

Town of Port Hedland

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

*"a nationally significant, friendly city, where
people want to live and are proud to call
home."*



Town of Port Hedland

General Purpose Financial Statements for the year ended 30 June 2015

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Town of Port Hedland.
 - (ii) All figures presented in these financial statements are presented in Australian Currency.
 - (iii) These financial statements were authorised for issue by the Council on 28/10/15.
Council has the power to amend and reissue the financial statements.
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Town of Port Hedland

General Purpose Financial Statements for the year ended 30 June 2015

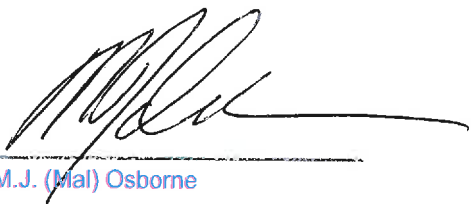
Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Statement by Chief Executive Officer

The attached financial report of the Town of Port Hedland being the annual financial report and supporting notes and other information for the financial year ended 30 June 2015 are in my opinion properly drawn up to present fairly the financial position of the Town of Port Hedland at 30 June 2015 and the results of the operations for the financial year then ended in accordance with the *Australian Accounting Standards* and comply with the provisions of the *Local Government Act 1995* and the regulations under that Act.

Signed on the 19th day of OCTOBER 2015



M.J. (Mal) Osborne

CHIEF EXECUTIVE OFFICER

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 |
|--|-------|-----------------|-----------------|-----------------|
| Revenue | | | | |
| Rates | 24(a) | 26,374 | 23,685 | 22,522 |
| Operating Grants, Subsidies & Contributions | 30 | 5,465 | 5,264 | 10,234 |
| Fees & Charges | 29 | 14,682 | 14,954 | 19,835 |
| Interest Earnings | 2(a) | 3,572 | 2,045 | 3,297 |
| Other Revenue | 2(a) | 8,999 | 5,473 | 2,109 |
| | | <u>59,092</u> | <u>51,421</u> | <u>57,997</u> |
| Expenses | | | | |
| Employee Costs | 33 | (18,748) | (21,502) | (18,007) |
| Materials & Contracts | | (19,271) | (19,087) | (23,651) |
| Utilities | | (2,391) | (2,117) | (3,113) |
| Depreciation & Amortisation | 2(a) | (11,331) | (9,852) | (9,777) |
| Interest Expenses | 2(a) | (1,599) | (1,649) | (1,416) |
| Insurance | | (933) | (973) | (1,003) |
| Other Expenditure | | - | (3,088) | (4,947) |
| | | <u>(54,273)</u> | <u>(58,268)</u> | <u>(61,914)</u> |
| Operating Result from Continuing Operations | | <u>4,820</u> | <u>(6,845)</u> | <u>(3,917)</u> |
| Non-Operating Grants, Subsidies & Contributions | 30 | 55,581 | 14,881 | 4,539 |
| Profit on Asset Disposals | 21 | 2,042 | 1 | 33 |
| Loss on Asset Disposal | 21 | (114) | - | (280) |
| | | <u>57,509</u> | <u>14,882</u> | <u>4,292</u> |
| Discontinuing Operations | | | | |
| Net Profit/(Loss) from Discontinuing Operations | 42 | 7,875 | 10,900 | 10,642 |
| Net Result - Surplus (Deficit) | | <u>70,203</u> | <u>18,937</u> | <u>11,017</u> |
| Other Comprehensive Income | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Changes on revaluation of non-current assets | 13 | 114,953 | - | 89,410 |
| Total Other Comprehensive Income | | <u>114,953</u> | <u>-</u> | <u>89,410</u> |
| Total Comprehensive Income | | <u>185,155</u> | <u>18,937</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 |
|--|-------|-----------------|-----------------|-----------------|
| Revenue | | | | |
| 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 | | 261 | 255 | 714 |
| Economic Services | | 7,020 | 6,773 | 7,163 |
| Other Property & Services | | 1,740 | 631 | 1,023 |
| | | <u>59,093</u> | <u>54,911</u> | <u>57,998</u> |
| Expenses (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 | | (7,364) | (7,439) | (8,823) |
| Economic Services | | (3,104) | (9,515) | (3,303) |
| Other Property & Services | | (2,806) | (901) | (2,080) |
| | | <u>(52,602)</u> | <u>(60,036)</u> | <u>(60,424)</u> |
| Finance Costs | | | | |
| Governance | | (59) | - | (2) |
| Law, Order, Public Safety | | (10) | (11) | (13) |
| 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) |
| | 2(a) | <u>(1,671)</u> | <u>(1,720)</u> | <u>(1,491)</u> |
| Operating Result from Continuing Operations | | <u>4,820</u> | <u>(6,845)</u> | <u>(3,917)</u> |

Town of Port Hedland

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

| \$ '000 | Notes | 2015 Actual | 2015 Budget | 2014 Actual |
|--|-------|-----------------------|----------------------|-----------------------|
| Non-Operating Grants, Subsidies, Contributions | | | | |
| Education & Welfare | | 1,425 | 1,750 | - |
| Community Amenities | | 1,504 | 300 | - |
| Recreation & Culture | | 1,255 | 2,654 | 1,982 |
| Transport | | 1,511 | 10,177 | 2,557 |
| Economic Services | | 49,886 | - | - |
| | 30 | <u>55,581</u> | <u>14,881</u> | <u>4,539</u> |
| Profit/(Loss) on Disposal of Assets | | | | |
| Housing | | - | - | (110) |
| Community Amenities | | (156) | 1 | (122) |
| Transport | | 42 | - | (15) |
| Economic Services | | 2,042 | - | - |
| | 21 | <u>1,928</u> | <u>1</u> | <u>(247)</u> |
| Discontinuing Operations | | | | |
| Net Profit/(Loss) from Discontinuing Operations | 42 | 7,875 | 10,900 | 10,642 |
| Net Result - Surplus (Deficit) | | <u><u>70,203</u></u> | <u><u>18,937</u></u> | <u><u>11,017</u></u> |
| Other Comprehensive Income | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Changes on revaluation of non-current assets | 13 | 114,953 | - | 89,410 |
| Total Comprehensive Income | | <u><u>185,155</u></u> | <u><u>18,937</u></u> | <u><u>100,427</u></u> |

Town of Port Hedland

Statement of Financial Position

as at 30 June 2015

| \$ '000 | Notes | 2015 Actual | 2014 Actual |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 3 | 50,833 | 68,409 |
| Investments | 4 | 30,300 | 7,000 |
| Trade and Other Receivables | 5 | 14,165 | 11,262 |
| Inventories | 6 | 500 | 10 |
| Current assets classified as "held for sale" | 38 | 1,187 | - |
| Disposal Group assets "held for sale" | 42 | 62,229 | - |
| Total Current Assets | | 159,214 | 86,681 |
| Non-Current Assets | | | |
| Trade and Other Receivables | 5 | 1,144 | 1,224 |
| Property, Plant and Equipment | 7 | 195,336 | 187,636 |
| Infrastructure | 8 | 251,602 | 163,633 |
| Non-current assets classified as "held for sale" | 38 | 16,069 | - |
| Total Non-Current Assets | | 464,151 | 352,493 |
| TOTAL ASSETS | 19 | 623,365 | 439,174 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 9 | 8,588 | 6,456 |
| Borrowings | 10 | 1,135 | 1,278 |
| Provisions | 11 | 2,561 | 2,632 |
| Disposal Group liabilities "held for sale" | 42 | 57 | - |
| Total Current Liabilities | | 12,341 | 10,366 |
| Non-Current Liabilities | | | |
| Borrowings | 10 | 24,583 | 27,463 |
| Provisions | 11 | 166 | 225 |
| Total Non-Current Liabilities | | 24,749 | 27,688 |
| TOTAL LIABILITIES | | 37,090 | 38,054 |
| Net Assets | | 586,275 | 401,120 |
| EQUITY | | | |
| Retained Surplus | | 301,574 | 243,725 |
| Reserves - Cash/Investment Backed | 12 | 79,485 | 67,132 |
| Reserves - Asset Revaluation | 13 | 205,216 | 90,263 |
| Total Equity | | 586,275 | 401,120 |

Town of Port Hedland

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

| \$ '000 | Notes | Retained Surplus | Reserves Cash / Investment Backed | Asset Revaluation Reserve | Total Equity |
|-----------------------------------|-------|---------------------|--|---------------------------------|-----------------|
| Balance as at 1 July 2013 | | 225,281 | 74,559 | 853 | 300,693 |
| Net Result | | 11,017 | - | - | 11,017 |
| Total OCI / Asset Revaluation | 13 | - | - | 89,410 | 89,410 |
| Reserve Transfers | 12 | 7,427 | (7,427) | - | - |
| Balance as at 30 June 2014 | | 243,725 | 67,132 | 90,263 | 401,120 |
| Net Result | | 70,203 | - | - | 70,203 |
| Total OCI / Asset Revaluation | 13 | - | - | 114,953 | 114,953 |
| Reserve Transfers | 12 | (12,353) | 12,353 | - | - |
| Balance as at 30 June 2015 | | 301,574 | 79,485 | 205,216 | 586,275 |

Town of Port Hedland

Statement of Cash Flows

for the year ended 30 June 2015

| \$ '000 | Notes | 2015 Actual | 2015 Budget | 2014 Actual |
|--|-------|-----------------|-----------------|-----------------|
| Cash Flows from Operating Activities | | | | |
| Receipts: | | | | |
| Rates | | 26,003 | 23,685 | 22,866 |
| Operating Grants, Subsidies and Contributions | | 4,968 | 5,264 | 9,304 |
| Fees and Charges | | 11,776 | 14,955 | 16,551 |
| Interest Earnings | | 3,572 | 2,045 | 3,297 |
| Goods and Services Tax | | 4,110 | - | 4,596 |
| Other Revenue | | 5,755 | - | 1,728 |
| | | <u>56,184</u> | <u>45,949</u> | <u>58,341</u> |
| Payments: | | | | |
| Employee Costs | | (18,471) | (21,502) | (17,593) |
| Materials and Contracts | | (17,958) | (15,380) | (12,388) |
| Utilities | | (2,128) | (2,117) | (2,788) |
| Insurance | | (820) | (973) | (884) |
| Interest | | (1,628) | (1,649) | (1,416) |
| Goods and Services Tax | | (422) | - | (1,391) |
| Other Expenditure | | - | (1,312) | - |
| | | <u>(41,427)</u> | <u>(42,932)</u> | <u>(36,460)</u> |
| Cash provided from Discontinuing Operations | 42 | <u>9,677</u> | <u>12,423</u> | <u>11,973</u> |
| Net Cash provided (or used in) Operating Activities | 14(b) | <u>24,435</u> | <u>15,440</u> | <u>33,854</u> |
| Cash Flows from Investing Activities | | | | |
| Receipts: | | | | |
| Non-Operating Grants, Subsidies and Contributions | | 4,282 | 14,881 | 4,539 |
| Proceeds from Sale of Assets | 21 | 3,170 | 11,020 | 819 |
| Proceeds from Investments | | 7,000 | - | - |
| Payments: | | | | |
| Payments for Development of Land for Resale | | - | - | - |
| Payments for Purchase of Property, Plant & Equipment | 20 | (9,752) | (39,674) | (7,715) |
| Payments for Construction of Infrastructure | 20 | (13,474) | (19,553) | (33,976) |
| Advances to Community Groups | | - | - | (500) |
| Payments for Purchase of Investments | | (30,300) | - | (7,000) |
| | | <u>(39,074)</u> | <u>(33,326)</u> | <u>(43,833)</u> |
| Net Cash provided (or used in) Investing Activities | | <u>(39,074)</u> | <u>(33,326)</u> | <u>(43,833)</u> |
| Cash Flows from Financing Activities | | | | |
| Receipts: | | | | |
| Proceeds from Self Supporting Loans | 23(a) | 87 | 325 | 68 |
| Proceeds from New Debentures | 23(b) | - | 6,473 | 3,382 |
| Payments: | | | | |
| Repayment of Debentures | 23(a) | (3,027) | (1,370) | (1,305) |
| | | <u>(2,940)</u> | <u>5,428</u> | <u>2,145</u> |
| Net Cash provided (or used in) Investing Activities | | <u>(2,940)</u> | <u>5,428</u> | <u>2,145</u> |

