	(1)	4
FMG - Helping others Community Grant - School Series	-	5	-	5	-	(5)	-
Kidsport Grant	57	10	(62)	5	6	(8)	3
Children Book Council of Aust	4	4	(4)	4	-	(4)	-
Contributions - Foreshore Rehabilitation	-	17	(14)	3	29	(15)	17
Australian Red Cross - The Slam	-	2	-	2	-	(2)	-
Port Hedland Chamber of Commerce - In Term Swimming Program	-	1	-	1	-	(1)	-
Dept of Sport and Recreation - Marie Marland Overhead Lighting	-	232	(232)	-	-	-	-
Atlas Iron - Partnership Funds - Mural & Multicultural Banner	-	-	-	-	8	(5)	3
Recfishwest Community Grant Scheme	-	-	-	-	2	-	2
FMG - The Slam Basketball Program	-	-	-	-	4	-	4
Pilbara Development Commission - Youth Space - Art Activation	-	-	-	-	20	-	20
<b>Transport</b>							
Roads to Recovery	-	890	(354)	536	-	(536)	-
Regional Roads Group	201	883	(674)	410	984	(1,233)	161
Blackspot Funding	-	27	-	27	-	(27)	-
BHP - Wallwork Bridge	444	-	(444)	-	-	-	-
Federal Aboriginal Road Grant	44	-	(44)	-	-	-	-
<b>Other Property &amp; Services</b>							
Northern Planning - Studies to Facilitate South Hedland Tip Relocation	-	184	(172)	12	-	(12)	-
Northern Planning - South Hedland East Planning Scheme Amendmen	-	100	(89)	1	-	(1)	-
Pilbara Development Commission - Infrastructure Capacity Study	18	-	(18)	-	-	-	-
Land Corp - Port Hedland Infrastructure Capacity Study	9	-	(9)	-	-	-	-
Department of Housing - Port Hedland Infrastructure Capacity Study	18	-	(18)	-	-	-	-
BHP Kingsford Smith Business Park Landscaping	-	-	-	-	480	-	480
LGIS Member Initiative	-	-	-	-	150	-	150
<b>Total Unspent Grants, Subsidies &amp; Contributions</b>	<b>2,706</b>	<b>5,148</b>	<b>(5,240)</b>	<b>2,614</b>	<b>1,702</b>	<b>(3,012)</b>	<b>1,304</b>

## Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous period.
- (2) - 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.
- (3) - 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 the Financial Statements

for the year ended 30 June 2015

## Note 3. Cash and Cash Equivalents

\$ '000	Notes	2015 Actual	2014 Actual
Cash on Hand - Municipal: Unrestricted		1,648	4,855
Cash at Bank - Reserves (Restricted)		79,486	67,132
Less: Investments (Restricted)		(30,300)	(7,000)
Cash at Bank - Municipal: Restricted Grants		-	2,614
Cash at Bank - Municipal: Restricted Loans		-	808
<b>Total Cash and Cash Equivalents</b>	14(a)	<b>50,834</b>	<b>68,409</b>
<b>The following restrictions have been imposed by regulations or other externally imposed requirements:</b>			
Asset Management Reserve	12	524	202
Plant Reserve	12	837	-
Airport Reserve	12	20,874	16,463
Unfinished Works and Committed Works Reserve	12	2,282	982
Leave Reserve	12	876	876
Developer Contribution Reserve- Car Parking	12	270	367
Waste Management Reserve	12	10,704	4,750
BHP Reserve	12	527	3,494
Spoilbank Reserve	12	38,990	39,608
Royalties for Regions Reserve	12	(0)	48
Community Facilities Reserve	12	10	-
GP Housing Reserve	12	184	184
Developer Contributions Reserve- Public Open	12	1,374	158
Staff Housing Reserve	12	730	-
Unspent Grants and Contributions Reserve	12	1,304	-
Strategic Reserve	12	-	-
<b>Total Reserves</b>		<b>79,486</b>	<b>67,132</b>
Unspent Grants	2(d)	-	2,614
Unspent Loans	23(c)	-	808
<b>Total Unspent Grants and Loans</b>		<b>-</b>	<b>3,422</b>
<b>Total Restricted Cash</b>		<b>79,486</b>	<b>70,554</b>

## Town of Port Hedland

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

## Note 4. Investments

\$ '000	Notes	2015 Actual	2014 Actual
<b>Financial Assets at Fair Value through Profit and Loss</b>		<b>30,300</b>	<b>7,000</b>
<b>Movements in Financial Assets at Fair Value through Profit and Loss</b>			
<b>At beginning of the year</b>		7,000	-
Additions		30,300	7,000
Disposals		(7,000)	-
<b>At end of the year</b>		<b>30,300</b>	<b>7,000</b>
<b>Total Investments</b>		<b>30,300</b>	<b>7,000</b>
<b>Classified as:</b>			
Current		30,300	7,000
Non-Current		-	-
<b>Total Investments</b>		<b>30,300</b>	<b>7,000</b>

## Note 5. Trade &amp; Other Receivables

\$ '000	2015 Actual	2014 Actual
<b>Current</b>		
Rates	435	76
Self Supporting Loan Debtors	92	87
Sundry Debtors	12,652	10,936
Accrued Income	1,821	245
Other	26	228
Provision for Doubtful Debts	(233)	(310)
<b>Total Current Trade &amp; Other Receivables</b>	<b>14,794</b>	<b>11,262</b>
<b>Non-Current</b>		
Rates Outstanding - Pensioners	19	7
Self Supporting Loan Debtors	1,125	1,217
<b>Total Non-Current Trade &amp; Other Receivables</b>	<b>1,144</b>	<b>1,224</b>

## Town of Port Hedland

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

## Note 6. Inventories

\$ '000	2015 Actual	2014 Actual
Current		
Fuel and Materials	498	2
Matt Dann Kiosk	2	5
JD Hardie Centre	-	3
Airport	51	-
Total Current Inventories	<u>551</u>	<u>10</u>
Non-Current		
Nil		

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## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 7a. Property, Plant and Equipment

\$ '000	Notes	2015 Actual	2014 Actual
Land - Fair Value		93,775	73,880
Less Accumulated Depreciation		-	-
		<u>93,775</u>	<u>73,880</u>
Buildings - Fair Value		97,754	99,197
Less Accumulated Depreciation		-	-
Reclassification of Assets		-	-
		<u>97,754</u>	<u>99,197</u>
Furniture & Equipment - Fair Value		3,113	3,198
Less Accumulated Depreciation		-	(1,071)
Reclassification of Assets		138	162
		<u>3,251</u>	<u>2,289</u>
Plant and Equipment - Fair Value		15,045	12,980
Less Accumulated Depreciation		(2,320)	(2,045)
Reclassification of Assets		-	390
		<u>12,725</u>	<u>11,325</u>
Work in Progress - Fair Value		4,925	945
Less Accumulated Depreciation		-	-
		<u>4,925</u>	<u>945</u>
<b>Total Property, Plant &amp; Equipment</b>	7(1)	<u><u>212,430</u></u>	<u><u>187,636</u></u>
Land - Council Owned		88,005	68,110
Accumulated Depreciation		-	-
		<u>88,005</u>	<u>68,110</u>
Land - Council Controlled (Not owned)		5,770	5,770
Accumulated Depreciation		-	-
		<u>5,770</u>	<u>5,770</u>

\* Refer Note 37 for Fair Value Disclosures

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 7a. Property, Plant and Equipment (continued)

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

This amendment allowed for a phasing in of fair value in relation to fixed assets over three years as follows:

a) for the financial year ending 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and

b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -

i) that are plant and equipment; and

ii) that are

\* land and buildings; or

\* infrastructure

and

c) for a financial year ending on and after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class will be revalued at least every three (3) years.

In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory framework detailed above. The assets are to be assigned to a level in the fair value hierarchy as follows:

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

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

**Level 3** - Unobservable inputs for the asset.

In relation to this initial measurement, 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.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as this is deemed by management to approximate Fair Value. These newly built or acquired assets will be categorised as a Level 2 input as depreciation would not be a significant unobservable input. Assets will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory framework detailed above.

**Valuation Process - Plant and Equipment**

The Town's Plant & Equipment was revalued at 30 June 2013 by independent valuers. All of the valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy). Any Plant and Equipment assets acquired after the date of revaluation are recognised at cost less accumulated depreciation and are considered Level 2 as detailed above.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 7a. Property, Plant and Equipment (continued)

**Valuation Process - Land**

An independent valuer was appointed to carry out a valuation of all Land and Buildings as at 30 June 2014. Land Fair Values have been measured by the Market Approach by Direct Comparison, an accepted valuation methodology under AASB13. Level 2 valuation inputs were utilised, being sales transactions of other properties within the region, and adjusted for differences between key attributes of the properties. The main input is the price per square metre or price per hectare of land area. The Market Approach is deemed a Level 2 input.

**Valuation Process - Buildings**

Where there is an active and liquid market as evidenced by sales transactions of similar property types, the Market Approach by Direct Comparison, Income or Summation methods can be utilised, and is an accepted valuation methodology under AASB13. If a Market Approach is adopted, the building valuation is deemed to be a Level 2 input.

Direct Comparison and Summation methods involve the analysis of sales evidence and comparisons with the subject taking into account matters such as method of construction, size, condition, age, land area and location. The land value is subtracted from the Market Value of the property to measure the asset Fair Value. The Market Approach was adopted on twenty six (26) assets.

The Income approach is applied to income producing properties and includes the capitalisation of net income method and discounted cash flow approach. The capitalisation method involves capitalising the estimated net income of the property at an appropriate capitalisation rate (net yield) that has been determined through the analysis of sales evidence. The discounted cash approach involves forecasting the expected net cash flow over a defined period (usually ten years) and discounting the income stream and terminal value at a suitable discount rate to arrive at a present value. This methodology was not applicable to any Land or Building assets.

Due to the predominantly specialised nature of Local Government Assets, most of the buildings valuations have been undertaken on a Cost Approach (Depreciated Replacement Cost) to valuation, an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 input. Under this approach, the following process has been adopted:

Where there is no depth of market as determined for the Council assets, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.

A condition assessment is applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied.

While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (level 3).

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 7a. Property, Plant and Equipment (continued)

The Condition rating inputs can be defined in the following table:

<b>Description</b>	<b>Percentage of life remaining</b>
0 Brand new or rehabilitated to new	100%
1 Near new with no visible deterioration	90%
2 Excellent overall condition early stages of deterioration	80%
3 Very good overall condition with obvious deterioration evident	70%
4 Good overall condition, obvious deterioration, serviceability impaired very slightly	60%
5 Fair overall condition, obvious deterioration, some serviceability loss	50%
6 Fair to poor overall condition, obvious deterioration, some serviceability loss	40%
7 Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs	30%
8 Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal	20%
9 Extremely poor condition, severe serviceability problems, renewal required immediately	10%
10 Failed asset, no longer serviceable. Should not remain in service	0%

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in determination of fair values.

All buildings have been inspected as part of the valuation process. All land assets were inspected as part of the valuation process. Additional information is also sought from publicly accessible aerial photography, and maps and photography provided through council's available data.