Town of Port Hedland

Statement of Cash Flows (continued)
for the year ended 30 June 2015

| \$ '000 | Notes | 2015 Actual | 2015 Budget | 2014 Actual |
|---|-------|----------------|----------------|----------------|
| Net Increase/(Decrease) in Cash & Cash Equivalents | | (17,579) | (12,458) | (7,834) |
| Cash at the beginning of the year | 3 | 68,409 | 63,766 | 76,243 |
| Cash & Cash Equivalents - End of the Year | 14(a) | <u>50,833</u> | <u>51,308</u> | <u>68,409</u> |
| Additional Information: | | | | |
| plus: Investments on hand - end of year | 4 | 30,300 | - | 7,000 |
| Total Cash, Cash Equivalents & Investments | | <u>81,133</u> | <u>51,308</u> | <u>75,409</u> |

Town of Port Hedland

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

| \$ '000 | Notes | 2015 Actual | 2015 Budget | 2014 Actual |
|--|-------|-----------------|-----------------|-----------------|
| Revenue | | | | |
| Governance | | 33 | 35 | 48 |
| General Purpose Funding (Excl Rates) | | 6,935 | 7,799 | 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 | 12,575 | 14,648 |
| Recreation and Culture | | 2,992 | 2,222 | 5,386 |
| Transport | | 1,772 | 285 | 3,367 |
| Economic Services | | 58,977 | 6,773 | 7,163 |
| Other Property and Services | | 1,740 | 616 | 1,023 |
| | | <u>90,371</u> | <u>31,284</u> | <u>40,110</u> |
| Expenses | | | | |
| 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 | | (21,255) | (24,338) | (27,602) |
| Transport | | (7,424) | (7,557) | (9,011) |
| Economic Services | | (3,112) | (9,523) | (3,306) |
| Other Property and Services | | (2,806) | (901) | (2,080) |
| | | <u>(54,416)</u> | <u>(61,771)</u> | <u>(62,258)</u> |
| Results from Discontinuing Operations | | <u>7,875</u> | <u>10,900</u> | <u>10,642</u> |
| Net Result Excluding Rates | | <u>43,829</u> | <u>(19,587)</u> | <u>(11,506)</u> |
| Adjustment for Cash Budget Requirements: | | | | |
| Non-Cash Expenditure & Revenue | | | | |
| (Profit)/Loss on Asset Disposal | 21 | (1,928) | (15) | 183 |
| Movement in Non-Current Deferred Pensioner Rates | | (12) | - | 13 |
| Movement in Non-Current Employee Benefit Provisions | | 62 | - | 71 |
| Depreciation & Amortisation on Assets | 2(a) | 13,132 | 11,349 | 11,172 |
| Other Non-Cash (Revenue)/Expenditure | | (51,299) | (1,750) | - |
| Other Non-Cash - Initial recognition of Land Held for Resale | | 1,187 | - | - |
| Bad debt expense | | - | 10 | - |
| Net Non-Cash Expenditure & Revenue | | <u>(38,858)</u> | <u>9,594</u> | <u>11,439</u> |

Town of Port Hedland

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

| \$ '000 | Notes | 2015 Actual | 2015 Budget | 2014 Actual |
|---|-------|-----------------|-----------------|-----------------|
| Capital Expenditure | | | | |
| Purchase Land and Buildings | 20 | (1,004) | (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 | (13,474) | (41,453) | (33,976) |
| Advances to Community Groups | | - | - | (500) |
| Repayment of Debentures | 23(a) | (3,027) | (1,370) | (1,305) |
| Other non-cash capital purchase offset | | - | 16,521 | - |
| Net Capital Expenditure | | (26,253) | (44,076) | (43,496) |
| Capital Revenue | | | | |
| 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 |
| Net Capital Revenue | | 3,257 | 17,818 | 4,269 |
| Transfers | | | | |
| Transfers to Reserves (Restricted Assets) | 12 | (19,307) | (1,804) | (33,586) |
| Transfers from Reserves (Restricted Assets) | 12 | 6,954 | 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 |
| Net Transfers | | (4,100) | 14,315 | 20,095 |
| Surplus/(Deficit) July 1 B/Fwd | 24(b) | 817 | 54 | (2,506) |
| Surplus/(Deficit) June 30 C/Fwd | 24(b) | 5,066 | 1,802 | 817 |
| Amount Raised from Rates | 24(a) | (26,374) | (23,685) | (22,522) |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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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.

Information about estimates and assumptions that have the most significant

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent revenue experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent revenue experience,

the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Council determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and infrastructure. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

(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.

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

(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.

(ii) Land Held for resale

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

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

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.

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

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:

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

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 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:

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

The effective interest 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 or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future 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

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.

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

(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 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

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

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 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) Revenue

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

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

(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

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.

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.

(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.

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

(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 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

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

The amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

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).

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*

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

- 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]
- 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

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.

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*

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 |
|---|-------|----------------|----------------|----------------|
| (a) Net Result | | | | |
| The Result includes: | | | | |
| (i) Charging as an Expense: | | | | |
| Auditors Remuneration | | | | |
| - 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> |
| Bad & Doubtful Debts | | | | |
| Rates | | 2 | 10 | 131 |
| General Debtors | | 88 | 3 | 219 |
| | 27(b) | <u>90</u> | <u>13</u> | <u>350</u> |
| Depreciation & Amortisation | | | | |
| <i>Property, Plant & Equipment</i> | | | | |
| - Buildings | | 3,984 | 3,170 | 2,670 |
| - Furniture and Equipment | | 926 | 748 | 1,071 |
| - Plant and Equipment | | 2,320 | 2,044 | 2,044 |
| | 7(b) | <u>7,230</u> | <u>5,962</u> | <u>5,785</u> |
| <i>Infrastructure</i> | | | | |
| - Roads & Bridges | | 2,202 | 1,993 | 1,993 |
| - Drainage | | 239 | 173 | 173 |
| - 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 |
| | 8(b) | <u>5,902</u> | <u>5,387</u> | <u>5,387</u> |
| | | <u>13,132</u> | <u>11,349</u> | <u>11,172</u> |
| Depreciation Discontinuing Operations | 42 | (1,801) | (1,497) | (1,395) |
| | | <u>11,331</u> | <u>9,852</u> | <u>9,777</u> |
| Interest Expenses (Finance Costs) | | | | |
| Debentures | 23(a) | 1,671 | 1,720 | 1,491 |
| Interest Discontinuing Operations | 42 | (72) | (71) | (75) |
| | | <u>1,599</u> | <u>1,649</u> | <u>1,416</u> |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

| \$ '000 | Notes | 2015 Actual | 2015 Budget | 2014 Actual |
|---|-------|----------------|----------------|----------------|
| (i) Charging as an Expense: | | | | |
| Rental Charges | | | | |
| - Operating Leases | | 183 | 190 | 199 |
| | | <u>183</u> | <u>190</u> | <u>199</u> |
| (ii) Crediting as Revenue: | | | | |
| Interest Earnings | | | | |
| Investments - Reserve Funds | | 43 | 37 | 146 |
| Investments - Other Funds | | 3,093 | 1,679 | 2,856 |
| Other Interest Revenue | 28 | 436 | 329 | 295 |
| | | <u>3,572</u> | <u>2,045</u> | <u>3,297</u> |
| Other Revenue | | | | |
| Rental Income from Other Council Properties | | 5,929 | 4,056 | 2,109 |
| Other Revenue | | 3,070 | 1,417 | - |
| | | <u>8,999</u> | <u>5,473</u> | <u>2,109</u> |

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

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

COMMUNITY VISION

The Town of Port Hedlands vision is to become a nationally significant friendly city that people are proud to call home. Central to this vision are four themes and outcomes:

1. Building a unified and vibrant community
2. Supporting a diverse economy
3. Balancing our built and natural environment
4. Leading our community

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 all income and expenditure associated with Elected Members, Civic Receptions, Corporate Management, Financial Services, Human Resources and OHS, Governance, Records Management, Marketing and Public Relations, and Information Technology. The majority of costs are distributed across other programs of Council, to better reflect the total cost of service delivery.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

\$ '000

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

GENERAL PURPOSE FUNDING

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

Activities: Rates, general purpose government grants, interest revenue, dividends paid to the Municipal fund from the Airport, loan financing and reserve transfers.

LAW, ORDER & PUBLIC SAFETY

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

Activities: Fire prevention, animal control, parking control, support of State Emergency Services, the Town's CCTV network, and community safety initiatives.

HEALTH

Objective: To provide an operational framework for environmental and community health.

Activities: Vermin control, environmental health, food and public health regulation and compliance, and Aboriginal health.

EDUCATION & WELFARE

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

Activities: Community partnership funding, disability access initiatives, community services administration, and asset management associated with key community buildings.

HOUSING

Objective: To provide and maintain adequate housing.

Activities: Primarily centred around the provision of housing to employees, and asset management activities.

COMMUNITY AMENITIES

Objective: To provide services required by the community.

Activities: Strategic town planning and development control, all aspects of waste management such as waste collection, landfill operations, and waste minimisation; cemeteries, public toilets, and sanitation and litter collection.

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 libraries, galleries and other cultural facilities.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

\$ '000

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

TRANSPORT

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

Activities: All activities relating to the Port Hedland International Airport. Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities, and traffic control. 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, leasing and administration of commercial properties, building regulation, land development, and saleyards and markets.

OTHER PROPERTY & SERVICES

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

Activities: Remaining activities not directly attributable to other programs such as private works, plant operations, public works overheads, and building maintenance overheads.

(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.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

\$ '000

(c) Nature or Type Classifications (continued)

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.

Town of Port Hedland

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

Note 2. Operating Revenues and Expenses (continued)

\$ '000

(c) Nature or Type Classifications (continued)

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 on Non Current Assets

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)

| \$ '000 | Opening Balance ¹ 1-Jul-13 | Received ² 2014 | Expended ³ 2014 | Closing Balance ¹ 30-Jun-14 | Received ² 2015 | Expended ³ 2015 | Closing Balance 30-Jun-15 |
|--|---|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|---------------------------------|
| (d). Conditions Over Grants, Subsidies & Contributions | | | | | | | |
| <u>Law, Order & Public Safety</u> | | | | | | | |
| Environment Health - Dog Health Programme - 09/10 | 8 | - | (6) | 2 | - | - | 2 |
| Aware Grant - SEMC - Update Emergency Risk Management | - | 12 | - | 12 | - | (12) | - |
| <u>Health</u> | | | | | | | |
| 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 |
| <u>Community Amenities</u> | | | | | | | |
| 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) | - | - | - | - |
| <u>Recreation & Culture</u> | | | | | | | |
| 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 Club | 250 | 250 | (500) | - | - | - | - |

(continued on next page)

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

| \$ '000 | Opening Balance ¹ 1-Jul-13 | Received ² 2014 | Expended ³ 2014 | Closing Balance ¹ 30-Jun-14 | Received ² 2015 | Expended ³ 2015 | Closing Balance 30-Jun-15 |
|---|---|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|---------------------------------|
| (d). Conditions Over Grants, Subsidies & Contributions (continued) | | | | | | | |
| Recreation & Culture (continued) | | | | | | | |
| 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 Wirnan 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 |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

| \$ '000 | Opening Balance ¹ 1-Jul-13 | Received ² 2014 | Expended ³ 2014 | Closing Balance ¹ 30-Jun-14 | Received ² 2015 | Expended ³ 2015 | Closing Balance 30-Jun-15 |
|---|---|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|---------------------------------|
| (d). Conditions Over Grants, Subsidies & Contributions (continued) | | | | | | | |
| Transport | | | | | | | |
| 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) | - | - | - | - |
| Other Property & Services | | | | | | | |
| Northern Planning - Studies to Facilitate South Hedland Tip Relocation | - | 184 | (172) | 12 | - | (12) | - |
| Northern Planning - South Hedland East Planning Scheme Amendment | - | 100 | (99) | 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 |
| Total Unspent Grants, Subsidies & Contributions | 2,706 | 5,148 | (5,240) | 2,614 | 1,701 | (3,014) | 1,304 |

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 |
| Total Cash and Cash Equivalents | 14(a) | 50,833 | 68,409 |
| The following restrictions have been imposed by regulations or other externally imposed requirements: | | | |
| 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 |
| Spoil bank Reserve | 12 | 38,990 | 39,608 |
| Royalties for Regions Reserve | 12 | - | 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 | - |
| Total Reserves | | 79,486 | 67,132 |
| Unspent Grants | 2(d) | - | 2,614 |
| Unspent Loans | 23(c) | - | 808 |
| Total Unspent Grants and Loans | | - | 3,422 |
| Total Restricted Cash | | 79,486 | 70,554 |

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 |
|--|-------|----------------|----------------|
| Financial Assets at Fair Value through Profit and Loss | | 30,300 | 7,000 |
| Movements in Financial Assets at Fair Value through Profit and Loss | | | |
| At beginning of the year | | 7,000 | - |
| Additions | | 30,300 | 7,000 |
| Disposals | | (7,000) | - |
| At end of the year | | 30,300 | 7,000 |
| Total Investments | | 30,300 | 7,000 |
| Classified as: | | | |
| Current | | 30,300 | 7,000 |
| Total Investments | 36 | 30,300 | 7,000 |

Note 5. Trade & Other Receivables

| | | | |
|--|----|---------------|---------------|
| Current | | | |
| Rates | | 435 | 76 |
| Self Supporting Loan Debtors | | 92 | 87 |
| Sundry Debtors | | 12,024 | 10,936 |
| Accrued Income | | 1,821 | 245 |
| Other | | 26 | 228 |
| Provision for Doubtful Debts | | (233) | (310) |
| Total Current Trade & Other Receivables | | 14,165 | 11,262 |
| Non-Current | | | |
| Rates Outstanding - Pensioners | | 19 | 7 |
| Self Supporting Loan Debtors | | 1,125 | 1,217 |
| Total Non-Current Trade & Other Receivables | | 1,144 | 1,224 |
| | 36 | 15,309 | 12,486 |

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 |
| Other | | |
| Matt Dann Kiosk | 2 | 5 |
| JD Hardie Centre | - | 3 |
| | <u>2</u> | <u>8</u> |
| Total Current Inventories | <u><u>500</u></u> | <u><u>10</u></u> |

Non-Current

Nil

Refer to Note 38 for the disclosure for Land held for Sale.

Note 7a. Property, Plant and Equipment

| | | |
|--|-----------------------|-----------------------|
| Land - Fair Value | <u>93,775</u> | <u>73,880</u> |
| | <u>93,775</u> | <u>73,880</u> |
| Buildings - Fair Value | <u>87,940</u> | <u>99,197</u> |
| | <u>87,940</u> | <u>99,197</u> |
| Furniture & Equipment - Fair Value | 843 | 3,198 |
| Less Accumulated Depreciation | - | (1,071) |
| Reclassification of Assets | <u>138</u> | <u>162</u> |
| | 981 | 2,289 |
| Plant and Equipment - Fair Value | 15,045 | 12,980 |
| Less Accumulated Depreciation | (2,320) | (2,045) |
| Reclassification of Assets | <u>(2,147)</u> | <u>390</u> |
| | <u>10,578</u> | <u>11,325</u> |
| Work in Progress - Fair Value | <u>2,062</u> | <u>945</u> |
| | <u>2,062</u> | <u>945</u> |
| Total Property, Plant & Equipment | <u><u>195,336</u></u> | <u><u>187,636</u></u> |
| | 7(b) | |
| Land - Council Owned | <u>88,005</u> | <u>68,110</u> |
| | <u>88,005</u> | <u>68,110</u> |
| Land - Council Controlled (Not owned) | <u>5,770</u> | <u>5,770</u> |
| | <u>5,770</u> | <u>5,770</u> |
| | <u>93,775</u> | <u>73,880</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 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 | |
| \$ '000 | | | | | | | |
| Balance as at 1 July 2014 | | 73,880 | 99,197 | 2,289 | 11,325 | 945 | 187,635 |
| Additions | | | | | | | |
| - Renewal | | - | 844 | 366 | 4,309 | 2,153 | 7,672 |
| - New | | - | 160 | 93 | - | 1,827 | 2,080 |
| - Contributed Asset | | 37,803 | 1,424 | - | - | - | 39,227 |
| | 20 | 37,803 | 2,428 | 459 | 4,309 | 3,980 | 48,979 |
| Disposals | 21 | - | - | - | (589) | - | (589) |
| Revaluation - Increments | 13 | - | - | 1,291 | - | - | 1,291 |
| Revaluation - (Decrements) | 13 | - | (410) | - | - | - | (410) |
| Impairment - Increments | | - | 525 | - | - | - | 525 |
| Depreciation | 2(a) | - | (3,984) | (926) | (2,320) | - | (7,230) |
| Reclassification - Land held for Sale | | (17,908) | - | 138 | - | - | (17,770) |
| Reclassification - Disposal Group "Held for sale" | | - | (9,814) | (2,270) | (2,147) | (2,863) | (17,094) |
| Property, Plant & Equipment at 30 June 2015 | | 93,775 | 87,940 | 981 | 10,578 | 2,062 | 195,336 |

Refer Note 37 for Fair Value Disclosures

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 & Bridges - Management Valuation | | 189,390 | 87,438 |
| Less Accumulated Depreciation | | <u>(28,109)</u> | <u>(1,993)</u> |
| | | 161,281 | 85,445 |
| Drainage - Management Valuation | | 29,900 | 9,568 |
| Less Accumulated Depreciation | | <u>(6,676)</u> | <u>(173)</u> |
| | | 23,224 | 9,395 |
| Footpaths - Management Valuation | | 27,925 | 8,207 |
| Less Accumulated Depreciation | | <u>(8,431)</u> | <u>(9)</u> |
| | | 19,494 | 8,198 |
| Parks & Ovals - Fair Value | | 49,498 | 39,070 |
| Less Accumulated Depreciation | | <u>(11,636)</u> | <u>(2,267)</u> |
| Reclassification | | - | <u>(347)</u> |
| | | 37,862 | 36,456 |
| Airport - Fair Value | | - | 22,660 |
| Less Accumulated Amortisation | | <u>-</u> | <u>(825)</u> |
| | | - | 21,835 |
| Other Infrastructure - Management Valuation | | 1,232 | 529 |
| Less Accumulated Amortisation | | <u>(612)</u> | <u>(80)</u> |
| | | 620 | 449 |
| Bus Shelter - Management Valuation | | 151 | 54 |
| Less Accumulated Amortisation | | <u>(39)</u> | <u>(21)</u> |
| | | 112 | 33 |
| Depot - Management Valuation | | 1,016 | 678 |
| Less Accumulated Amortisation | | <u>(177)</u> | <u>(20)</u> |
| | | 839 | 658 |
| Work in Progress | | 8,170 | 1,164 |
| Less Accumulated Amortisation | | <u>-</u> | <u>-</u> |
| | | 8,170 | 1,164 |
| Total Infrastructure | 8(b) | <u><u>251,602</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 8b. Infrastructure (continued)

Movements in Carrying Amounts

| | Notes | Roads & Bridges | Drainage | Footpaths | Parks & Ovals | Airports | Other Infrastructure | Bus Shelters | Depot | Work in Progress | Total |
|---|-------|-----------------|---------------|---------------|---------------|------------|----------------------|--------------|------------|------------------|----------------|
| | | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | |
| \$ '000 | | | | | | | | | | | |
| Balance as at 1 July 2014 | | 85,445 | 9,395 | 8,198 | 36,456 | 21,835 | 449 | 33 | 658 | 1,164 | 163,633 |
| Additions | | | | | | | | | | | |
| - Renewal | | 1,733 | 9 | 43 | 215 | 513 | - | - | - | 2,890 | 5,403 |
| - New | | 728 | - | - | 125 | 2,464 | - | - | - | 4,754 | 8,071 |
| - Contributed Asset | | 7,135 | 4,937 | - | - | - | - | - | - | - | 12,072 |
| | 20 | 9,596 | 4,946 | 43 | 340 | 2,977 | - | - | - | 7,644 | 25,546 |
| Revaluation - Increments | 13 | 68,441 | 9,122 | 11,262 | 3,531 | 20,615 | 256 | 100 | 219 | - | 113,547 |
| Depreciation (Expense) | 2(a) | (2,202) | (239) | (9) | (2,465) | (843) | (85) | (21) | (38) | - | (5,902) |
| Reclassification | | - | - | - | - | - | - | - | - | (138) | (138) |
| Reclassification - Disposal Group "Held for sale" | | - | - | - | - | (44,584) | - | - | - | (500) | (45,084) |
| Infrastructure at 30 June 2015 | | 161,281 | 23,224 | 19,494 | 37,862 | 0 | 620 | 112 | 839 | 8,170 | 251,602 |