## Town of Port Hedland

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

## Note 7b. Property, Plant and Equipment (continued)

## Movements in Carrying Amounts

	Notes	Land		Buildings		Furniture and Equipment		Plant and Equipment		Work in Progress		Total
		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	
Balance as at 1 July 2014		73,880	99,197	2,289	11,325	945	187,635					
Additions												
- Renewal	20	844	844	366	4,309	2,153	7,672					
- New	20	37,803	1,584	93		1,827	41,307					
Disposals	21				(589)		(589)					
Revaluation - Increments	13					1,291						1,291
Revaluation - (Decrements)	13		(410)									(410)
Impairment - Increments			525									525
Impairment - (Decrements)												-
Depreciation	2(a)	-	(3,984)	(926)	(2,320)	-	(7,230)					
Reclassification		(17,908)		138								(17,770)
<b>Property, Plant &amp; Equipment at 30 June 2015</b>		<b>93,775</b>	<b>97,754</b>	<b>3,251</b>	<b>12,725</b>	<b>4,925</b>	<b>212,430</b>					

## Town of Port Hedland

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

## Note 8a. Infrastructure

\$ '000	Notes	2015 Actual	2014 Actual
Roads - Fair Value		147,934	70,410
Less Accumulated Depreciation		-	(1,532)
		<u>147,934</u>	<u>68,878</u>
Drainage - Fair Value		21,510	9,568
Less Accumulated Depreciation		-	(173)
		<u>21,510</u>	<u>9,395</u>
Bridges - Fair Value		13,389	17,028
Less Accumulated Depreciation		-	(461)
		<u>13,389</u>	<u>16,567</u>
Footpaths - Fair Value		19,494	8,207
Less Accumulated Depreciation		-	(9)
		<u>19,494</u>	<u>8,198</u>
Parks & Ovals - Fair Value		37,862	39,070
Less Accumulated Depreciation		-	(2,267)
Reclassification		-	(347)
		<u>37,862</u>	<u>36,456</u>
Airport - Fair Value		44,584	22,660
Less Accumulated Amortisation		-	(825)
		<u>44,584</u>	<u>21,835</u>
Other Infrastructure - Fair Value		620	529
Less Accumulated Amortisation		-	(80)
		<u>620</u>	<u>449</u>
Bus Shelter - Fair Value		112	54
Less Accumulated Amortisation		-	(21)
		<u>112</u>	<u>33</u>
Depot - Fair Value		839	678
Less Accumulated Amortisation		-	(20)
		<u>839</u>	<u>658</u>
Work in Progress - Fair Value		8,670	1,164
Less Accumulated Amortisation		-	-
		<u>8,670</u>	<u>1,164</u>
<b>Total Infrastructure</b>	(b)	<u><u>295,014</u></u>	<u><u>163,633</u></u>

\* Refer Note 37 for Fair Value Disclosures



## Town of Port Hedland

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

## Note 9. Trade and Other Payables

\$ '000	2015 Actual	2014 Actual
Current		
Sundry Creditors	7,628	6,109
Accrued Interest on Debentures	318	347
Accrued Salaries and Wages	407	-
Income in Advance	865	-
Total Current Trade and Other Payables	<u>9,218</u>	<u>6,456</u>
Non-Current		
Nil		

## Note 10. Borrowings

\$ '000	Notes	2015 Actual	2014 Actual
Current			
Secured by Floating Charge			
- Debentures	23(a)	1,135	1,278
Total Current Borrowings		<u>1,135</u>	<u>1,278</u>
Non-Current			
Secured by Floating Charge			
- Debentures	23(a)	24,583	27,463
Total Non-Current Borrowings		<u>24,583</u>	<u>27,463</u>

Additional detail on borrowings is provided in Note 23.

## Town of Port Hedland

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

## Note 11. Provisions

\$ '000	2015 Actual	2014 Actual
<b>Current</b>		
Annual Leave	1,424	1,695
Long Service Leave	565	701
Sick Leave	629	236
<b>Total Current Provisions</b>	<b>2,618</b>	<b>2,632</b>
<b>Non-Current</b>		
Long Service Leave	166	225
<b>Total Non-Current Provisions</b>	<b>166</b>	<b>225</b>

## Movements in Provisions

Class of Provision	2014			2015		
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	1,695	1,313	(1,584)	-	-	1,424
Long Service Leave	926	(99)	(96)	-	-	731
Sick Leave	236	790	(397)	-	-	629
<b>TOTAL</b>	<b>2,857</b>	<b>2,004</b>	<b>(2,077)</b>	<b>-</b>	<b>-</b>	<b>2,784</b>

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

## Town of Port Hedland

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

## Note 12. Reserves - Cash/Investment Backed

\$ '000	2015 Actual	2015 Budget	2014 Actual
<b>(a). Asset Management Reserve</b>			
Opening Balance	202	152	185
Amount Set Aside / Transfer to Reserve	338	338	563
Amount Used / Transfer from Reserve	(17)	(360)	(546)
	<u>524</u>	<u>130</u>	<u>202</u>
<b>(b). Plant Reserve</b>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	837	387	-
Amount Used / Transfer from Reserve	-	-	-
	<u>837</u>	<u>387</u>	<u>-</u>
<b>(c). Underground Power Reserve</b>			
Opening Balance	-	-	654
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(654)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>(d). Waste Collection Reserve</b>			
Opening Balance	-	-	4,204
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(4,204)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>(e). Airport Reserve</b>			
Opening Balance	16,463	12,886	19,060
Amount Set Aside / Transfer to Reserve	4,411	-	14,997
Amount Used / Transfer from Reserve	-	(9,198)	(17,594)
	<u>20,874</u>	<u>3,688</u>	<u>16,463</u>
<b>(f). Unfinished Works and Committed Works Reserve</b>			
Opening Balance	982	982	-
Amount Set Aside / Transfer to Reserve	2,282	-	982
Amount Used / Transfer from Reserve	(982)	(982)	-
	<u>2,282</u>	<u>-</u>	<u>982</u>
<b>(g). Leave Reserve</b>			
Opening Balance	876	906	895
Amount Set Aside / Transfer to Reserve	-	14	-
Amount Used / Transfer from Reserve	-	-	(19)
	<u>876</u>	<u>920</u>	<u>876</u>
<b>(h). Developer Contribution Reserve- Car Parking</b>			
Opening Balance	367	236	232
Amount Set Aside / Transfer to Reserve	-	-	135
Amount Used / Transfer from Reserve	(97)	-	-
	<u>270</u>	<u>236</u>	<u>367</u>
<b>(i). Waste Management Reserve</b>			
Opening Balance	4,750	3,946	-

Amount Set Aside / Transfer to Reserve	5,954	978	15,297
Amount Used / Transfer from Reserve			(10,547)
	<u>10,704</u>	<u>4,924</u>	<u>4,750</u>

## (j). Lights Replacement Reserve

Opening Balance	-	-	23
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve			(23)
	<u>-</u>	<u>-</u>	<u>-</u>

## (k). Depot Facilities Reserve

Opening Balance	-	-	17
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve			(17)
	<u>-</u>	<u>-</u>	<u>-</u>

## (l). South Hedland Library Reserve

Opening Balance	-	-	14
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve			(14)
	<u>-</u>	<u>-</u>	<u>-</u>

## (m). SES Shed Reserve

Opening Balance	-	-	35
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve			(35)
	<u>-</u>	<u>-</u>	<u>-</u>

## (n). Waste Management &amp; Recycling Reserve

Opening Balance	-	-	453
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve			(453)
	<u>-</u>	<u>-</u>	<u>-</u>

## (o). BHP Reserve

Opening Balance	3,494	3,419	5,638
Amount Set Aside / Transfer to Reserve	241	37	112
Amount Used / Transfer from Reserve	(3,208)	(3,428)	(2,256)
	<u>527</u>	<u>28</u>	<u>3,494</u>

## (p). Civil Building / Infrastructure Reserve

Opening Balance	-	-	8
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve			(8)
	<u>-</u>	<u>-</u>	<u>-</u>

## (q). Newcrest Reserve

Opening Balance	-	-	2
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve			(2)
	<u>-</u>	<u>-</u>	<u>-</u>

## (r). Spoilbank Reserve

Opening Balance	39,608	39,310	40,760
Amount Set Aside / Transfer to Reserve		-	-
Amount Used / Transfer from Reserve	(618)	(350)	(1,152)
	<u>38,990</u>	<u>38,960</u>	<u>39,608</u>

## (s). Royalties for Regions Reserve

Opening Balance	48	26	927
-----------------	----	----	-----

Amount Set Aside / Transfer to Reserve	-	-	16
Amount Used / Transfer from Reserve	(48)	-	(895)
	(0)	26	48

## (t). Community Facilities Reserve

Opening Balance	-	(324)	1,258
Amount Set Aside / Transfer to Reserve	10	-	1,326
Amount Used / Transfer from Reserve	-	-	(2,584)
	10	(324)	-

## (u). GP Housing Reserve

Opening Balance	184	184	194
Amount Set Aside / Transfer to Reserve	-	-	-
Amount Used / Transfer from Reserve	-	-	(10)
	184	184	184

## (v). Developer Contributions Reserve- Public Open

Opening Balance	158	158	-
Amount Set Aside / Transfer to Reserve	1,216	50	158
Amount Used / Transfer from Reserve	-	-	-
	1,374	208	158

## (w). Staff Housing Reserve

Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	730	-	-
Amount Used / Transfer from Reserve	-	-	-
	730	-	-

## (x). Unspent Grants and Contributions Reserve

Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	1,304	-	-
Amount Used / Transfer from Reserve	-	-	-
	1,304	-	-

## (y). Strategic Reserve

Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	1,984	-	-
Amount Used / Transfer from Reserve	(1,984)	-	-
	-	-	-

Total Reserves	79,486	49,367	67,132
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**Summary of Reserve Transfers****Transfers to Reserves**

Asset Management Reserve	338	338	563
Plant Reserve	837	387	-
Airport Reserve	4,411	-	14,997
Unfinished Works and Committed Works Reserve	2,282	-	982
Leave Reserve	-	14	-
Developer Contribution Reserve- Car Parking	-	-	135
Waste Management Reserve	5,954	978	15,297
BHP Reserve	241	37	112
Royalties for Regions Reserve	-	-	16
Community Facilities Reserve	10	-	1,326
Developer Contributions Reserve- Public Open	1,216	50	158
Staff Housing Reserve	730	-	-
Unspent Grants and Contributions Reserve	1,304	-	-
Strategic Reserve	1,984	-	-
<b>Total Transfers to Reserves</b>	<b>19,307</b>	<b>1,804</b>	<b>33,586</b>

**Transfers from Reserves**

Asset Management Reserve	(17)	(360)	(546)
Underground Power Reserve	-	-	(654)
Waste Collection Reserve	-	-	(4,204)
Airport Reserve	-	(9,198)	(17,594)
Unfinished Works and Committed Works Reserve	(982)	(982)	-
Leave Reserve	-	-	(19)
Developer Contribution Reserve- Car Parking	(97)	-	-
Waste Management Reserve	-	-	(10,547)
Lights Replacement Reserve	-	-	(23)
Depot Facilities Reserve	-	-	(17)
South Hedland Library Reserve	-	-	(14)
SES Shed Reserve	-	-	(35)
Waste Management & Recycling Reserve	-	-	(453)
BHP Reserve	(3,208)	(3,428)	(2,256)
Civil Building / Infrastructure Reserve	-	-	(8)
Newcrest Reserve	-	-	(2)
Spoilbank Reserve	(618)	(350)	(1,152)
Royalties for Regions Reserve	(48)	-	(895)
Community Facilities Reserve	-	-	(2,584)
GP Housing Reserve	-	-	(10)
Strategic Reserve	(1,984)	-	-
<b>Total Transfers from Reserves</b>	<b>(6,953)</b>	<b>(14,318)</b>	<b>(41,013)</b>
<b>Total Net Transfer to/(from) Reserves</b>	<b>12,354</b>	<b>(12,514)</b>	<b>(7,427)</b>

All of the cash backed reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in Note 3 and 4 to this financial report.  
for the year ended 30 June 2015

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

**Asset Management Reserve**

- for the ongoing maintenance, refurbishment, replacement and development of Council owned assets within the Town of Port Hedland.