Town of Port Hedland

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

Note 9. Trade and Other Payables

| \$ '000 | Notes | 2015 Actual | 2014 Actual |
|---|-------|---------------------|---------------------|
| Current | | | |
| Sundry Creditors | | 6,998 | 6,109 |
| Accrued Interest on Debentures | | 318 | 347 |
| Accrued Salaries and Wages | | 407 | - |
| Income in Advance | | 865 | - |
| Total Current Trade and Other Payables | 36 | <u><u>8,588</u></u> | <u><u>6,456</u></u> |
| Non-Current | | | |
| Nil | | | |

Note 10. Borrowings

| | | | |
|-------------------------------------|-------|----------------------|----------------------|
| Current | | | |
| Secured by Floating Charge | | | |
| - Debentures | | 1,135 | 1,278 |
| Total Current Borrowings | 23(a) | <u><u>1,135</u></u> | <u><u>1,278</u></u> |
| Non-Current | | | |
| Secured by Floating Charge | | | |
| - Debentures | | 24,583 | 27,463 |
| Total Non-Current Borrowings | 23(a) | <u><u>24,583</u></u> | <u><u>27,463</u></u> |
| | 23(a) | <u><u>25,718</u></u> | <u><u>28,741</u></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 |
|-------------------------------------|----------------|----------------|
| Current | | |
| Annual Leave | 1,367 | 1,695 |
| Long Service Leave | 565 | 701 |
| Sick Leave | 629 | 236 |
| Total Current Provisions | 2,561 | 2,632 |
| Non-Current | | |
| Long Service Leave | 166 | 225 |
| Total Non-Current Provisions | 166 | 225 |

Movements in Provisions

| Class of Provision | 2014 | | 2015 | | | |
|--------------------|------------------------------|-----------------------|--------------------------|---|-------------------------|-------------------------------|
| | Opening Balance as at 1/7/14 | Additional Provisions | Decrease due to Payments | Premeasure- ment effects due to Discounting | Unused amounts reversed | Closing Balance as at 30/6/15 |
| Annual Leave | 1,695 | 1,256 | (1,584) | - | - | 1,367 |
| Long Service Leave | 926 | (99) | (96) | - | - | 731 |
| Sick Leave | 236 | 790 | (397) | - | - | 629 |
| TOTAL | 2,857 | 1,947 | (2,077) | - | - | 2,727 |

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 |
|--|----------------|----------------|----------------|
| (a). Asset Management Reserve | | | |
| Opening Balance | 202 | 152 | 185 |
| Amount Set Aside / Transfer to Reserve | 338 | 338 | 563 |
| Amount Used / Transfer from Reserve | (16) | (360) | (546) |
| | <u>524</u> | <u>130</u> | <u>202</u> |
| (b). Plant Reserve | | | |
| Opening Balance | - | - | - |
| Amount Set Aside / Transfer to Reserve | 837 | 387 | - |
| | <u>837</u> | <u>387</u> | <u>-</u> |
| (c). Underground Power Reserve | | | |
| Opening Balance | - | - | 654 |
| Amount Used / Transfer from Reserve | - | - | (654) |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| (d). Waste Collection Reserve | | | |
| Opening Balance | - | - | 4,204 |
| Amount Used / Transfer from Reserve | - | - | (4,204) |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| (e). Airport Reserve | | | |
| 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> |
| (f). Unfinished Works and Committed Works Reserve | | | |
| 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> |
| (g). Leave Reserve | | | |
| 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> |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 12. Reserves - Cash/Investment Backed (continued)

| \$ '000 | 2015 Actual | 2015 Budget | 2014 Actual |
|---|----------------|----------------|----------------|
| (h). Developer Contribution Reserve- Car Parking | | | |
| Opening Balance | 367 | 236 | 232 |
| Amount Set Aside / Transfer to Reserve | - | - | 135 |
| Amount Used / Transfer from Reserve | (97) | - | - |
| | 270 | 236 | 367 |
| (i). Waste Management Reserve | | | |
| Opening Balance | 4,750 | 3,946 | - |
| Amount Set Aside / Transfer to Reserve | 5,954 | 978 | 15,297 |
| Amount Used / Transfer from Reserve | - | - | (10,547) |
| | 10,704 | 4,924 | 4,750 |
| Future Landfill rehabilitation is estimated at a NPV of \$5.7m @ a discount rate of 3.88%. This cost will be funded from restriction of the current reserve to the value of \$5.7m. | | | |
| (j). Lights Replacement Reserve | | | |
| Opening Balance | - | - | 23 |
| Amount Used / Transfer from Reserve | - | - | (23) |
| | - | - | - |
| (k). Depot Facilities Reserve | | | |
| Opening Balance | - | - | 17 |
| Amount Used / Transfer from Reserve | - | - | (17) |
| | - | - | - |
| (l). South Hedland Library Reserve | | | |
| Opening Balance | - | - | 14 |
| Amount Used / Transfer from Reserve | - | - | (14) |
| | - | - | - |
| (m). SES Shed Reserve | | | |
| Opening Balance | - | - | 35 |
| Amount Used / Transfer from Reserve | - | - | (35) |
| | - | - | - |
| (n). Waste Management & Recycling Reserve | | | |
| Opening Balance | - | - | 453 |
| Amount Used / Transfer from Reserve | - | - | (453) |
| | - | - | - |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 12. Reserves - Cash/Investment Backed (continued)

| \$ '000 | 2015 Actual | 2015 Budget | 2014 Actual |
|--|----------------|----------------|----------------|
| (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 | <u>(3,208)</u> | <u>(3,428)</u> | <u>(2,256)</u> |
| | <u>527</u> | <u>28</u> | <u>3,494</u> |
| (p). Civil Building / Infrastructure Reserve | | | |
| Opening Balance | - | - | 8 |
| Amount Used / Transfer from Reserve | - | - | <u>(8)</u> |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| (q). Newcrest Reserve | | | |
| Opening Balance | - | - | 2 |
| Amount Used / Transfer from Reserve | - | - | <u>(2)</u> |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| (r). Spoil bank Reserve | | | |
| Opening Balance | 39,608 | 39,310 | 40,760 |
| Amount Used / Transfer from Reserve | <u>(618)</u> | <u>(350)</u> | <u>(1,152)</u> |
| | <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 | <u>(48)</u> | <u>-</u> | <u>(895)</u> |
| | <u>(0)</u> | <u>26</u> | <u>48</u> |
| (t). Community Facilities Reserve | | | |
| Opening Balance | - | (324) | 1,258 |
| Amount Set Aside / Transfer to Reserve | 10 | - | 1,326 |
| Amount Used / Transfer from Reserve | - | - | <u>(2,584)</u> |
| | <u>10</u> | <u>(324)</u> | <u>-</u> |
| (u). GP Housing Reserve | | | |
| Opening Balance | 184 | 184 | 194 |
| Amount Used / Transfer from Reserve | - | - | <u>(10)</u> |
| | <u>184</u> | <u>184</u> | <u>184</u> |
| (v). Developer Contributions Reserve- Public Open | | | |
| Opening Balance | 158 | 158 | - |
| Amount Set Aside / Transfer to Reserve | <u>1,216</u> | <u>50</u> | <u>158</u> |
| | <u>1,374</u> | <u>208</u> | <u>158</u> |

Town of Port Hedland

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

Note 12. Reserves - Cash/Investment Backed (continued)

| \$ '000 | 2015 Actual | 2015 Budget | 2014 Actual |
|--|----------------------|----------------------|----------------------|
| (w). Staff Housing Reserve | | | |
| Opening Balance | - | - | - |
| Amount Set Aside / Transfer to Reserve | 730 | - | - |
| | <u>730</u> | <u>-</u> | <u>-</u> |
| (x). Unspent Grants and Contributions Reserve | | | |
| Opening Balance | - | - | - |
| Amount Set Aside / Transfer to Reserve | 1,304 | - | - |
| | <u>1,304</u> | <u>-</u> | <u>-</u> |
| (y). Strategic Reserve | | | |
| Opening Balance | - | - | - |
| Amount Set Aside / Transfer to Reserve | 1,984 | - | - |
| Amount Used / Transfer from Reserve | (1,984) | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Reserves | <u><u>79,486</u></u> | <u><u>49,367</u></u> | <u><u>67,132</u></u> |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 12. Reserves - Cash/Investment Backed (continued)

| \$ '000 | 2015 Actual | 2015 Budget | 2014 Actual |
|--|----------------|-----------------|-----------------|
| 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 | - | - |
| Total Transfers to Reserves | 19,307 | 1,804 | 33,586 |
| 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) |
| Spoil bank Reserve | (618) | (350) | (1,152) |
| Royalties for Regions Reserve | (48) | - | (895) |
| Community Facilities Reserve | - | - | (2,584) |
| GP Housing Reserve | - | - | (10) |
| Strategic Reserve | (1,984) | - | - |
| Total Transfers from Reserves | (6,954) | (14,318) | (41,013) |
| Total Net Transfer to/(from) Reserves | 12,353 | (12,514) | (7,427) |

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 12. Reserves - Cash/Investment Backed (continued)

\$ '000

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 activities

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.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 12. Reserves - Cash/Investment Backed (continued)

\$ '000

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.

Spoil bank Reserve

- to fund the development of the Port Hedland Spoil bank 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 | | - | 71,264 |
| | | <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 | - |
| | | <u>1,291</u> | <u>-</u> |
| (d). Infrastructure | | | |
| Opening Balance | | - | - |
| Revaluation Increment | 8(b) | 113,547 | - |
| | | <u>113,547</u> | <u>-</u> |
| Total Asset Revaluation Reserves | | <u>205,216</u> | <u>90,263</u> |

The Revaluation Reserves attributable to Airport is 76,241k.

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 |
|---|-------|----------------|----------------|----------------|
| (a). Reconciliation of Cash | | | | |
| 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>50,833</u> | <u>51,308</u> | <u>68,409</u> |
| (b). Reconciliation of Net Cash Provided By Operating Activities to Net Result | | | | |
| Net Result | | 70,203 | 18,978 | 11,017 |
| Depreciation | | 13,132 | 11,349 | 11,172 |
| (Profit)/Loss on Sale of Assets | | (1,928) | (16) | 183 |
| Decrease/(Increase) in Receivables | | (2,831) | - | 20,984 |
| Increase/(Decrease) in Provision for Doubtful Debts | | (77) | - | - |
| Decrease/(Increase) in Inventories | | (541) | - | 3 |
| Increase/(Decrease) in Payables & Accruals | | 2,161 | 10 | (5,381) |
| Increase/(Decrease) in Accrued Interest Payable | | (29) | - | - |
| Increase/(Decrease) in Employee Leave Entitlements | | (73) | - | 415 |
| Non-Operating Grants, Subsidies and Contributions | | (4,282) | (14,881) | (4,539) |
| Contributed Asset | | (51,299) | - | - |
| Net Cash from Operating Activities | | <u>24,435</u> | <u>15,440</u> | <u>33,854</u> |
| (c). Undrawn Borrowing Facilities Credit Standby Arrangements | | | | |
| Credit Card Limit | | 100 | - | 57 |
| Credit Card Balance at Balance Date | | (55) | - | (1) |
| Total Amount of Credit Unused | | <u>45</u> | <u>-</u> | <u>56</u> |
| Loan Facilities | | | | |
| Loan Facilities - Current | 10 | 1,135 | | 1,278 |
| Loan Facilities - Non-Current | 10 | 24,583 | | 27,463 |
| Total Facilities in Use at Balance Date | | <u>25,718</u> | | <u>28,741</u> |
| Unused Loan Facilities at Balance Date | | <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

\$ '000

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

(i) Bank Guarantee

The Town of Port Hedland has issued a Bank Guarantee to the value of \$100k in favour of The Water Corporation for Agreement DN200 and DN300. distribution mains, airport Redevelopment WAPC 145870 pre-funding arrangement CV03258.

(ii) Contaminated site

Council is currently operating the Waste Disposal site according to strict license agreement. Council is not aware of any reportable contamination.

(ii) Other Contingent Liabilities

Council is not aware of any reportable Contingent Liabilities.

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.

Payable:

| | | |
|---|------------|------------|
| - not later than one year | 416 | 199 |
| - later than one year but not later than five years | 143 | - |
| - later than five years | - | - |
| Total Operating Lease Commitments | 559 | 199 |

The Town of Port Hedland, in error, omitted the disclosure of operating lease commitments for rented properties in the 2013/14 notes to the Annual Financial Report.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 16. Capital and Leasing Commitments (continued)

| \$ '000 | 2015 Actual | 2014 Actual |
|---|----------------|----------------|
| (c). Capital Expenditure Commitments | | |
| Contracted for: | | |
| - 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 |
| Total Capital Expenditure Commitments | 2,974 | 4,030 |
| Payable: | | |
| - not later than one year | 2,974 | 4,030 |
| - later than one year but not later than five years | - | - |
| - later than five years | - | - |
| Total Capital Expenditure Commitments | 2,974 | 4,030 |

Note 17. Subsidiaries, Joint Arrangements & Associates

(a) Subsidiaries (i.e. 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.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 18. Trust Funds

| \$ '000 | Balance 1-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/Comma Bus | 1 | 5 | (5) | 1 |
| Deposits - Sportsgrounds | 20 | 18 | (18) | 20 |
| 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 |
| Castamere Road Development | - | 3,590 | (2,463) | 1,127 |
| | 315 | 4,290 | (3,151) | 1,455 |

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

The Trust fund for Castamere Road Development was in error not included in the previous year Annual Financial Statement.

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 | 48,645 | 27,620 |
| | 623,365 | 439,174 |

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 |
|--|--------------------|----------------|
| By Program | | |
| Governance | 395 | 150 |
| Law, Order, Public Safety | - | 3 |
| Health | - | 3,670 |
| Education & Welfare | 1,425 | - |
| Housing | 244 | 5,561 |
| Recreation & Culture | 1,088 | 12,404 |
| Transport | 29,703 | 36,496 |
| Economic Services | 37,818 | 944 |
| Other Property & Services | 3,852 | - |
| | <u>74,525</u> | <u>59,227</u> |
| By Class | | |
| <i>Property, Plant & Equipment</i> | | |
| - Land | - | 904 |
| - Land - Contributed Asset | 37,803 | - |
| - Buildings | 1,004 | 12,498 |
| - Buildings - Contributed Asset | 1,424 | - |
| - Furniture and Equipment | 459 | 986 |
| - Plant and Equipment | 4,309 | 3,386 |
| - Work in Progress | 3,980 | - |
| | 7(b) <u>48,979</u> | <u>17,774</u> |
| <i>Infrastructure</i> | | |
| - Roads & Bridges | 2,461 | 3,326 |
| - Roads & Bridges - Contributed Asset | 7,135 | - |
| - Drainage | 9 | 980 |
| - Drainage - Contributed Asset | 4,937 | - |
| - 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 | - |
| | 8(b) <u>25,546</u> | <u>41,453</u> |
| | <u>74,525</u> | <u>59,227</u> |

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 & Equipment</i> | 7(b) | 589 | 526 | 475 | 541 | (114) | 15 |
| Total | | 1,242 | 11,006 | 3,170 | 11,020 | 1,928 | 15 |

| \$ '000 | 2015 | | 2014 |
|--|--------------|-----------|--------------|
| | Actual | Budget | Actual |
| Summary | | | |
| Profit on Asset Disposals | 2,042 | 15 | 97 |
| Loss on Asset Disposals | (114) | - | (280) |
| Net Profit/(Loss) on Disposal of Assets | 1,928 | 15 | (183) |

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> | | | | | |
| 1. Current Ratio | | | | | |
| Current Assets less Restricted Current Assets | 79,728 | 6.95 : 1 | > 1.00 : 1 | 1.05 | 0.80 |
| Current Liabilities less Liabilities Associated with Restricted with Restricted Assets | 11,465 | | | | |
| This is a modified commercial ratio designed to focus on the liquidity position of the Council that has arisen from past year's transactions. The ratio exclude the value of the Discontinuing Operations as per Note 42. The ratio including this figure is 1.55:1 | | | | | |
| <i>Debt Ratio</i> | | | | | |
| 2. Debt Service Cover Ratio | | | | | |
| Operating Surplus before Interest and Depreciation | 19,678 | 4.25 : 1 | > 2.00 : 1 | 6.91 | 5.77 |
| Principal and Interest Repayments | 4,626 | | | | |
| This ratio is the measurement of Council's ability to repay its debt including lease payments. The ratio exclude the Operating Surplus and Principal Interest Repayments for the Discontinuing Operations as per Note 42. The ratio including these figures is 6.26:1 | | | | | |
| <i>Coverage Ratio</i> | | | | | |
| 3. Own Source Revenue Coverage Ratio | | | | | |
| Own Source Operating Revenue | 57,427 | 105.59% | > 40% | 94.63% | 84.70% |
| Operating Expense | 54,387 | | | | |
| This ratio is the measurement of Council's ability to cover its costs through its own revenue efforts. The ratio exclude the Operating Revenue and Expense for the Discontinuing Operations as per Note 42. The ratio include these figures is 116.6% | | | | | |
| <i>Financial Performance Ratio</i> | | | | | |
| 4. Operating Surplus Ratio | | | | | |
| Operating Revenue less Operating Expense | 6,748 | 11.75% | > 1% | 9.78% | 3.10% |
| Own Source Operating Revenue | 57,427 | | | | |
| The ratio is a measure of Council's ability to cover its operational costs and have revenues available for capital funding or other purposes. The ratio exclude the Operating Revenue and Expenses for the Discontinuing Operations as per Note 42. The ratio including these figures is 19.07%. | | | | | |
| <i>Asset Management Ratios</i> | | | | | |
| 5. Asset Consumption Ratio | | | | | |
| Depreciated Replacement Cost of Depreciable Assets | 401,748 | 72.54% | > 50% | 84.08% | n/a |
| Current Replacement Cost of Depreciable Assets | 553,844 | | | | |
| This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. This ratio include the Depreciated Replacement Cost and Current Replacement Cost of Assets which form part of the Disposal Group "Held for sale" as per Note 42. | | | | | |
| 6. Asset Sustainability Ratio | | | | | |
| Capital Renewal and Replacement Expenditure | 13,075 | 99.57% | 90-110% | 107.88% | 244.00% |
| Depreciation Expense | 13,132 | | | | |
| 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. This ratio include the Capital Renewal and Replacement Cost and Depreciation Expense which form part of the Disposal Disposal Group "Held for sale" as per Note 42. | | | | | |
| 7. Asset Renewal Funding Ratio | | | | | |
| NPV of Planned Capital Renewals over 10 years | 132,947 | 85.80% | 75-95% | n/a | n/a |
| NPV of Required Capital Expenditure over 10 years | 154,948 | | | | |
| This ratio is a measure of the ability of Council to fund it projected asset renewal/ replacements in future. This ratio include the NPV of Planned Capital Renewals and Required Capital Expenditure of the assets which form part of the Disposal Group "Held for sale" as per Note 42. | | | | | |

Town of Port Hedland

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

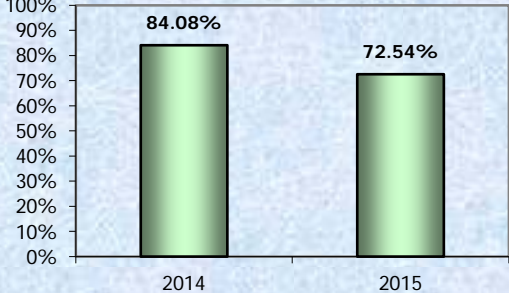
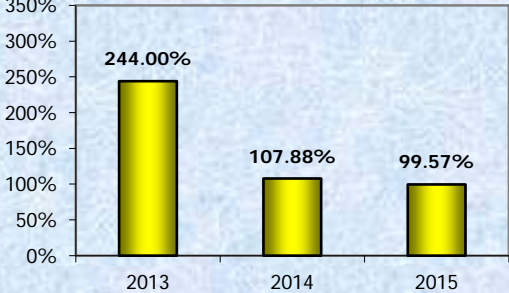
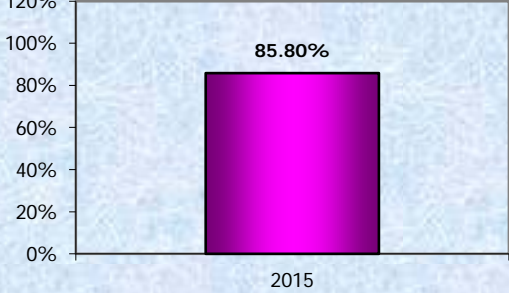
Note 22. Financial Ratios (continued)

| <p>1. Current Ratio</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>6.95</td> </tr> </tbody> </table> | Year | Ratio | 2013 | 0.80 | 2014 | 1.05 | 2015 | 6.95 | <p>Purpose of Current Ratio</p> <p>To assess the liquidity position of the Council that has arisen from past year's transactions.</p> | <p>Commentary on Result</p> <p>2014/15 Ratio 6.95 : 1</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 | 6.95 | | | | | | | | | |
| <p>2. Debt Service Cover Ratio</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>4.25</td> </tr> </tbody> </table> | Year | Ratio | 2013 | 5.77 | 2014 | 6.91 | 2015 | 4.25 | <p>Purpose of Debt Service Cover Ratio</p> <p>To assess Council's ability to repay its debt including lease payments.</p> | <p>Commentary on Result</p> <p>2014/15 Ratio 4.25 : 1</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 | 4.25 | | | | | | | | | |
| <p>3. Own Source Revenue Coverage Ratio</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>105.59%</td> </tr> </tbody> </table> | Year | Ratio % | 2013 | 84.70% | 2014 | 94.63% | 2015 | 105.59% | <p>Purpose of Own Source Revenue Coverage Ratio</p> <p>To assess Council's ability to cover its costs through its own revenue efforts.</p> | <p>Commentary on Result</p> <p>2014/15 Ratio 105.59%</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 | 105.59% | | | | | | | | | |
| <p>4. Operating Surplus Ratio</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>11.75%</td> </tr> </tbody> </table> | Year | Ratio % | 2013 | 3.10% | 2014 | 9.78% | 2015 | 11.75% | <p>Purpose of Operating Surplus Ratio</p> <p>To assess Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.</p> | <p>Commentary on Result</p> <p>2014/15 Ratio 11.75%</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 healthy indicating that the Town's operating revenue can 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 | 11.75% | | | | | | | | | |