**Plant Reserve**

- to fund the Plant Replacement Program.

**Underground Power Reserve**

- being for the installation of Underground Power within the Town of Port Hedland.

**Waste Collection Reserve**

Established to fund the purchase of major sanitation equipment and for the future development of waste disposal facilities. Funded from the annual surplus derived from property rubbish disposal/collection fees after expenses.

**Airport Reserve**

- to fund the ongoing and future Port Hedland International Airport Operations and Capital Programs.

**Unfinished Works and Committed Works Reserve**

- to transfer unspent Municipal funded expenditure on specific projects to enable identification of carryover expenditure into the next financial year.

**Leave Reserve**

- to fund employee annual and long service leave entitlements.

**Developer Contribution Reserve- Car Parking**

- to hold contributions which arise from conditions applied to a Development Application for car parking.

**Waste Management Reserve**

- to fund the development, operation and maintenance of the Council's waste management facilities including the landfill and waste collection operations and any associated repayments of borrowings and employee entitlements.

**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 fund approved projects under the BHPBIO Town of Port Hedland Community Development Project Contract Sustainability Partnership.

**Civil 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**

- to fund the development of the Port Hedland Spoilbank Precinct.

**Royalties for Regions Reserve**

- to fund approved Royalties for Regions Projects with contributions received from the State Government.

**Community Facilities Reserve**

- to fund the ongoing maintenance, refurbishment, replacement and upgrade of community infrastructure within the Town of Port Hedland.

**GP Housing Reserve**

- to fund the development, maintenance and ongoing management of GP Housing within the Town of Port Hedland.

**Developer Contributions Reserve- Public Open**

- to hold contributions which arise from conditions applied to a Development Application for public open space.

**Staff Housing Reserve**

- to fund the maintenance, refurbishment, redevelopment and construction of staff housing.

**Unspent Grants and Contributions Reserve**

- to restrict unspent grants, loans and contributions at the end of the financial year

**Strategic Reserve**

- to fund strategic projects as included in the Town's Strategic Community Plan and Corporate Business Plan.

## Town of Port Hedland

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

## Note 13. Reserves - Asset Revaluation

\$ '000	Notes	2015 Actual	2014 Actual
Asset revaluation reserves have arisen on revaluation of the following classes of assets:			
(a). Land			
Opening Balance		71,926	662
Revaluation Increment	7(b)	-	71,264
Revaluation Decrement	7(b)	-	-
		<u>71,926</u>	<u>71,926</u>
(b). Buildings			
Opening Balance		18,337	191
Revaluation Increment	7(b)	525	18,671
Revaluation Decrement	7(b)	(410)	(525)
		<u>18,452</u>	<u>18,337</u>
(c). Furniture and Equipment			
Opening Balance		-	-
Revaluation Increment	7(b)	1,291	-
Revaluation Decrement	7(b)	-	-
		<u>1,291</u>	<u>-</u>
(d). Infrastructure			
Opening Balance		-	-
Revaluation Increment	7(b)	114,605	-
Revaluation Decrement	7(b)	(2,730)	-
		<u>111,875</u>	<u>-</u>
<b>Total Asset Revaluation Reserves</b>		<u>203,544</u>	<u>90,263</u>

The Revaluation Reserves attributable to Airport is 165,490k.

## Town of Port Hedland

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

## Note 14. Notes to the Statement of Cash flows

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
<b>(a). Reconciliation of Cash</b>				
For the purposes of the Statement of Cash Flows, cash includes cash on hand 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:				
Cash and Cash Equivalents	3	<u>50,834</u>	<u>51,308</u>	<u>68,409</u>
<b>(b). Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>				
Net Result		70,203	18,978	11,017
Depreciation		13,132	11,349	11,172
(Profit)/Loss on Sale of Assets		(1,928)	(31)	183
Decrease/(Increase) in Receivables		(3,462)	-	20,984
Increase/(Decrease) in Provision for Doubtful Debts		(77)	-	-
Decrease/(Increase) in Inventories		(541)	-	3
Increase/(Decrease) in Payables & Accruals		2,791	25	(5,381)
Increase/(Decrease) in Accrued Interest Payable		(29)	-	-
Increase/(Decrease) in Employee Leave Entitlements		(73)	-	415
Grants/Contributions for the Development of Assets		<u>(55,581)</u>	<u>(14,881)</u>	<u>(4,539)</u>
<b>Net Cash from Operating Activities</b>		<u>24,436</u>	<u>15,440</u>	<u>33,854</u>
<b>(c). Undrawn Borrowing Facilities Credit Standby Arrangements</b>				
Credit Card Limit		100	-	57
Credit Card Balance at Balance Date		<u>(51)</u>	-	<u>(1)</u>
<b>Total Amount of Credit Unused</b>		<u>49</u>	-	<u>56</u>
<b>Loan Facilities</b>				
Loan Facilities - Current	10	1,135		1,278
Loan Facilities - Non-Current	10	<u>24,583</u>		<u>27,463</u>
<b>Total Facilities in Use at Balance Date</b>		<u>25,718</u>		<u>28,741</u>
<b>Unused Loan Facilities at Balance Date</b>		<u>-</u>		<u>808</u>

## Town of Port Hedland

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

## Note 15. Contingent Liabilities

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\$ '000

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

**LIABILITIES NOT RECOGNISED:****(i) Damage Claims**

Two claims for damages have been brought against the Council. The first claim relates to personal injury and this is being investigated by the Council's insurer who, at this stage, will cover the cost if it is payable with the exception of the initial \$5,000.

**(ii) Litigation**

The second claim relates to litigation and the action was being defended by the Council. The matter was referred to mediation, and was settled in September.

**(iii) Header here...**

Details here...

**ASSETS NOT RECOGNISED:****(i) Header here... (e.g. Land Under Roads)**

Details here...

**(ii) Header here...**

Details here...

**(iii) Header here...**

Details here...

## Town of Port Hedland

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

## Note 16. Capital and Leasing Commitments

\$ '000	2015 Actual	2014 Actual
(a). Finance Lease Commitments		
Nil		
(b). Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
<b>Payable:</b>		
- not later than one year	30	199
- later than one year but not later than five years	56	-
- later than five years	-	-
<b>Total Operating Lease Commitments</b>	<b>86</b>	<b>199</b>
(c). Capital Expenditure Commitments		
<b>Contracted for:</b>		
- building expenditure projects	1,976	209
- road expenditure projects	28	1,560
- airport expenditure projects	825	1,674
- drainage expenditure projects	-	40
- footpaths expenditure projects	2	-
- parks expenditure projects	130	67
- land development expenditure projects	-	35
- furniture & equipment purchases	-	64
- plant & equipment purchases	13	381
<b>Total Capital Expenditure Commitments</b>	<b>2,974</b>	<b>4,030</b>
<b>Payable:</b>		
- not later than one year	2,974	4,030
- later than one year but not later than five years	-	-
- later than five years	-	-
<b>Total Capital Expenditure Commitments</b>	<b>2,974</b>	<b>4,030</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 17. Subsidiaries, Joint Arrangements &amp; Associates

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

**Subsidiaries****Note 17(a)**

Operational arrangements where Councils control (but not necessarily interest) exceeds 50%

**Joint Ventures (JV) & Associates****Note 17(b)**

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV entities, Council jointly controls the operations with other parties.

**Joint Operations****Note 17(c)**

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under Joint Operations, Council jointly controls the operations with the other parties involved.

**Unconsolidated Structured Entities****Note 17(d)**

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

**Subsidiaries, Associated Entities and Joint Ventures Not Recognised****Note 17(e)****(a) Subsidiaries (ie. Entities & Operations controlled by Council)**

Council has no interest in any Subsidiaries.

**(b) Joint Ventures & Associates**

Council has no interest in any Joint Ventures or Associates.

**(c) Joint Operations**

In the prior year, the Community Arts Facility was disclosed as a Joint Operation, upon review of the applicable facts involved, the Community Arts Facility no longer qualifies for disclosure as a Joint Operation.

**(d) Unconsolidated Structured Entities**

Council has no Unconsolidated Structured Entities.

**(e) Subsidiaries, Joint Arrangements & Associates not recognised**

All Subsidiaries, Joint Arrangements and Associates have been recognised in this Financial Report.

## Town of Port Hedland

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

## Note 18. Trust Funds

\$ '000	Balance 01-Jul-14	Amounts Received	Amounts Paid	Balance 30-Jun-15
Keep Australia Beautiful	2	-	-	2
Building Retention	5	-	-	5
Staff Bonds	38	4	(6)	36
Ranger Services	3	2	(2)	3
Community Bank	1	-	-	1
Deposits - Halls	11	4	(7)	8
Deposits - Trailer/Comm Bus	1	5	(5)	1
Deposits - Sportsgrounds	20	18	(18)	21
POS Reserve	1	-	-	1
BRB Levy	51	194	(208)	37
BCiTF Levy	5	333	(335)	3
Unclaimed Money	2	2	-	4
Sundry	1	6	(6)	1
Garden Competition	5	-	-	5
MDCC Hire Events	1	1	(2)	0
Building Bonds	22	-	-	22
DAP	16	37	(43)	10
Cyclone George	103	-	-	103
Tech Services Bonds	27	94	(56)	65
Catamore Road Development	1,127	2,463	(2,463)	1,127
	<b>1,442</b>	<b>3,163</b>	<b>(3,149)</b>	<b>1,456</b>

Black Rock Stakes Donation is not reported above as amount held in trust as at 30 June 2015 is \$178.