Town of Port Hedland

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

Note 22. Financial Ratios (continued)

| <p>5. Asset Consumption Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>84.08%</td> </tr> <tr> <td>2015</td> <td>72.54%</td> </tr> </tbody> </table> | Year | Ratio % | 2014 | 84.08% | 2015 | 72.54% | <p>Purpose of Asset Consumption Ratio</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>Commentary on Result</p> <p>2014/15 Ratio 72.54%</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 % | | | | | | | | | |
| 2014 | 84.08% | | | | | | | | | |
| 2015 | 72.54% | | | | | | | | | |
| <p>6. Asset Sustainability Ratio</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>Purpose of Asset Sustainability Ratio</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>Commentary on Result</p> <p>2014/15 Ratio 99.57%</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>7. Asset Renewal Funding Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>85.80%</td> </tr> </tbody> </table> | Year | Ratio % | 2015 | 85.80% | <p>Purpose Asset Renewal Funding Ratio</p> <p>To assess the ability of Council to fund its projected asset renewal / replacements in the future.</p> | <p>Commentary on Result</p> <p>2014/15 Ratio 85.80%</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 % | | | | | | | | | |
| 2015 | 85.80% | | | | | | | | | |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 23. Information on Borrowings

| \$ '000 | Borrowing Institution | Interest Rate % | Principal 1-Jul-14 | New Loans | Principal Repayments | | Principal 30-Jun-15 | | Interest Repayments | |
|-------------------------------------|-----------------------|-----------------|--------------------|-----------|----------------------|--------|---------------------|--------|---------------------|--------|
| | | | | | Actual | Budget | Actual | Budget | Actual | Budget |
| (a). Debenture Repayments | | | | | | | | | | |
| Governance | | | | | | | | | | |
| - Civic Centre Upgrade | WATC | 4.88% | 500 | - | 500 | 15 | - | 485 | 59 | 24 |
| - Civic Centre Upgrade | WATC | 0.00% | - | - | - | 77 | - | 5,423 | - | 154 |
| Law, Order, Public Safety | | | | | | | | | | |
| - State Emergency Services Shed | * WATC | 6.36% | 184 | - | 33 | 33 | 151 | 152 | 10 | 11 |
| Education & Welfare | | | | | | | | | | |
| - HACC Housing Upgrade | WATC | 6.36% | 221 | - | 221 | 39 | - | 182 | 25 | 13 |
| - GP Housing Loan | WATC | 4.73% | 1,454 | - | 49 | 49 | 1,405 | 1,405 | 69 | 68 |
| Housing | | | | | | | | | | |
| - Staff Housing - Morgans Street | WATC | 6.75% | 1,287 | - | 52 | 51 | 1,235 | 1,236 | 87 | 86 |
| - Staff Housing - Morgans Street | WATC | 6.78% | 1,890 | - | 72 | 72 | 1,818 | 1,818 | 128 | 127 |
| - Staff Housing Airport | WATC | 6.04% | 1,189 | - | 42 | 42 | 1,147 | 1,147 | 72 | 71 |
| Community Amenities | | | | | | | | | | |
| - Underground Power | WATC | 3.67% | 533 | - | 126 | 126 | 407 | 407 | 18 | 18 |
| Recreation & Culture | | | | | | | | | | |
| - Aquatic Centre Upgrade | WATC | 6.71% | 248 | - | 248 | 77 | - | 172 | 32 | 15 |
| - Swimming Pool Extension | WATC | 5.79% | 158 | - | 158 | 42 | - | 115 | 5 | 9 |
| - Yacht Club | WATC | 6.48% | 404 | - | 27 | 27 | 377 | 376 | 25 | 25 |
| - Yacht Club Additional | * WATC | 6.02% | 215 | - | 13 | 13 | 202 | 202 | 13 | 13 |
| - JD Hardie Upgrade | WATC | 6.05% | 1,417 | - | 50 | 50 | 1,367 | 1,368 | 117 | 88 |
| - Marquee Park | WATC | 6.05% | 759 | - | 27 | 26 | 732 | 733 | 46 | 45 |
| - Marquee Park Loan B | WATC | 5.22% | 4,171 | - | 144 | 144 | 4,027 | 4,027 | 215 | 216 |
| - Multi-purpose Recreation Centre | WATC | 5.22% | 7,348 | - | 254 | 254 | 7,094 | 7,094 | 380 | 380 |
| - South Hedland Bowling Club | * WATC | 5.21% | 500 | - | 15 | 15 | 485 | 485 | 26 | 26 |
| - JD Hardie Facility Upgrade | WATC | 4.63% | 1,401 | - | 47 | 47 | 1,354 | 1,354 | 65 | 64 |
| - Wanangkura Stadium | WATC | 4.82% | 2,423 | - | 80 | 80 | 2,343 | 2,343 | 117 | 116 |
| - JD Hardie Roof & Security Upgrade | WATC | 5.21% | 280 | - | 280 | 8 | - | 272 | 10 | 14 |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 23. Information on Borrowings (continued)

| \$ '000 | Borrowing Institution | Interest Rate % | Principal 1-Jul-14 | New Loans | Principal Repayments | | Principal 30-Jun-15 | | Interest Repayments | |
|--------------------------------|-----------------------|-----------------|--------------------|-----------|----------------------|--------------|---------------------|---------------|---------------------|--------------|
| | | | | | Actual | Budget | Actual | Budget | Actual | Budget |
| Transport | | | | | | | | | | |
| -Wallwork Rd Bridge | WATC | 4.96% | 484 | - | 484 | 15 | - | 469 | 60 | 24 |
| -Floodwater Pump | WATC | | | | | 5 | - | 295 | - | 8 |
| Economic Services | | | | | | | | | | |
| - Port Hedland Visitors Centre | WATC | 5.79% | 57 | - | 57 | 5 | - | 51 | 8 | 3 |
| - Catamore Court | WATC | 5.21% | 1,618 | - | 48 | 47 | 1,570 | 1,571 | 84 | 84 |
| - JD Hardie Land Purchase | WATC | | - | - | - | 2 | - | 148 | - | 5 |
| - Catamore Court | WATC | | - | - | - | 7 | - | 515 | - | 14 |
| | | | 28,741 | - | 3,027 | 1,370 | 25,718 | 33,845 | 1,671 | 1,720 |

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)

| \$ '000 | Amount Borrowed | | Total Interest & Charges | Amount Used | | Balance Unspent |
|-------------------------------|-----------------|--------------|--------------------------------|-------------|----------------|--------------------|
| | Actual | Budget | | Actual | Budget | |
| (b). New Debentures | | | | | | |
| Civic Centre upgrade | - | 5,500 | - | - | (5,500) | - |
| Staff Housing - Catamore St | - | 522 | - | - | (522) | - |
| Floodwater Pump Refurbishment | - | 300 | - | - | (300) | - |
| JD Hardie Land Acquisition | - | 150 | - | - | (150) | - |
| | - | 6,473 | - | - | (6,473) | - |

| \$ '000 | Date Borrowed | Balance 1-Jul-14 | Borrowed During Year | Expended During Year | Balance 30-Jun-15 |
|----------------------------|------------------|---------------------|----------------------------|----------------------------|----------------------|
| | | | | | |
| 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) | - |
| | | 808 | - | (808) | - |

(d). Overdraft

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 24(a). Rating Information (2014/15 Financial Year)

| | Rate in \$ | Number of | Rateable | Rate | Interim | Back | Total | Budget | Budget | Budget | Budget |
|----------------------------------|----------------|--------------|----------------|---------------|--------------|------------|---------------|---------------|----------|----------|---------------|
| | | Properties | Value | Revenue | Rates | Rates | Revenue | Rate | Interim | Back | Total |
| \$ '000 | Notes | | | | | | | Revenue | Rate | Rate | Revenue |
| Rate Type | | | | | | | | | | | |
| Differential General Rate | | | | | | | | | | | |
| GRV - Residential | | 5,101 | 406,782 | 14,296 | 734 | 41 | 15,071 | 14,306 | - | - | 14,306 |
| GRV - Commercial | | 174 | 23,174 | 862 | 122 | 10 | 994 | 881 | - | - | 881 |
| GRV - Industrial | | 330 | 47,475 | 1,588 | 61 | 15 | 1,663 | 1,638 | - | - | 1,638 |
| GRV - Shopping Centre | | 2 | 8,682 | 634 | 64 | 20 | 718 | 634 | - | - | 634 |
| GRV - Mass Accommodation | | 9 | 19,198 | 2,568 | 1,249 | 389 | 4,206 | 2,630 | - | - | 2,630 |
| GRV - Tourist Accommodation | | 7 | 7,941 | 676 | - | - | 676 | 676 | - | - | 676 |
| UV - Mining Improved | | 50 | 1,580 | 677 | 145 | 5 | 827 | 677 | - | - | 677 |
| UV - Mining Vacant | | 86 | 1,439 | 518 | (35) | (1) | 482 | 518 | - | - | 518 |
| UV - Pastoral | | 9 | 1,886 | 128 | 1 | - | 129 | 128 | - | - | 128 |
| UV - Other | | 11 | 1,313 | 216 | 1 | - | 217 | 216 | - | - | 216 |
| UV - Other Vacant | | 1 | 200 | 33 | - | - | 33 | 33 | - | - | 33 |
| Sub-Total | | 5,780 | 519,668 | 22,194 | 2,340 | 480 | 25,014 | 22,334 | - | - | 22,334 |
| Minimum Rates | | | | | | | | | | | |
| | Minimum | | | | | | | | | | |
| GRV - Residential | | 758 | 10,495 | 927 | - | - | 927 | 927 | - | - | 927 |
| GRV - Commercial | | 74 | 1,126 | 91 | - | - | 91 | 88 | - | - | 88 |
| GRV - Industrial | | 62 | 1,017 | 76 | - | - | 76 | 73 | - | - | 73 |
| UV - Mining Improved | | 44 | 55 | 54 | - | - | 54 | 54 | - | - | 54 |
| UV - Mining Vacant | | 252 | 217 | 308 | - | - | 308 | 308 | - | - | 308 |
| UV - Pastoral | | 2 | 27 | 2 | - | - | 2 | 2 | - | - | 2 |
| UV - Other | | 2 | 4 | 2 | - | - | 2 | 2 | - | - | 2 |
| UV - Other Vacant | | 8 | 0 | 10 | - | - | 10 | 10 | - | - | 10 |
| Sub-Total | | 1,202 | 12,943 | 1,470 | - | - | 1,470 | 1,465 | - | - | 1,465 |
| | | | | | | | 26,484 | | | | 23,799 |
| Concessions | 27(d) | | | | | | (110) | | | | (114) |
| Totals | | | | | | | 26,374 | | | | 23,685 |

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 |
|---|-------|-------------------------------|-------------------------------|
| Current Assets | | | |
| Cash - Unrestricted | 3 | 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 | 12,024 | 10,936 |
| Other Receivables | 5 | 26 | 228 |
| Inventories | | | |
| - Fuel and Materials | 6 | 498 | 2 |
| - Other | 6 | 53 | 8 |
| Provisions for Doubtful Debts | 5 | (233) | (310) |
| Land held for Resale | 38 | 1,187 | - |
| Accrued Income | 5 | 1,821 | 245 |
| | | 96,945 | 86,594 |
| Current Liabilities | | | |
| Sundry Creditors | 9 | 6,998 | 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 | 9 | 865 | - |
| | | 12,341 | 10,366 |
| Net Current Assets | | 84,604 | 76,228 |
| Less: | | | |
| Reserves - Restricted Cash | 3 | (79,486) | (67,132) |
| Restricted Receivables | | - | (6,135) |
| Unspent Grants | | - | (2,614) |
| Unspent Loans | | - | (808) |
| Land Held for Resale | | (1,187) | - |
| Add Back: | | | |
| Current Loan Liability | 10 | 1,135 | 1,278 |
| Surplus/(Deficit) | | 5,066 | 817 |

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)

\$ '000

The Town has not imposed Specified Area Rates.

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

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 & Write-offs (2014/15 Financial Year)

\$ '000

(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 | | | |
| A130267 | Lot 5235 Twelve Mile Creek Road, Pippingarra | 2 | 2 |
| | Small Balances under \$2 | - | 8 |
| | | 2 | 10 |
| General Debtors | | | |
| 8874 | | 62 | 3 |
| 7875 | | 6 | - |
| 8208 | | 6 | - |
| 8840 | | 3 | - |
| 7253 | | 2 | - |
| 8367 | | 1 | - |
| 1027 | | 1 | - |
| 8001 | | 1 | - |
| 7738 | | 1 | - |
| 8059 | | 1 | - |
| 9205 | | 1 | - |
| | | 3 | - |
| | | 88 | 3 |
| | 2(a) | 90 | 13 |

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.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

\$ '000

(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 Cost / Value | Budget Cost / Value |
|---------|---------------------------------------|-----------------------|------------------------|
| A102320 | 3 FINLAY STREET, PORT HEDLAND | 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 |
| | 2(a) | <u>110</u> | <u>114</u> |

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 | | 37.20 | 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 & 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 |
| Health | 78 | 59 | 145 |
| Education and Welfare | 2 | 270 | 4 |
| Housing | - | - | 246 |
| Community Amenities | 6,061 | 11,088 | 13,252 |
| Recreation and Culture | 2,730 | 512 | 579 |
| Transport | 17,285 | 16,532 | 18,563 |
| Economic Services | 5,505 | 626 | 3,087 |
| Other Property and Services | 32 | - | - |
| | 31,967 | 29,495 | 36,124 |
| Fees & Charges Discontinuing Operations | (17,285) | (14,540) | (16,289) |
| | 14,682 | 14,954 | 19,835 |

There were changes during the year to the amount of the fees and charges detailed in the original budget.

Note 30. Grants, Subsidies & 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 |
| | 61,046 | 14,773 |
| (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 |
| | 61,046 | 14,773 |

Contributed assets of \$49,875k and \$1,424k is included in the 2015 Grants, Subsidies and Contributions figure

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 31. Employee Numbers

| \$ '000 | 2015 Actual | 2014 Actual | 2013 Actual |
|--|----------------|----------------|----------------|
| The number of full-time equivalent employees at balance date | 210 | 219 | 206 |

Note 32. Councillor Remuneration

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 |
| Telecommunications Allowance | 28 | 31 | 31 |
| | 343 | 378 | 357 |

Note 33. Employee Costs

| | | | |
|--|---------------|---------------|---------------|
| Wages and Salaries | 16,054 | 18,847 | 16,558 |
| Employee Leave Entitlements | 747 | 75 | 415 |
| Superannuation | 2,115 | 2,218 | 2,124 |
| Workers' Compensation Insurance | 439 | 434 | 609 |
| Protective Clothing & Uniforms | 145 | 126 | 91 |
| Recruitment Costs | 34 | - | - |
| Training Costs (other than Salaries & Wages) | 437 | 486 | - |
| Members Allowances & Expenses | 790 | - | 8 |
| Fringe Benefits Tax | 252 | 204 | 252 |
| Conferences, Training and Travel | 160 | - | 282 |
| Other | 185 | 1,524 | 266 |
| Total Employee Costs | 21,358 | 23,914 | 20,605 |
| less: Capitalised Costs | - | - | - |
| | 21,358 | 23,914 | 20,605 |
| Employee Costs Discontinuing Operations | (2,610) | (2,412) | (2,598) |
| | 18,748 | 21,502 | 18,007 |

Town of Port Hedland

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

Note 33. Employee Costs (continued)

| \$ '000 | Salary Range | 2015 Actual | 2014 Actual |
|---|-------------------|----------------|----------------|
| 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 | 18 | 14 |
| | 110,000 - 119,999 | 9 | 6 |
| | 120,000 - 129,999 | 3 | 8 |
| | 130,000 - 139,999 | 6 | 6 |
| | 140,000 - 149,999 | 5 | 5 |
| | 150,000 - 159,999 | - | 1 |
| | 160,000 - 169,999 | 1 | 2 |
| | 170,000 - 179,999 | - | - |
| | 180,000 - 189,999 | 1 | 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

\$ '000

(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. There is no new assets or liabilities expected to be realised in association with this major land transaction.

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 land 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 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 land 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.

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. This transaction will be completed in the 2015/16 financial year.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 34. Major Land Transactions (continued)

\$ '000

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 was recognised in 2014/15.

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. This purchase did not proceed in 2014/15 as the State Government is currently reviewing the Lazy Lands residential infill policy.

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 sale 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.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 34. Major Land Transactions (continued)

\$ '000

- 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 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 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 land lease.

The Town estimates that at the completion of subdivision construction works, the Town will recognise an asset estimated to be worth some \$45m. Handover occurred in the 2014/15 financial year and, as such the Town recognised a non cash contribution and corresponding non cash asset acquisition (Real Estate Inventory). The Town now has a number of fully serviced lots within the KSBP, 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

The Town is proposing to enter into a lease agreement 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 was transferred into 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 has been incorporated into the outward year projections. There are no new assets or liabilities expected to be realised in association with with this major land transaction.

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 | | |
| Operating Income | | |
| Port Hedland International Airport - Compass Group Pty Ltd | | |
| Lease Revenue | 1,040 | 1,122 |
| Rates | 1,033 | 748 |
| Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd | | |
| Lease Revenue | 657 | 190 |
| Rates | 304 | 220 |
| Catamore Court | | |
| Nil | | |
| General Practitioner Housing | | |
| Lease Revenue - Pilbara Medical Holdings | 346 | 93 |
| Lease Revenue - Kinetic Health | | |
| JD Hardie Land | | |
| Nil | | |
| Kingsford Smith Business Park | | |
| - BHP Billiton Iron Ore | | |
| Lease Revenue | 3,684 | 4,053 |
| Rates | 240 | 173 |
| - Ausco Modular | | |
| Nil | | |
| - Bunnings | | |
| Nil | | |
| | <u>7,304</u> | <u>6,599</u> |
| Operating Expense | | |
| 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> |
| Total | <u>7,269</u> | <u>6,569</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) | | |
| Capital Income | | |
| 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 | 2,695 | |
| | <u>2,695</u> | <u>1,868</u> |
| Capital Expenditure | | |
| 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 | (1,424) | (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 | | |
| | <u>(51,888)</u> | <u>(1,878)</u> |
| Total | <u>(49,193)</u> | <u>(10)</u> |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 34. Major Land Transactions (continued)

| \$ '000 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Total |
|--|--------------|--------------|--------------|--------------|---------------|
| (c). Expected Future Cash Flows | | | | | |
| Cash Inflows | | | | | |
| Port Hedland International Airport - Compass Group Pty Ltd | | | | | |
| Rates | 1,027 | 1,058 | 1,090 | 1,122 | 4,297 |
| Lease Revenue | 1,072 | 1,099 | 1,126 | 1,154 | 4,451 |
| Port Hedland International Airport - Mia Mia | | | | | |
| Rates | 342 | 352 | 363 | 373 | 1,430 |
| Lease Revenue | 196 | 199 | 204 | 208 | 807 |
| Community Contribution | 487 | 487 | 487 | 487 | 1,948 |
| Catamore Court | | | | | |
| Loan Borrowings | 522 | - | - | - | 522 |
| Land Sales | - | - | - | - | - |
| General Practitioner Housing | | | | | |
| Lease Revenue - Pilbara Medical Holdings | - | - | - | - | - |
| Lease Revenue - Kinetic Health | 353 | 359 | 367 | 376 | 1,455 |
| 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 |
| | 8,138 | 7,817 | 8,028 | 8,243 | 32,226 |

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 |
|--|----------------|--------------|--------------|--------------|----------------|
| (c). Expected Future Cash Flows (continued) | | | | | |
| Cash Outflows | | | | | |
| 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) |
| Net Cash Flows | 6,193 | 7,270 | 7,481 | 7,696 | 28,640 |

Note 35. Trading Undertakings 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 |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 3 | 50,833 | 68,409 | 50,833 | 68,409 |
| Receivables (Current & Non-Current) | 5 | 15,309 | 12,486 | 15,309 | 12,839 |
| Financial Assets at Fair Value through Profit or Loss | 4 | 30,300 | 7,000 | 30,300 | 7,000 |
| | | <u>96,442</u> | <u>87,895</u> | <u>96,442</u> | <u>88,248</u> |
| Financial Liabilities | | | | | |
| Payables (Current & Non-Current) | 9 | 8,588 | 6,456 | 8,588 | 6,456 |
| Borrowings (Current & Non-Current) | 10 | 25,718 | 28,741 | 25,718 | 28,741 |
| | | <u>34,306</u> | <u>35,197</u> | <u>34,306</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 & Cash Equivalents, Financial assets "at Fair Value through the Profit & Loss", "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council's Finance 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 the 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 |
|---|-----------|-----------|
| Impact of a 10% ⁽¹⁾ movement in price of investments | | |
| Equity | 3,030 | 700 |
| Statement of Comprehensive Income ⁽²⁾ | 3,030 | 700 |
| Impact of a 1% ⁽¹⁾ movement in interest rates on cash and investments | | |
| 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)