## Note 19. Total Assets Classified by Function and Activity

\$ '000	2015 Actual	2014 Actual
Governance	710	1,964
General Purpose Funding	81,157	196
Law, Order, Public Safety	1,421	1,786
Health	1,261	1,250
Education & Welfare	10,792	10,599
Housing	26,288	26,495
Community Amenities	4,541	9,707
Recreation & Culture	111,537	98,431
Transport	306,911	211,021
Economic Services	19,211	40,748
Other Property & Services	10,891	9,357
Unallocated	47,604	27,620
	<b>622,324</b>	<b>439,174</b>

## Town of Port Hedland

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

## Note 20. Acquisition of Assets

\$ '000	2015 Actual	2015 Budget
<b>By Program</b>		
Governance	395	150
General Purpose Funding	-	-
Law, Order, Public Safety	-	3
Health	-	3,670
Education & Welfare	1,425	-
Housing	244	5,561
Community Amenities	-	-
Recreation & Culture	1,088	12,404
Transport	16,564	36,496
Economic Services	14	944
Other Property & Services	3,852	-
Unallocated	50,943	-
	<b>74,525</b>	<b>59,228</b>
<b>By Class</b>		
<i>Property, Plant &amp; Equipment</i>		
- Land	37,803	904
- Buildings	2,428	12,498
- Furniture and Equipment	459	986
- Plant and Equipment	4,309	3,386
- Work in Progress	3,980	-
<i>Infrastructure</i>		
- Roads	9,596	3,326
- Drainage	4,946	980
- Bridges	-	-
- Footpaths	43	395
- Parks & Ovals	340	5,048
- Airports	2,977	29,594
- Sewerage	-	420
- Other Infrastructure	-	1,635
- Depot	-	55
- Work in Progress	7,644	-
- Other	-	-
	<b>74,525</b>	<b>59,227</b>

## Town of Port Hedland

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

## Note 21. Disposal of Assets

\$ '000	Notes	Net Book Value		Sale Price		Profit/(Loss)	
		Actual	Budget	Actual	Budget	Actual	Budget
The following assets were disposed of during the year.							
<i>Land Held for Resale</i>		653	10,480	2,695	10,480	2,042	-
<i>Property, Plant &amp; Equipment</i>	7(b)						
Land		-	-	-	-	-	-
Buildings		-	-	-	-	-	-
Furniture and Equipment		-	-	-	-	-	-
Plant and Equipment		589	525	446	541	(143)	16
<i>Infrastructure</i>	8(b)						
Airports		-	-	29	-	29	-
<b>Total</b>		<b>1,242</b>	<b>11,005</b>	<b>3,170</b>	<b>11,021</b>	<b>1,928</b>	<b>16</b>

\$ '000	2015		2014
	Actual	Budget	Actual
<b>Summary</b>			
Profit on Asset Disposals	2,071	16	97
Loss on Asset Disposals	(143)	-	(280)
<b>Net Profit/(Loss) on Disposal of Assets</b>	<b>1,928</b>	<b>16</b>	<b>(183)</b>

## Town of Port Hedland

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

## Note 22. Financial Ratios

\$ '000	Amounts 2015	Indicator 2015	Target	Prior Periods 2014    2013	
<i>Liquidity Ratio</i>					
<b>1. Current Ratio <sup>(1)</sup></b>					
Current Assets less Restricted Current Assets	18,180	<b>1.70 : 1</b>	> 1.00 : 1	1.05	0.80
Current Liabilities less Liabilities Associated with Restricted Assets	10,689				
<i>Debt Ratio</i>					
<b>2. Debt Service Cover Ratio <sup>(2)</sup></b>					
Operating Surplus before Interest and Depreciation Exp	29,425	<b>6.27 : 1</b>	> 2.00 : 1	6.91	5.77
Principal and Interest Repayments	4,696				
<i>Coverage Ratio</i>					
<b>3. Own Source Revenue Coverage Ratio <sup>(3)</sup></b>					
Own Source Operating Revenue	74,785	<b>113.71%</b>	> 40%	94.63%	84.70%
Operating Expense	65,771				
<i>Financial Performance Ratio</i>					
<b>4. Operating Surplus Ratio <sup>(4)</sup></b>					
Operating Revenue less Operating Expense	14,622	<b>19.55%</b>	> 1%	9.78%	3.10%
Own Source Operating Revenue	74,785				
<i>Asset Management Ratios</i>					
<b>5. Asset Consumption Ratio <sup>(5)</sup></b>					
Depreciated Replacement Cost of Depreciable Assets	405,249	<b>73.90%</b>	> 50%	84.08%	n/a
Current Replacement Cost of Depreciable Assets	548,407				
<b>6. Asset Sustainability Ratio <sup>(6)</sup></b>					
Capital Renewal and Replacement Expenditure	13,075	<b>99.57%</b>	90-110%	107.88%	244.00%
Depreciation Expense	13,132				
<b>7. Asset Renewal Funding Ratio <sup>(7)</sup></b>					
NPV of Planned Capital Renewals over 10 years	132,947	<b>84.90%</b>	75-95%	n/a	n/a
NPV of Required Capital Expenditure over 10 years	156,588				

## Notes

<sup>(1)</sup> This is a modified commercial ratio designed to focus on the liquidity position of the Council that has arisen from past year's transactions.

<sup>(2)</sup> This ratio is the measurement of Council's ability to repay its debt including lease payments.

<sup>(3)</sup> This ratio is the measurement of Council's ability to cover its costs through its own revenue efforts.

<sup>(4)</sup> This ratio is a measure of Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.

<sup>(5)</sup> This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

<sup>(6)</sup> This ratio indicates whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.

<sup>(7)</sup> This ratio is a measure of the ability of Council to fund its projected asset renewal / replacements in the future.

Town of Port Hedland

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

Note 22. Financial Ratios (continued)

<p><b>1. Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>0.80</td> </tr> <tr> <td>2014</td> <td>1.05</td> </tr> <tr> <td>2015</td> <td>1.70</td> </tr> </tbody> </table>	Year	Ratio	2013	0.80	2014	1.05	2015	1.70	<p><b>Purpose of Current Ratio</b></p> <p>To assess the liquidity position of the Council that has arisen from past year's transactions.</p>	<p><b>Commentary on Result</b></p> <p><b>2014/15 Ratio 1.70 : 1</b></p> <p>The Department of Local Government and Communities has set a minimum standard of 1. The Town meets the standard meaning that it has sufficient assets that can be quickly converted into cash to meet immediate cash commitments.</p>
Year	Ratio									
2013	0.80									
2014	1.05									
2015	1.70									
<p><b>2. Debt Service Cover Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>5.77</td> </tr> <tr> <td>2014</td> <td>6.91</td> </tr> <tr> <td>2015</td> <td>6.27</td> </tr> </tbody> </table>	Year	Ratio	2013	5.77	2014	6.91	2015	6.27	<p><b>Purpose of Debt Service Cover Ratio</b></p> <p>To assess Council's ability to repay its debt including lease payments.</p>	<p><b>Commentary on Result</b></p> <p><b>2014/15 Ratio 6.27 : 1</b></p> <p>The Department of Local Government and Communities has set a basic standard if the ratio is greater or equal to two. The Town has achieved an advanced standard as the ratio is greater than five meaning that the town can easily cover debt servicing obligations.</p>
Year	Ratio									
2013	5.77									
2014	6.91									
2015	6.27									
<p><b>3. Own Source Revenue Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>84.70%</td> </tr> <tr> <td>2014</td> <td>94.63%</td> </tr> <tr> <td>2015</td> <td>113.71%</td> </tr> </tbody> </table>	Year	Ratio %	2013	84.70%	2014	94.63%	2015	113.71%	<p><b>Purpose of Own Source Revenue Coverage Ratio</b></p> <p>To assess Council's ability to cover its costs through its own revenue efforts.</p>	<p><b>Commentary on Result</b></p> <p><b>2014/15 Ratio 113.71%</b></p> <p>The Department of Local Government and Communities has set a basic standard between 40% and 60%, intermediate standard between 60% and 90% and advanced standard greater than 90%. The Town has achieved the advanced standard meaning the Town can cover nearly all operating expenses from own source revenue, and is not heavily reliant on external funding.</p>
Year	Ratio %									
2013	84.70%									
2014	94.63%									
2015	113.71%									
<p><b>4. Operating Surplus Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>3.10%</td> </tr> <tr> <td>2014</td> <td>9.78%</td> </tr> <tr> <td>2015</td> <td>19.55%</td> </tr> </tbody> </table>	Year	Ratio %	2013	3.10%	2014	9.78%	2015	19.55%	<p><b>Purpose of Operating Surplus Ratio</b></p> <p>To assess Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.</p>	<p><b>Commentary on Result</b></p> <p><b>2014/15 Ratio 19.55%</b></p> <p>The Department of Local Government and communities has set a basic standard between 1% and 15% and an advanced standard greater than 15%. The Town's ratio is very healthy indicating that the Town's operating revenue can easily cover operational costs with a surplus available for capital funding and other purposes i.e. transfer to Reserves.</p>
Year	Ratio %									
2013	3.10%									
2014	9.78%									
2015	19.55%									

Town of Port Hedland

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

Note 22. Financial Ratios (continued)

<p><b>5. Asset Consumption Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>84.08%</td> </tr> <tr> <td>2014</td> <td>73.90%</td> </tr> </tbody> </table>	Year	Ratio %	2013	84.08%	2014	73.90%	<p><b>Purpose of Asset Consumption Ratio</b></p> <p>To assess the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.</p>	<p><b>Commentary on Result</b></p> <p><b>2014/15 Ratio 73.90%</b></p> <p>The Department of Local Government and Communities has set a standard of 50%. The ratio seeks to highlight the aged condition of a local governments stock of physical assets. The Town's ratio is relatively healthy as the Town's asset base comprises of many significant new assets that have been constructed over the last ten years.</p>		
Year	Ratio %									
2013	84.08%									
2014	73.90%									
<p><b>6. Asset Sustainability Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>244.00%</td> </tr> <tr> <td>2014</td> <td>107.88%</td> </tr> <tr> <td>2015</td> <td>99.57%</td> </tr> </tbody> </table>	Year	Ratio %	2013	244.00%	2014	107.88%	2015	99.57%	<p><b>Purpose of Asset Sustainability Ratio</b></p> <p>To indicate whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.</p>	<p><b>Commentary on Result</b></p> <p><b>2014/15 Ratio 99.57%</b></p> <p>The Department of Local Government and Communities has set a standard of 90%. The Town exceeds the standard. This indicates that the Town is replacing or renewing existing assets at the same rate that the overall asset stock is wearing out.</p>
Year	Ratio %									
2013	244.00%									
2014	107.88%									
2015	99.57%									
<p><b>7. Asset Renewal Funding Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>84.90%</td> </tr> </tbody> </table>	Year	Ratio %	2013	84.90%	<p><b>Purpose Asset Renewal Funding Ratio</b></p> <p>To assess the ability of Council to fund its projected asset renewal / replacements in the future.</p>	<p><b>Commentary on Result</b></p> <p><b>2014/15 Ratio 84.90%</b></p> <p>This ratio is calculated from information contained in the Long Term financial Plan and Asset management Plans, and not the Annual Financial Report. The Department of Local Government and Communities has set a basic standard of Between 75% and 95%. The Town meets this standards meaning that the Town is able to fund the replacement of assets in the future.</p>				
Year	Ratio %									
2013	84.90%									

## Town of Port Hedland

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

## Note 23. Information on Borrowings

	Borrowing Institution	Interest Rate %	Principal 01-Jul-14	New Loans	Principal Repayments		Principal 30-Jun-15		Interest Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget
<b>(a). Debenture Repayments</b>										
<b>Governance</b>										
- Civic Centre Upgrade	WATC	4.88%	500		500	15	485	-	59	24
- Civic Centre Upgrade	WATC					77	(77)		-	154
<b>Law, Order, Public Safety</b>										
- State Emergency Services Shed	WATC	6.36%	184		33	33	151		10	11
<b>Education &amp; Welfare</b>										
- HAACC Housing Upgrade	WATC	6.36%	221		221	39	182		25	13
- GP Housing Loan	WATC	4.73%	1,454		49	49	1,405		69	68
<b>Housing</b>										
- Staff Housing - Morgans Street	WATC	6.75%	1,287		52	51	1,235		87	86
- Staff Housing - Morgans Street	WATC	6.78%	1,890		72	72	1,818		128	127
- Staff Housing Airport	WATC	6.04%	1,189		42	42	1,147		72	71
<b>Community Amenities</b>										
- Underground Power	WATC	3.67%	533		126	126	407		18	18
<b>Recreation &amp; Culture</b>										
- Aquatic Centre Upgrade	WATC	6.71%	248		248	77	171		32	15
- Swimming Pool Extension	WATC	5.79%	158		158	42	116		5	9
- Yacht Club	WATC	6.48%	404		27	27	377		25	25
- Yacht Club Additional	WATC	6.02%	215		13	13	202		13	13
- JD Hardie Upgrade	WATC	6.05%	1,417		50	50	1,367		117	88
- Marquee Park	WATC	6.05%	759		27	26	732		46	45
- Marquee Park Loan B	WATC	5.22%	4,171		144	144	4,027		215	216
- Multi-purpose Recreation Centre	WATC	5.22%	7,348		254	254	7,094		380	380
- South Hedland Rowing Club	WATC	5.21%	500		15	15	485		26	26
- JD Hardie Facility Upgrade	WATC	4.63%	1,401		47	47	1,354		65	64
- Wanangkura Stadium	WATC	4.82%	2,423		80	80	2,343		117	116
- JD Hardie Roof & Security Upgrade	WATC	5.21%	280		280	8	272		10	14
<b>Transport</b>										
- Wallwork Rd Bridge	WATC	4.96%	484		484	15	469		60	24
- Floodwater Pump	WATC					5	(5)		-	8
<b>Economic Services</b>										
- Port Hedland Visitors Centre	WATC	5.79%	57		57	5	52		8	3
- Catamore Court	WATC	5.21%	1,618		48	47	1,570		84	84
- JD Hardie Land Purchase	WATC					2	(2)		-	5
- Catamore Court	WATC					7	(7)		-	14
			<b>28,741</b>		<b>3,025</b>	<b>1,370</b>	<b>25,718</b>		<b>1,671</b>	<b>1,721</b>

Financial Statement

Funding of Borrowings All loan repayments were funded by general purpose income.

1. Self-Supporting Loan \* Those loans denoted with \*\*\* are subject of a repayment agreement that secured the reimbursement from a community organisation of all costs associated with the loan.

2. WATC = WA Treasury Corporation

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 23. Information on Borrowings (continued)

	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual	Budget						Actual	Budget	
(b). New Debentures										
Civic Centre upgrade	-	5,500								
Staff Housing - Catamore St	-	522								
Floodwater Pump Refurbishment	-	300								
JD Hardie Land Acquisition	-	150								
	-	6,472								

	Date Borrowed	Balance 01-Jul-14	Borrowed During Year	Expended During Year	Balance 30-Jun-15
(c). Unspent Debentures					
Wallwork Rd Bridge	15/05/2014	303	-	(303)	-
Civic Centre Upgrade	30/05/2014	247	-	(247)	-
SH Bowls and Tennis Club	26/02/2014	108	-	(108)	-
JD Hardie Security Upgrade	26/02/2014	150	-	(150)	-
Catamore Court	26/02/2014	808	-	(808)	-

## (d). Overdraft

The Town of Port Hedland does not have an overdraft facility.

Financial State



## Town of Port Hedland

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

## Note 24(b). Surplus/(Deficit) B/Fwd and C/Fwd

\$ '000	Notes	2015 Carried Fwd Actual	2014 Brought Fwd Actual
<b>Current Assets</b>			
Cash - Unrestricted	2	1,648	4,855
Cash at Bank - Municipal: Restricted Grants	3	-	2,614
Cash - Restricted Reserves	3	79,486	67,132
Cash - Restricted Unspent Loans	3	-	808
Rates - Current	5	435	76
Sundry Debtors	5	12,652	10,936
Other Receivables	5	26	228
Inventories			
- Fuel and Materials	5	498	2
- Other	5	53	8
Provisions for Doubtful Debts		(233)	(310)
Land held for Resale		1,187	
Accrued Income		1,821	245
		<b>97,573</b>	<b>86,594</b>
<b>Current Liabilities</b>			
Sundry Creditors	9	7,628	6,109
Accrued Interest on Debentures	9	318	347
Accrued Salaries and Wages	9	407	-
Current Employee Benefits Provision	11	2,618	2,632
Current Loan Liability	10	1,135	1,278
Income in Advance		865	-
		<b>12,971</b>	<b>10,366</b>
<b>Net Current Assets</b>		<b>84,602</b>	<b>76,228</b>
<b>Less:</b>			
Reserves - Restricted Cash	3	(79,486)	(67,132)
Restricted Receivables		-	(6,135)
Unspent Grants		-	(2,614)
Unspent Loans		-	(808)
Land Held for Resale		-	-
<b>Add Back:</b>		<b>(1,187)</b>	
Current Loan Liability	10	1,135	1,278
<b>Surplus/(Deficit)</b>		<b>5,064</b>	<b>817</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 25. Specified Area Rate (2014/15 Financial Year)

	Rate in \$	Basis of Rate	Rateable Value	Rate Revenue	Budget Rate Revenue	Applied to Costs	Budget Applied to Costs
\$ '000							

The Town has not imposed Specified Area Rates.

## Note 26. Service Charges (2014/15 Financial Year)

	Amount of Charge	Revenue Raised	Budget Revenue	Applied to Service Costs	Budget Applied to Costs
\$ '000					

The Town of Port Hedland partnered with Horizon Power and the State Government through Royalties for Regions to install underground power to the residents within the Town of Port Hedland, specifically South Hedland and Wedgefield. The Town of Port Hedland contributed 25% of the project costs.

The Town has imposed a service charge under section 6.38 of the *Local Government Act 1995* to collect the charges associated with installing underground power to each property within the project area.

**Charges - service charges are imposed as follows:**

Connection Charge - \$1,027.58

kVA Charge - \$137.58

The Town of Port Hedland provides the following rebates per property as follows:

1. Seniors and Pensioners - 0.05 (Eligibility as per the Rates and Charges (Rebates and Deferment) Act 1992)
2. Not for Profit Organisations - 0.05 (Those receiving Rates Concessions or Rate Exemptions as per Policy)
3. Small Businesses - 0.05 (Must have less than 20 employees and turnover of less than \$2m per annum)

## Payment Options:

1. One payment due on 29 October 2012
2. Five payments over five years due on the date that the first instalment for rates is due and payable in each year

Properties opting for option 2 will be subject to a nominal interest charge equal to the cost to the Council of borrowing the funds to support payments by instalment.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 27. Discounts, Incentives, Concessions &amp; Write-offs (2014/15 Financial Year)

\$ '000	Type	Disc %	Total Cost / Value	Budget Cost / Value
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## (a) Discounts

The Town of Port Hedland does not offer any discount for early payment of rates.

\$ '000	Notes	Total Cost / Value	Budget Cost / Value
---------	-------	-----------------------	------------------------

## (b). Write-Offs

**Rate Assessment**

A804534	P47/1511 Mining Tenement, Port Hedland	-	
A804535	P47/1512 Mining Tenement, Port Hedland	-	
A130267	Lot 5235 Twelve Mile Creek Road, Pippingarra	2	
	Small Balances under \$2	-	

**General Debtors**

8874	62
7875	6
8208	6
8840	3
7253	2
8367	1
1027	1
8001	1
7738	1
8059	1
9205	1
	3
	<b>90</b>

Sundry Debtors with nil amounts shown above all had debts under \$500 written off.

## (c). Waivers

The Town of Port Hedland did not provide any waivers during the 2014/15 financial year.

## (d). Concessions

Council provided the following rate concessions by an absolute majority decision at the meeting held on 13 June 2013 pursuant to section 6.47 of the Local Government Act 1995 and Council Policy 2/004.

\$ '000		Notes	Total	Budget
			Cost / Value	Cost / Value
A102320	3 FINLAY STREET, PORT HEDLAND	2(a)	1	1
A113927	22 BEROONA LOOP, SOUTH HEDLAND		2	2
A115030	2 THOMPSON STREET, PORT HEDLAND		2	2
A116509	8 MARTIN COURT, SOUTH HEDLAND		1	1
A117190	15 WOODMAN STREET, PORT HEDLAND		1	1
A117310	3 THETIS PLACE, PORT HEDLAND		1	1
A119270	17 WOODMAN STREET, PORT HEDLAND		1	1
A120580	14 NYANDA PLACE, SOUTH HEDLAND		3	3
A121420	15 CRAIG STREET, PORT HEDLAND		1	1
A123140	1 NEPTUNE PLACE, PORT HEDLAND		1	1
A125790	185 ATHOL STREET, PORT HEDLAND		1	1
A125800	2 HALL STREET, PORT HEDLAND		1	1
A125810	4 HALL STREET, PORT HEDLAND		1	1
A125820	187 ATHOL STREET, PORT HEDLAND		1	1
A127350	5 GRANT PLACE, PORT HEDLAND		1	1
A130005	LS1 29 JOHNSON LANE, PORT HEDLAND		2	2
A152556	6/35 EGRET CRESCENT, SOUTH HEDLAND		2	2
A153246	16B SPOONBILL CRESCENT, SOUTH HEDLAND		1	1
A154780	4 TRELOAR CLOSE, SOUTH HEDLAND		1	1
A155850	5/22-26 THROSSELL ROAD, SOUTH HEDLAND		2	2
A156260	MADIGAN ROAD, PIPPINGARRA		23	23
A300057	33 STYLES ROAD, PORT HEDLAND		1	1
A400610	10 SMITH STREET, SOUTH HEDLAND		2	2
A402430	DEMPSTER STREET, PORT HEDLAND		1	1
A406870	69 STANLEY STREET, SOUTH HEDLAND		3	3
A802155	SHOATA ROAD, BOODARIE		41	41
A802207	LAWSON STREET, SOUTH HEDLAND		1	1
A803051	48P WHARF ROAD, PORT HEDLAND		1	1
A805022	LS2 29 JOHNSON LANE, PORT HEDLAND		1	1
A122640	21 FINLAY STREET, PORT HEDLAND		1	1
A123020	159 ATHOL STREET, PORT HEDLAND		0	0
A123310	L1628 MOORE STREET, PORT HEDLAND		1	1
A156490	L5164 SHOATA ROAD, SOUTH HEDLAND		2	2
A401480	32 DEMARCHI ROAD, SOUTH HEDLAND		1	1
A800200	L2791 BORONIA CLOSE, SOUTH HEDLAND		1	1
A805519	9 CORBET PLACE, SOUTH HEDLAND		1	1
			<b>110</b>	<b>114</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 28. Interest Charges and Instalments (2014/15 Financial Year)

\$ '000	Interest Rate %	Admin. Charge	Revenue	Budgeted Revenue
Interest on Unpaid Rates	11.00%		116	116
Interest on Instalment Plan	5.50%		217	131
Charges on Instalment Plan		37	103	82
			<u>436</u>	<u>329</u>

Two separate option plans are available to ratepayers for payment of rates:

**Option 1 - Full Payment:**

The full amount of rates and charges including arrears to be paid on or before Monday 25 August 2014-35 days after the date of issue.

**Option 2 - 4 Instalments:**

First instalment to be received on or before 25 August 2014 including all arrears and part of the current rates and service charges. Second instalment due on or before 29 October 2014, third instalment due on or before 5 January 2015 and the fourth instalment due on or before 9 March 2015.

The cost of the instalment plan comprises of simple interest of 5.5% calculated from the date the first instalment is due, together with an administration fee of \$12.40 each for the three subsequent instalment notices.

Ratepayers can also register to be considered for an alternative payment arrangement. An administration charge of \$61.90 applies.