\$ '000

(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 % |
|---|----------------|----------------|
| Percentage of Rates and Annual Charges | | |
| Current | 0.00% | 0.00% |
| Overdue | 100.00% | 100.00% |
| Percentage of Other Receivables | | |
| 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 & 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 (i.e. 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 |
|-------------|-------------------|-------------------------|-------------------|------------------------------|-----------------|
| 2015 | | | | | |
| Payables | 8,588 | - | - | 8,588 | 8,588 |
| Borrowings | 2,514 | 9,720 | 26,905 | 39,139 | 25,718 |
| | 11,102 | 9,720 | 26,905 | 47,727 | 34,306 |
| 2014 | | | | | |
| Payables | 6,912 | - | - | 6,912 | 6,456 |
| Borrowings | 2,836 | 14,613 | 27,313 | 44,762 | 28,741 |
| | 9,748 | 14,613 | 27,313 | 51,674 | 35,197 |

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.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

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 Value 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 |
|--|------------------------------|
| Brand new or rehabilitated to new | 100% |
| Near new with no visible deterioration | 90% |
| Excellent overall condition early stages of deterioration | 80% |
| Very good overall condition with obvious deterioration evident | 70% |
| Good overall condition, obvious deterioration, serviceability impaired very slightly | 60% |
| Fair overall condition, obvious deterioration, some serviceability loss | 50% |
| Fair to poor overall condition, obvious deterioration, some serviceability loss | 40% |
| Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs | 30% |
| Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal | 20% |
| Extremely poor condition, severe serviceability problems, renewal required immediately | 10% |
| Failed asset, no longer serviceable. Should not remain in service | 0% |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

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' 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 in-house 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 |
|--------|---|
| | Brand new - to be used upon capitalisation of asset |
| | As New - No work required, normal maintenance |
| | Good - Only minor maintenance required |
| | Fair - Maintenance required |
| | Poor - Renewal required, high maintenance |
| | Very Poor - Urgent renewal/upgrading required |
| | Out of Service - Not in Use |

Roads & Bridges

The Roads type 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.

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.

Drainage

The Drainage type 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.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

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 type 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 this type 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 type 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.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

(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 mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Property, Plant & Equipment | | | | | |
| Land | 30/06/14 | - | 93,775 | - | 93,775 |
| Buildings | 30/06/14 | - | 9,163 | 78,778 | 87,940 |
| Plant & Equipment | 30/06/13 | - | 10,578 | - | 10,578 |
| Furniture & Equipment | 30/06/15 | - | 459 | 522 | 981 |
| Work in Progress | 30/06/15 | - | 2,062 | - | 2,062 |
| Total Property, Plant & Equipment | | - | 116,036 | 79,300 | 195,336 |
| Infrastructure | | | | | |
| Roads & Bridges | 30/06/15 | - | - | 161,281 | 161,281 |
| Drainage | 30/06/15 | - | - | 23,224 | 23,224 |
| Footpaths | 30/06/15 | - | - | 19,494 | 19,494 |
| Parks & Ovals | 30/06/15 | - | - | 37,862 | 37,862 |
| Airport | 30/06/15 | - | - | 44,582 | 44,582 |
| Other Infrastructure | 30/06/15 | - | - | 620 | 620 |
| Bus Shelters | 30/06/15 | - | - | 112 | 112 |
| Depot | 30/06/15 | - | - | 839 | 839 |
| Work in Progress | 30/06/15 | - | 8,170 | - | 8,170 |
| Total Infrastructure | | - | 8,170 | 288,014 | 296,183 |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

(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 | 78,778 | Cost Approach (Depreciated Replacement cost) | * Replacement cost * Asset condition * Remaining useful life * Residual Value | * varies significantly from asset to asset * Poor to excellent * 10-60yrs | 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 | 522 | 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 & Bridges | 161,281 | Cost Approach | * RC, condition, RUL, RV | * varies significantly from asset to asset * Poor to excellent * 5-100yrs * 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. |
| Drainage | 23,224 | 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. |
| Footpaths | | 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 | | 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. |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

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

| Class | Fair Value (30/6/15) \$'000 | Valuation Technique/s | Unobservable Inputs | Range of Inputs (incl. probable) | Relationship of unobservable inputs to Fair Value |
|-----------------------------------|-----------------------------------|--------------------------|--------------------------|---|---|
| Infrastructure (continued) | | | | | |
| Parks & Ovals | | 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 | | 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 | | 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 | | 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. |

(3). Highest and best use

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 38. "Held for Sale" Non Current Assets

| \$ '000 | 2015 Current | 2015 Non Current | 2014 Current | 2014 Non Current |
|---|-----------------|---------------------|-----------------|---------------------|
| (i) Non-Current Assets | | | | |
| Non Current Assets "Held for Sale" | | | | |
| Land held for Sale (Inventory) | 1,187 | 16,069 | - | - |
| Total Non Current Assets "Held for Sale" | 1,187 | 16,069 | - | - |
| (ii) Details of Assets | | | | |
| Kingsford Smith Business Park Lots | 17,256 | | | |
| | <u>17,256</u> | | | |

Note 39. Investment Properties

Council has not classified any Land or Buildings as "Investment Properties"

Note 40. Intangible Assets

Council has not classified any assets as "Intangible"

Note 41. Equity - Retained Earnings and Reserves Adjustments

(a). Correction of Error/s relating to a Previous Reporting Period

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

(b). Voluntary Changes in Accounting Policies

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 42. Disposal Group "held for sale" and Discontinuing Operations

\$ '000

(i) Disposal Group "held for sale" and Discontinuing Operations

The Town commenced the final stages for the sale of the Port Hedland international Airport during the year ended 30 June 2015. The Town assessed the proposed sale met the criteria to be recognised as assets held for sale as at 30 June 2015 in accordance with AASB5 'Non-current Assets Held for Sale and Discontinued Operations'.

In August 2015 the Town of Port Hedland Council announced that it had resolved to enter into an agreement with AMP Capital and the Infrastructure Group to enter into a 50-year lease for the land at the Port Hedland International Airport and for the sale of the Airport business. Subsequently, on 16 September 2015, the Port Hedland Council announced that it had signed an Agreement for the Lease and Asset Sale Agreement for the Port Hedland International Airport.

Upon finalisation of the Sale Agreement, Port Hedland will derecognise its airport business, including the airport buildings, plant and equipment, consistent with the sale of these assets.

| \$ '000 | Actual 2015 | Actual 2014 |
|--|----------------------|----------------------|
| (ii) Financial Performance of Discontinuing Operations | | |
| Financial Performance | | |
| Revenues | 19,229 | 18,437 |
| Expenses | (11,355) | (7,795) |
| Net Profit/(Loss) from Discontinuing Operations | <u>7,875</u> | <u>10,642</u> |
| (iii) Cash Flows from Discontinuing Operations | | |
| Net Cash Flows from Operating Activities | 9,677 | 11,973 |
| Net Increase/(Decrease) in Cash Generated by the Operations | <u>9,677</u> | <u>11,973</u> |
| (iv) Net Carrying Value of Disposal Group "held for sale" | | |
| Disposal Group after Balance Sheet Sale date - Port Hedland International Airport | | |
| Building | 9,814 | |
| Plant & Equipment | 2,147 | |
| Furniture | 2,270 | |
| Infrastructure | 44,586 | |
| WIP | 3,361 | |
| Inventories | 51 | |
| | <u>62,229</u> | |
| Leave Accrual | (57) | |
| Total Value of Disposal Group "held for sale" | <u>62,172</u> | |

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 43. Events occurring after the Reporting Period

\$ '000

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

Other than the following, the Council is not aware of any material or significant 'non-adjusting events' that should be disclosed.

The Town commenced the final stages for the sale of the Port Hedland international Airport during the year ended 30 June 2015. The Town assessed the proposed sale met the criteria to be recognised as assets held for sale as at 30 June 2015 in accordance with AASB5 Non-current Assets Held for Sale and Discontinued Operations.

In August 2015 the Town of Port Hedland Council announced that it had resolved to enter into an agreement with AMP Capital and the Infrastructure Group to enter into a 50-year lease for the land at the Port Hedland International Airport and for the sale of the Airport business. Subsequently, on 16 September 2015, the Port Hedland Council announced that it had signed an Agreement for the Lease and Asset Sale Agreement for the Port Hedland International Airport.

The Town has disclosed the sale of the Airport business as discontinuing operations in the Statements of Comprehensive income and reclassified the Airport business assets as held for sale in the Statement of Financial Position. The Town has made no accounting adjustments for the proposed lease of the Airport land.

In exchange for entering the Lease and Sale Agreements, Port Hedland expects to receive \$165 million. In addition, the acquirers will be expected to make capital investments in the airport totalling \$40 million over the terms of the Lease Agreement. Subsequent to the finalisation of Agreements, Port Hedland will continue to recognise its interest in the airport land. However, upon finalisation of the Sale Agreement, Port Hedland will derecognise its airport business, including the airport buildings, plant and equipment, consistent with the sale of these assets.

It is anticipated the lease and sale arrangement for the Port Hedland airport will be finalised in December 2015.

INDEPENDENT AUDITOR'S REPORT
TO THE RATEPAYERS OF THE TOWN OF PORT HEDLAND

Report on the Financial Report

We have audited the financial report of the Town of Port Hedland (the Council), which comprises the statement of financial position as at 30 June 2015 and the statements of comprehensive income, statement of changes in equity, statement of cash flows and rate setting statement for the year ended on that date and a summary of significant accounting policies and other explanatory notes and the statement by the Chief Executive Officer.

Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our audit has been conducted in accordance with Australian Auditing Standards. Those standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Local Government Act 1995* Part 6 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Council's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's opinion on the Financial Report

In our opinion, the financial report of the Town of Port Hedland:

- (i) gives a true and fair view of the financial position of the Town of Port Hedland as at 30 June 2015 and of its financial performance for the year ended on that date;
- (ii) complies with the *Local Government Act 1995* Part 6 and the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (iii) in relation to the Asset Consumption Ratio and Asset Renewal Funding Ratios presented in Note 22, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and reasonable assumptions.

Report on Statutory Compliance

We did not during the course of our audit become aware of any instances where the Council did not comply with the requirements of the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996* as they relate to the financial report.



RSM BIRD CAMERON



D J WALL
Director

Perth, WA
Dated: 19 October 2015