Eligible Pensioners may opt to defer the payment of their Rates.

## Town of Port Hedland

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

## Note 29. Fees &amp; Charges

\$ '000	2015 Actual	2015 Budget	2014 Actual
Governance	1	2	2
General Purpose Funding	47	280	75
Law, Order, Public Safety	226	126	171
	78	59	145
Education and Welfare	2	58	4
Housing	-	212	246
Community Amenities	6,061	11,087	13,252
Recreation and Culture	2,730	513	579
Transport	17,285	16,532	18,563
Economic Services	5,505	626	3,087
Other Property and Services	32	-	-
	<b>31,967</b>	<b>29,495</b>	<b>36,124</b>

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

## Note 30. Grants, Subsidies &amp; Contributions

\$ '000	2015 Actual	2014 Actual
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:		
(a). By Nature & Type		
Operating Grants, Subsidies and Contributions	5,465	10,234
Non-Operating Grants, Subsidies and Contributions	55,581	4,539
	<b>61,046</b>	<b>14,773</b>
(b). By Program		
Governance		6
General Purpose Funding	2,439	2,434
Law, Order, Public Safety	71	127
Health	1,437	2
Education & Welfare		893
Housing		59
Community Amenities	318	1,096
Recreation & Culture	2,341	2,836
Transport	3,337	2,829
Economic Services	50,950	4,248
Other Property & Services	155	243
	<b>61,046</b>	<b>14,773</b>

## Note 31. Employee Numbers

\$ '000	2015 Actual	2014 Actual	2013 Actual
The number of full-time equivalent employees at balance date	184	219	206

## Note 32. Councillor Remuneration

\$ '000	2015 Actual	2015 Budget	2014 Actual
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	221	251	231
Mayor's Allowance	75	77	75
Deputy Mayor's Allowance	19	19	20
Travelling Expenses	-		-
Technology Allowance	-		-
Telecommunications Allowance	28	31	31
	<b>342</b>	<b>378</b>	<b>357</b>

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## Town of Port Hedland

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

## Note 33. Employee Costs

\$ '000	2015 Actual	2015 Budget	2014 Actual
Wages and Salaries	16,054	-	16,558
Employee Leave Entitlements	747	-	415
Superannuation	2,115	-	2,124
Workers' Compensation Insurance	439	-	609
Overtime	-	-	-
Protective Clothing & Uniforms	145	-	91
Recruitment Costs	34	-	-
Training Costs (other than Salaries & Wages)	437	-	-
Members Allowances & Expenses	790	-	8
Fringe Benefits Tax	252	-	252
Conferences, Training and Travel	160	-	282
Other	185	-	266
<b>Total Employee Costs</b>	<b>21,358</b>	<b>23,914</b>	<b>20,605</b>
less: Capitalised Costs	-	-	-
	<b>21,358</b>	<b>23,914</b>	<b>20,605</b>

\$ '000	Salary Range	2015 Actual	2014 Actual
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**Employee Remuneration**

Set out below, in bands of \$10,000 is the number of employees entitled to an annual salary of 100,000 or more.

**Details**

LG Administration Regulations 19 B	100,000 - 109,999	2	14
	110,000 - 119,999	9	6
	120,000 - 129,999	2	8
	130,000 - 139,999	1	6
	140,000 - 149,999	4	5
	150,000 - 159,999	3	1
	160,000 - 169,999	-	2
	170,000 - 179,999	-	-
	180,000 - 189,999	3	2
	190,000 - 199,999	-	-
	200,000 +	2	1

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 34. Major Land Transactions

##### (a). Details

##### **Port Hedland International Airport: Transient Workforce Accommodation - Compass Group Pty Ltd**

In March 2009 the Town of Port Hedland entered into a 10 year lease agreement with Compass Group Pty Ltd for an 11.895ha parcel of land adjacent to the Port Hedland International Airport. In accordance with the terms of their lease, Compass Group Pty Ltd has developed the land for the purpose of non-residential workforce accommodation. The land is owned freehold by the Town. The financial return is approximately \$8.6 million over the term of the lease which will increase the net operating income of the Town, and will provide additional funds to provide improved services and facilities for Town of Port Hedland residents.

During 2014/15 the Town formalised a further lease with Compass Group Pty Ltd for an additional 2.2724ha parcel of land to the 11.985ha lease site. In accordance with the terms of the proposed lease, Compass Group will utilise the land for the purposes of car parking ancillary to the non-residential workforce accommodation. Formalisation of this agreement also included back dated lease revenue to the commencement of the principal lease terms. There are no new assets or liabilities expected to be realised in association with this major land transaction. The land subject to this lease agreement is included in consideration of the proposed airport lease.

##### **Port Hedland International Airport: Transient Workforce Accommodation - Mia Mia Port Hedland International Airport Pty**

In March 2009 the Town of Port Hedland entered into a 5 year lease agreement with Mia Mia Port Hedland International Airport Pty Ltd for a 2.794ha parcel of land adjacent to the Port Hedland International Airport. In March 2012, an extension to the term of the lease of five years was approved by Council. The land is owned freehold by the Town. In accordance with the terms of their lease, Mia Mia Port Hedland International Airport Pty Ltd has developed the land for the purposes of non-residential workforce accommodation. The conditions of the lease include a Community Contribution based on the number of available beds. This originally resulted in an annual contribution to the Town of \$350,000. In May 2011, an additional 63 rooms were added to the camp facilities, increasing the annual contribution to \$487,000. There are no new assets or liabilities expected to be realised in association with this major land transaction. The land subject to this lease agreement is included in consideration of the proposed airport lease.

##### **Catamore Court**

Following a Request for Proposal, Council resolved to enter into a Major Land Transaction with Megara Constructions for the construction of housing on a 9,070 square metre parcel of land at Catamore Court, South Hedland. The Town has undertaken subdivision construction works in conjunction with the Department of Housing at a cost of \$1.682m, funded predominantly by way of \$1.618m in loan funds. The subdivision construction is now complete.

##### **Catamore Court (continued)**

The proposal from Megara involves the construction of 12 single family homes to be sold to the general public, and a 8 unit group dwelling that will be retained by the Town for staff housing. Construction of housing is contingent upon the presale of a minimum of 12 of the lots (with Lot 201 to be further subdivided) that will not remain with the Town. Proceeds from the sale of those lots will be held in the Town's Trust Account, and utilised to pay Megara for the construction of the staff houses. 5 of the minimum 12 lots have been presold. Recognised in the 2014/15 Budget are land sales of \$2.977m and corresponding acquisition of housing of \$2.977m.

##### **General Practitioner Housing**

During 2010/11, the Town of Port Hedland undertook a General Practitioner (GP) housing project in conjunction with BHP Billiton and State Government. The total scope of the project provided for a maximum yield of 23 lots. Stage 1 of this project resulted in the construction of seven residential premises for accommodation GP's. The Town funded its \$1.5m contribution by way of a loan. The Town owns the land and the houses.

Following an Expressions of Interest process, the Town allocated four houses to OSH Group (formerly Pilbara Medical Holdings), and three to Sonic Health Plus (formerly Kinetic Health) on a lease term of three years.

In October 2013, the Town endorsed the Business Case for Stage 2 of the GP Housing Project. For the construction of a further 3 houses within the subdivision, with the project being fully funded and managed by BHP Billiton Iron Ore. The development was complete in December 2014 and the assets gifted to the Town. A non cash contribution and corresponding non cash asset acquisition of \$1.75m has been incorporated into the 2014/15 Budget.

An Expressions of Interest process was completed in November 2014, allocating an additional house to OSH Group, one house to Wirraka Maya Health Service and one house to Port Hedland Family Practice.

At the time of the disposal of each of these leases, all ten agreements were brought in line with fresh lease terms of three years with one option to extend for a further three years.

#### **JD Hardie Land**

The Town is currently in the process of obtaining control of an 8,600 square metre parcel of land adjacent to the JD Hardie Centre in South Hedland, in accordance with the Government Land Policy Manual - Policy No. 04.0105, commonly referred to as the 5% Policy. It is the Town's intention to secure control of the land at a cost of \$150k, and then develop the land for the purposes of expanding the Town's staff housing stock. In September 2013, the Town issued a Request for Proposal for the development of the land, however until such time as control of the land is secured, the RFP cannot be pursued further.

The 2014/15 Budget includes estimates for the acquisition of the land at \$150k, wholly funded by way of a loan. No further estimates relating to housing construction, or sale of any part of the land have been included in future years.

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## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 34. Major Land Transactions (continued)

**Kingsford Smith Business Park**

Set out below are details of Major Land Transactions relating to the area of land between Wallwork Road and the Port Hedland International Airport, formally known as Kingsford Smith Business Park. Based on current market land values, all sales of land within this subdivision will fall below the threshold for a major land transaction. In February 2015, the Town entered into a Sales and Marketing agreement with Hedland First National Real Estate to manage the sales and marketing of the land for sale or lease.

Aside from the transactions identified below, no additional revenue sources from major land transactions have been incorporated into the cash flow projections.

**- BHP Billiton Iron Ore**

In June 2012, the Town entered into a private treaty arrangement with BHP Billiton Iron Ore (BHP) to facilitate the subdivision of a portion of an area of land previously known as Precinct 3, now formally known as Kingsford Smith Business Park. Under the arrangement, BHP is required to construct a 40 lot subdivision, 38 lots of which would be retained by the Town. Lot 34 of the development has been sold to BHPB, with the intention that they would utilise the site for a warehouse facility. Should BHPB wish to dispose of the site, the Town holds the first right of refusal. Lot 35 is the subject of a lease agreement between the Town and BHP. The term of the lease is 10 years. In accordance with the terms of the lease, it was proposed that BHP would utilise the land for the purposes of non-residential workforce accommodation, up to 4000 beds. The land subject to this lease agreement is included in consideration of the proposed airport lease.

The Town estimates that at the completion of subdivision construction works, the Town will recognise an asset estimated to be worth some \$60m. It is anticipated that the handover will occur during the 2014/15 financial year, as such a non cash contribution and corresponding non cash asset acquisition (Real Estate Inventory) has been incorporated into the 2014/15 Budget. The Town will then have a number of fully serviced lots within the Kingsford Smith Business Park, available for sale or lease. Proceeds from the sale of Lot 34 have been allocated by the Town to the Spoilbank Marina Project. Any lease or sale proceeds from subdivision lots created other than Lots 34 and 35, are planned to be allocated from Municipal to the Airport Reserve up to an existing commitment of \$40m, to help fund the proposed Airport Redevelopment Capital Works program. Any associated rates revenue generated as a result of sale or lease will remain within normal Municipal operations, as will any interest earned on the investment of any such proceeds.

**- Ausco Modular**

In November 2014, the Town entered into an agreement for Lease with Ausco Modular for a 4.5ha parcel of land, Lot 36, within Kingsford Smith Business Park. In accordance with the proposed lease, Ausco Modular will utilise the land for the purposes of non-residential workforce accommodation. Council has endorsed the business plan governing this major land transaction, which encompassed lease revenue and a community contribution. Due to the uncertainty surrounding the execution of an lease agreement, the Town has not incorporated any potential financial implications arising from this major land transaction. However, it is anticipated that the Town will realise additional rates revenue, lease revenue, and a voluntary community contribution. Any lease revenue resulting from this transaction will be transferred to the Airport Reserve.

**- Bunnings**

In May 2013, the Town entered into a private treaty arrangement with Bunnings Properties Pty Ltd for the sale of part Lot 12 in the Kingsford Smith Business Park at a value of \$2.695m. The aforementioned arrangement settled with proceeds of \$2.7m during May 2015. The profit on sale after costs is \$2.0m.

The sale has been recognised in the Airport Reserve during the 2014/15 financial year. The sale has triggered the land to change from non-rateable to rateable. The new gross rental value from the Office of the Valuer-General is \$130,000, additional rate revenue have been incorporated into the outward year projections. There are no new assets or liabilities expected to be realised in association with this major land transaction.

\$ '000	2015 Actual	2014 Actual
<b>(b). Current Year Transactions</b>		
<b>Operating Income</b>		
Port Hedland International Airport - Compass Group Pty Ltd		
Lease Revenue	1,317	1,122
Rates	1,033	748
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Lease Revenue	673	190
Rates	304	220
Catamore Court		
Nil		
General Practitioner Housing		
Lease Revenue - Pilbara Medical Holdings	307	93
Lease Revenue - Kinetic Health		
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Lease Revenue	3,795	4,053
Rates	240	173
- Ausco Modular		
Nil		
- Bunnings		
Nil		
	<b>7,669</b>	<b>6,599</b>

## Town of Port Hedland

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

## Note 34. Major Land Transactions (continued)

\$ '000	2015 Actual	2014 Actual
(b). Current Year Transactions (continued)		
<b>Operating Expense</b>		
Port Hedland International Airport - Compass Group Pty Ltd		
Nil		
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Nil		
Catamore Court		
Nil		
General Practitioner Housing		
Property Insurance	(17)	(13)
Utility Charges	(18)	(14)
Building Maintenance		(3)
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Nil		
- Ausco Modular		
Nil		
- Bunnings		
Nil		
	<u>(35)</u>	<u>(30)</u>
<b>Total</b>	<u><b>7,634</b></u>	<u><b>6,569</b></u>

## Town of Port Hedland

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

## Note 34. Major Land Transactions (continued)

\$ '000	2015 Actual	2014 Actual
(b). Current Year Transactions (continued)		
<b>Capital Income</b>		
Port Hedland International Airport - Compass Group Pty Ltd		
Nil		
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Nil		
Catamore Court		
Loan Borrowings		1,618
Proceeds from Sale of Land		250
General Practitioner Housing		
Nil		
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Nil		
- Ausco Modular		
Nil		
- Bunnings		
Sale of land proceeds	2,042	
<b>Capital Expenditure</b>		
Port Hedland International Airport - Compass Group Pty Ltd		
Nil		
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Nil		
Catamore Court		
Land Development Costs	(2)	(1,682)
General Practitioner Housing		
Project Management Expenses	(1,425)	(5)
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Land development Costs	(49,875)	(191)
- Ausco Modular		
Nil		
- Bunnings		
Land Development Costs	(587)	
Drainage and Other Works		
Repayment of Borrowings		
Transfer to Land Development Reserve		
<b>Total</b>	<b>(49,847)</b>	<b>(10)</b>

## Town of Port Hedland

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

## Note 34. Major Land Transactions (continued)

\$ '000	2015/16	2016/17	2017/18	2018/19	Total
<b>(c). Expected Future Cash Flows</b>					
<b>Cash Inflows</b>					
Port Hedland International Airport - Compass Group Pty Ltd					
Rates	1,027	1,058	1,090	1,122	4,297
Lease Revenue	1,040	1,072	1,099	1,126	4,337
Port Hedland International Airport - Mia Mia					
Rates	342	352	352	363	1,409
Lease Revenue	196	199	204	208	807
Community Contribution	465	465	465	465	1,860
Catamore Court					
Loan Borrowings	522	-	-	-	-
Land Sales	-	-	-	-	-
General Practitioner Housing					
Lease Revenue - Pilbara Medical Holdings	-	-	-	-	-
Lease Revenue - Kinetic Health	353	359	367	385	1,464
JD Hardie Land					
Loan Borrowings	-	-	-	-	-
Kingsford Smith Business Park					
- BHP Billiton Iron Ore					
Lease Revenue	3,795	3,909	4,026	4,147	15,877
Rates	338	348	359	369	1,414
- Ausco Modular					
Nil					
- Bunnings					
Rates	6	6	6	7	25
	<b>8,084</b>	<b>7,768</b>	<b>7,968</b>	<b>8,192</b>	<b>31,490</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 34. Major Land Transactions (continued)

\$ '000	2015/16	2016/17	2017/18	2018/19	Total
<b>(c). Expected Future Cash Flows (continued)</b>					
<b>Cash Outflows</b>					
Port Hedland International Airport - Compass Group Pty Ltd					
Nil					
Port Hedland International Airport - Mia Mia					
Nil					
Catamore Court					
Loan repayments	(172)	(172)	(172)	(172)	(688)
Acquisition of Housing	(1,398)				(1,398)
General Practitioner Housing					
Materials and Contracts	(21)	(21)	(21)	(21)	(84)
Utilities	(60)	(60)	(60)	(60)	(240)
Depreciation	(145)	(145)	(145)	(145)	(580)
Interest	(75)	(75)	(75)	(75)	(300)
Insurance	(23)	(23)	(23)	(23)	(92)
Loan Repayments	(51)	(51)	(51)	(51)	(204)
JD Hardie Land					
Acquisition of Land					
Kingsford Smith Business Park					
- BHP Billiton Iron Ore					
Nil					
- Ausco Modular					
Nil					
- Bunnings					
Nil					
	(1,945)	(547)	(547)	(547)	(3,586)
<b>Net Cash Flows</b>	<b>6,139</b>	<b>7,221</b>	<b>7,421</b>	<b>7,645</b>	<b>27,904</b>

## Note 35. Trading and Major Trading Undertakings

No trading or major trading activities were undertaken in 2014/15.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 36. Financial Risk Management

\$ '000

Council's activities expose it to a variety of financial risks including (1) price risk, (2) credit risk, (3) liquidity risk and (4) interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

The Town held the following financial instruments at balance date.

	Notes	Carrying Value		Fair Value	
		2015	2014	2015	2014
<b>Financial Assets</b>					
Cash and Cash Equivalents	3	50,834	68,409	50,834	68,409
Receivables (Current & Non-Current)	5	15,938	12,486	15,938	12,486
Financial Assets at Fair Value through Profit or Loss	4	30,300	7,000	30,300	7,000
		<u>97,072</u>	<u>87,895</u>	<u>97,072</u>	<u>87,895</u>
<b>Financial Liabilities</b>					
Payables (Current & Non-Current)	9	9,218	6,456	9,218	6,456
Borrowings (Current & Non-Current)	10	25,718	28,741	25,718	28,741
		<u>34,936</u>	<u>35,197</u>	<u>34,936</u>	<u>35,197</u>

Fair Value is determined as follows:

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

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 36. Financial Risk Management (continued)

\$ '000

## (a). Cash &amp; Cash Equivalents, Financial assets "at Fair Value through the Profit &amp; Loss", "Available-for-sale" financial assets &amp; "Held-to-maturity" Investments

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

Council's Finance Section manages the Cash & Investments portfolio.

Council has an Investment Policy which complies with the relevant legislation. The policy is regularly reviewed by Council and an Investment Report is tabled before 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 or their issuers or are caused by factors affecting similar instruments traded in a market.

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

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees in accordance with investment restrictions prescribed in the Local Government (*Financial Management*) Regulations 1996.

	30-Jun-15	30-Jun-14
<b>Impact of a 10% <sup>(1)</sup> movement in price of investments</b>		
Equity	3,030	700
Statement of Comprehensive Income <sup>(2)</sup>	3,030	700
<b>Impact of a 1% <sup>(1)</sup> movement in interest rates on cash and investments</b>		
Equity	508	754
Statement of Comprehensive Income	508	754

**Notes:**

1. Sensitivity percentages based on management's expectations of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents and managed funds.)

2. Maximum impact.

## Town of Port Hedland

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

## Note 36. Financial Risk Management (continued)

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 \$ '000
 

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## (b). Receivables

Council's major receivables comprise (i) Rates & Annual charges and (ii) User Charges & Fees.

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

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

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

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

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

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

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

	30-Jun-15 %	30-Jun-14 %
<b>Percentage of Rates and Annual Charges</b>		
Current	0.00%	0.00%
Overdue	100.00%	100.00%
<b>Percentage of Other Receivables</b>		
Current	46.00%	68.00%
Overdue	54.00%	32.00%

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 36. Financial Risk Management (continued)

\$ '000

## (c). Payables &amp; Borrowings

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

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

Payment terms can be extended & overdraft facilities drawn upon in extenuating circumstances.

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

\$ '000	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
<b>2015</b>					
Payables	9,218			9,218	9,218
Borrowings	2,514	9,720	26,905	39,139	25,718
	<b>11,732</b>	<b>9,720</b>	<b>26,905</b>	<b>48,357</b>	<b>34,936</b>
<b>2014</b>					
Payables	6,912	-	-	6,912	6,456
Borrowings	2,836	14,613	27,313	44,762	28,741
	<b>9,748</b>	<b>14,613</b>	<b>27,313</b>	<b>51,674</b>	<b>35,197</b>

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a basis that is most suitable for the circumstance. Council officers regularly review interest rate movements to determine if it would be advantageous to refinance or renegotiate part, or all of the loan portfolio.

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

	30-Jun-15		30-Jun-14	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank Loans - Fixed	5.44%	25,718	5.66%	28,741
		<u>25,718</u>		<u>28,741</u>

## Notes:

1. The interest rate risk applicable to Variable Rate Bank Loan is not considered significant.

## Town of Port Hedland

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

## Note 37. Fair Value Measurements

\$ '000

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

This amendment allowed for a phasing in of fair value in relation to fixed assets over three years as follows:

- a) for the financial year ending 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
- b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
  - i) that are plant and equipment; and
  - ii) that are
    - \* land and buildings; or
    - \* infrastructure
 and
- c) for a financial year ending on and after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class will be revalued at least every three (3) years.

In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory framework detailed above. The assets are to be assigned to a level in the fair value hierarchy as follows:

- Level 1** - Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2** - Inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.
- Level 3** - Unobservable inputs for the asset.

In relation to this initial measurement, 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.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as this is deemed by management to approximate Fair Value. These newly built or acquired assets will be categorised as a Level 2 input as depreciation is not considered an unobservable input. Assets will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory framework detailed above.

**Valuation Process - Plant and Equipment**

The Town's Plant & Equipment was revalued at 30 June 2013 by independent valuers. All of the valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy). Any Plant and Equipment assets acquired after the date of revaluation are recognised at cost less accumulated depreciation and are considered Level 2 as detailed above.

**Valuation Process - Land**

An independent valuer was appointed to carry out a valuation of all Land and Buildings as at 30 June 2014. Land Fair Values have been measured by the Market Approach by Direct Comparison, an accepted valuation methodology under AASB13. Level 2 valuation inputs were utilised, being sales transactions of other properties within the region, and adjusted for differences between key attributes of the properties. The main input is the price per square metre or price per hectare of land area. The Market Approach is deemed a Level 2 input.

**Valuation Process - Buildings**

Where there is an active and liquid market as evidenced by sales transactions of similar property types, the Market Approach by Direct Comparison, Income or Summation methods can be utilised, and is an accepted valuation methodology under AASB13. If a Market Approach is adopted, the building valuation is deemed to be a Level 2 input.

Direct Comparison and Summation methods involve the analysis of sales evidence and comparisons with the subject taking into account matters such as method of construction, size, condition, age, land area and location. The land value is subtracted from the Market Value of the property to measure the asset Fair Value. The Market Approach was adopted on twenty six (26) assets.

The Income approach is applied to income producing properties and includes the capitalisation of net income method and discounted cash flow approach. The capitalisation method involves capitalising the estimated net income of the

property at an appropriate capitalisation rate (net yield) that has been determined through the analysis of sales evidence. The discounted cash approach involves forecasting the expected net cash flow over a defined period (usually ten years) and discounting the income stream and terminal value at a suitable discount rate to arrive at a present value. This methodology was not applicable to any Land or Building assets.

Where there is no depth of market as determined for the Council assets, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to and professional fees. This is considered a Level 2 input.

While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (level 3).

The Condition rating inputs can be defined in the following table:

Description	Percentage of life remaining
0 Brand new or rehabilitated to new	100%
1 Near new with no visible deterioration	90%
2 Excellent overall condition early stages of deterioration	80%
3 Very good overall condition with obvious deterioration evident	70%
4 Good overall condition, obvious deterioration, serviceability impaired very slightly	60%
5 Fair overall condition, obvious deterioration, some serviceability loss	50%
6 Fair to poor overall condition, obvious deterioration, some serviceability loss	40%
7 Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs	30%
8 Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal	20%
9 Extremely poor condition, severe serviceability problems, renewal required immediately	10%
10 Failed asset, no longer serviceable. Should not remain in service	0%

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in determination of fair values.

All buildings have been inspected as part of the valuation process. All land assets were inspected as part of the valuation process. Additional information is also sought from publicly accessible aerial photography, and maps and photography provided through the Towns's available data.

#### Valuation Process - Infrastructure

All infrastructure assets were revalued at 30 June 2015 using the Cost approach (depreciated replacement cost) using both external professional valuation services and inhouse valuation techniques with a extensive professional judgement using recent or calculated unit rates, patterns of consumption, residual value, asset condition and useful life and remaining useful life assessments.

All infrastructure assets have been condition rated using a 0 to 6 rating scale.

Rating	Description
0	Brand new - to be used upon capitalisation of asset
1	As New - No work required, normal maintenance
2	Good - Only minor maintenance required
3	Fair - Maintenance required
4	Poor - Renewal required, high maintenance
5	Very Poor - Urgent renewal/upgrading required
6	Out of Service - Not in Use

#### Roads

The Roads subclass of Infrastructure comprises the road carriageway, carparks, kerb and gutter medians and traffic management devices. The Cost approach using level 3 inputs was used to value the road infrastructure using the extensive road data in the Town's Pavement Management System. The Cost approach was used with inputs such as patterns of consumption, residual value, asset condition and useful life requiring extensive professional judgement and recent condition assessments by Pavement Management Services. The revaluation of roads as at 30 June 2015 resulted in a significant increment to the asset portfolio.

#### Drainage

The Drainage subclass of Infrastructure comprises of open drain network, culverts, stormwater pipes and pits. The Cost approach using level 3 inputs was used to value the drainage infrastructure using inputs including patterns of consumption, residual value, asset condition and useful life requiring extensive professional judgement and the Town's Geographical Information System. The revaluation of drainage as at 30 June 2015 resulted in an increment to the asset portfolio.

#### Bridges

Bridges have been revalued at 30 June 2015 using the cost approach. The approach estimated the depreciated replacement cost for each bridge by componentising the bridge into superstructure, substructure, surface and rails applying the relevant unit rates, useful life, remaining useful life and consumption pattern to derive the Fair Value for each bridge. There was a decrease to the overall

value of bridges.

#### Footpaths

Footpaths were physically inspected and condition rated during the financial year by Pavement Management Services.

This data was used in combination with useful life analysis, recent unit rate for replacement to derive the Fair Value using the Cost Approach. There was an increment to the written down value for this asset class.

#### Parks & Ovals

Assets within this class include playgrounds, sporting facilities, boat ramps, aquatic facilities. All structures at such facilities have been valued using the professional services of AssetVal using the cost approach. The revaluation of these assets to Fair Value was at 30 June 2015.

The valuation report included an analysis on the useful life, remaining useful life and condition assessment of all assets.

#### Airport

Due to the specialised nature of Airport assets, a professional valuer, AssetVal was used to value all Airport assets using the Cost approach and a subsequent increment to this asset subclass was recorded at 30 June 2015.

The valuation report included an analysis on the useful life, remaining useful life and condition assessment of all assets.

#### Bus Shelters, Other Infrastructure & Depot

Assets within these asset subclasses included infrastructure within the Depot, Landfill and the various Bus Shelters around the area.

The Cost approach was used with various other level 3 inputs including review of useful life, remaining useful life, pattern of consumption unit rates and condition.

#### Furniture & Equipment Assets

This asset class includes ICT assets, and other significant items above the capitalisation threshold of \$5000.

All assets were validated and reviewed for remaining useful life. The cost approach was used with professional judgement from relevant business units. This asset class has been revalued 30 June 2015 using Level 3 inputs.

#### Work in Progress

All capital expenditure held as Work in Progress is held at cost. Due to the recent acquisition cost of such assets, the cost is deemed as fair value and Level 2.

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

2015	Date of latest valuation	Fair Value Measurement using:			Total
		Level 1 Quoted prices in active mkt's	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Property, Plant &amp; Equipment</b>					
Land	30/06/2014		93,775		93,775
Buildings	30/06/2014		10,587	87,168	97,754
Plant & Equipment	30/06/2015		12,725		12,725
Furniture & Equipment	30/06/2015		459	2,792	3,251
Work in Progress	30/06/2015		4,925		4,925
<b>Total Property, Plant &amp; Equipment</b>		<b>-</b>	<b>122,470</b>	<b>89,960</b>	<b>212,430</b>
<b>Infrastructure</b>					
Roads	30/06/2015			147,934	147,934
Drainage	30/06/2015			21,510	21,510
Bridges	30/06/2015			13,389	13,389
Footpaths	30/06/2015			19,494	19,494
Parks & Ovals	30/06/2015			37,862	37,862
Airport	30/06/2015			44,584	44,584
Other Infrastructure	30/06/2015			620	620
Bus Shelters	30/06/2015			112	112
Depot	30/06/2015			839	839
Work in Progress	30/06/2015		8,670		8,670
<b>Total Infrastructure</b>		<b>-</b>	<b>8,670</b>	<b>286,344</b>	<b>295,014</b>

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

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

Class	Fair Value (30/6/15) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
PP&E					
Buildings	87,168	Cost Approach (Depreciated Replacement cost)	* Replacement cost * Asset condition * Remaining useful life * Residual Value	* varies significantly from asset to asset * Poor to excellent *10-	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Furniture & Equipment	2,792	Cost Approach	* RC, condition, RUL, RV	* varies from asset to asset * Poor to excellent *3-20yrs	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Infrastructure					
Roads	147,934	Cost Approach	* RC, condition, RUL, RV	* varies significantly from asset to asset * Poor to excellent *5-100yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Drainage	21,510	Cost Approach	* RC, condition, RUL, RV	* varies significantly from asset to asset * Poor to excellent *75yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Bridges		Cost Approach	* RC, condition, RUL, RV	* varies significantly from asset to asset * Poor to excellent *20-100yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Footpaths	13,388	Cost Approach	* RC, condition, RUL, RV	* varies slightly with types * Poor to excellent *30-40yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Airport	19,494	Cost Approach	* RC, condition, RUL, RV	* varies significantly from asset to asset * Poor to excellent *5-100yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Parks & Ovals	44,584	Cost Approach	* RC, condition, RUL, RV	* varies significantly from asset to asset * Poor to excellent *5-100yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Other infrastructure	37,862	Cost Approach	* RC, condition, RUL, RV	* varies slightly with types * Poor to excellent *30-40yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Bus Shelters	620	Cost Approach	* RC, condition, RUL, RV	* varies slightly with types * Poor to excellent *15-20yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Depot	112	Cost Approach	* RC, condition, RUL, RV	* varies slightly with types * Poor to excellent *10-20yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
	839				

Town of Port Hedland

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

Note 37. Fair Value Measurements (continued)

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\$ '000

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**(3). Highest and best use**

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

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## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 38. "Held for Sale" Non Current Assets &amp; Disposal Groups

\$ '000

\$ '000	2015 Current	2015 Non Current	2014 Current	2014 Non Current
<b>(i) Non-Current Assets &amp; Disposal Group Assets</b>				
<b>Non Current Assets "Held for Sale"</b>				
Buildings	-	-	-	-
Plant - Trade Ins	-	-	-	-
Plant - Rationalisation	-	-	-	-
Other Assets	1,187	16,069	-	-
<b>Total Non Current Assets "Held for Sale"</b>	<b>1,187</b>	<b>16,069</b>	-	-
<b>Disposal Group Assets "Held for Sale"</b>				
None				
<b>Total Non-Current Assets Classified as "Held for Sale"</b>	<b>1,187</b>	<b>16,069</b>	-	-

**(ii) Details of Assets & Disposal Groups**

Kingsford Smith Business Park Lots

**(iii) Disposal Group Liabilities****Disposal Group Related Liabilities "Held for Sale"**

Nil

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2015

## Note 38. "Held for Sale" Non Current Assets &amp; Disposal Groups (continued)

\$ '000

\$ '000	Disposal Groups		Assets "Held for Sale"	
	2015	2014	2015	2014
(iv) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations				
<b>Opening Balance</b>	-	-	-	-
<b>less: Carrying Value of Assets/Operations Sold</b>	-	-	-	-
<b>Balance still unsold after 12 months:</b>	-	-	-	-
less: Assets no longer classified as "Held for Sale"	-	-	-	-
<b>plus New Transfers in:</b>				
- Assets "Held for Sale"	-	-	17,256	-
- Discontinued Operations	-	-	-	-
<b>less Impairment Losses:</b>				
- Assets "Held for Sale" (Losses on Reclassification)	-	-	-	-
- Discontinued Operation (Losses on Reclassification)	-	-	-	-
<b>less: Carrying Value of Assets/Operations Sold that were re-classified this reporting period</b>	-	-	-	-
Balancing Item - requires re-classification above!!	-	-	-	-
<b>Closing Balance of "Held for Sale" Non Current Assets &amp; Operations</b>	-	-	17,256	-

## Town of Port Hedland

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

## Note 39. Investment Properties

\$ '000	Notes	Actual 2015	Actual 2014
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Council has not classified any Land or Buildings as "Investment Properties"

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## Town of Port Hedland

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

## Note 40. Intangible Assets

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\$ '000

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Council has not classified any assets as "Intangible"

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## Town of Port Hedland

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

## Note 41. Equity - Retained Earnings and Reserves Adjustments

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\$ '000	2015	2014
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## (a). Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

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## Town of Port Hedland

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

## Note 41. Equity - Retained Earnings and Reserves Adjustments

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\$ '000	2015	2014
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## (b). Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

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## Town of Port Hedland

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

## Note 42. Discontinued Operations

	Actual 2015	Actual 2014
\$ '000		

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

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## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2015

#### Note 43. Events occurring after the Reporting Period

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\$ '000

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Events that occur between the end of the reporting period (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Events that occur after the Reporting Period represent one of two types:

**(i) Events that provide evidence of conditions that existed at the Reporting Period**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

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

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