

# Town of Port Hedland

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*"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 2016

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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 23/11/16. 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 2016

*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 2016 are in my opinion properly drawn up to present fairly the financial position of the Town of Port Hedland at 30 June 2016 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 4 day of November 2016



Christopher Linnell

**ACTING CHIEF EXECUTIVE OFFICER**

## Town of Port Hedland

Statement of Comprehensive Income (by Nature or Type)  
for the year ended 30 June 2016

\$ '000	Notes	2016 Actual	2016 Budget	2015 Actual
<b>Revenue</b>				
Rates	24(a)	25,195	25,621	26,374
Operating Grants, Subsidies & Contributions	30	3,028	3,391	5,465
Fees & Charges	29	10,366	19,153	14,682
Interest Earnings	2(a)	4,257	2,210	3,572
Other Revenue	2(a)	6,642	9,834	9,000
		<u>49,488</u>	<u>60,209</u>	<u>59,093</u>
<b>Expenses</b>				
Employee Costs	33	(22,945)	(23,326)	(18,748)
Materials & Contracts		(15,043)	(17,774)	(19,271)
Utilities		(2,611)	(3,128)	(2,391)
Depreciation & Amortisation	2(a)	(12,739)	(14,462)	(11,331)
Interest Expenses	2(a)	(1,379)	(1,481)	(1,599)
Insurance		(1,074)	(1,132)	(934)
Other Expenditure	2(a)	(7,534)	(347)	-
		<u>(63,325)</u>	<u>(61,650)</u>	<u>(54,274)</u>
<b>Operating Result from Continuing Operations</b>		<u>(13,837)</u>	<u>(1,441)</u>	<u>4,819</u>
Non-Operating Grants, Subsidies & Contributions	30	5,627	4,258	55,581
Loss on revaluation of Furniture and Equipment		(206)	-	-
Profit on disposal of assets	21	479	35	2,042
Loss on disposal of assets	21	(1,370)	(67)	(114)
		<u>4,530</u>	<u>4,226</u>	<u>57,509</u>
<b>Discontinued Operations</b>				
Profit on sale of Discontinued Operations	42	33,223	-	-
Net profit from Discontinued Operations	42	2,611	2,001	7,875
<b>Net Result - Surplus (Deficit)</b>		<u>26,527</u>	<u>4,786</u>	<u>70,203</u>
<b>Other Comprehensive Income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(21,862)	-	114,953
Impairment of non-current assets	13	(14,665)	-	-
<b>Total Other Comprehensive Income</b>		<u>(36,527)</u>	<u>-</u>	<u>114,953</u>
<b>Total Comprehensive Income</b>		<u>(10,000)</u>	<u>4,786</u>	<u>185,156</u>

## Town of Port Hedland

Statement of Comprehensive Income (by Program)  
for the year ended 30 June 2016

\$ '000	Notes	2016 Actual	2016 Budget	2015 Actual
<b>Revenue</b>				
Governance		12	4	33
General Purpose Funding		30,385	32,399	33,309
Law, Order, Public Safety		270	263	300
Health		100	72	121
Education & Welfare		908	979	1,139
Housing		231	349	298
Community Amenities		10,271	11,661	13,135
Recreation & Culture		1,675	1,884	1,737
Transport		213	9,944	261
Economic Services		4,946	2,171	7,020
Other Property & Services		477	483	1,740
		<u>49,488</u>	<u>60,209</u>	<u>59,093</u>
<b>Expenses (excl. Finance Costs)</b>				
Governance		(2,343)	(2,642)	(1,186)
General Purpose Funding		(726)	(373)	(1,129)
Law, Order, Public Safety		(1,988)	(2,054)	(2,043)
Health		(928)	(966)	(805)
Education & Welfare		(3,764)	(3,802)	(4,137)
Housing		(1,212)	(1,497)	(1,734)
Community Amenities		(8,898)	(9,689)	(8,091)
Recreation & Culture		(19,412)	(22,033)	(20,203)
Transport		(9,836)	(11,963)	(7,364)
Economic Services		(2,161)	(2,446)	(3,104)
Other Property & Services		(10,678)	(2,704)	(2,807)
		<u>(61,946)</u>	<u>(60,169)</u>	<u>(52,603)</u>
<b>Finance Costs</b>				
Governance		-	-	(59)
Law, Order, Public Safety		(9)	(10)	(10)
Education & Welfare		(70)	(75)	(93)
Housing		(301)	(326)	(371)
Community Amenities		(14)	(16)	(18)
Recreation & Culture		(985)	(1,053)	(1,052)
Transport		-	(1)	(60)
Economic Services		-	-	(8)
		<u>(1,379)</u>	<u>(1,481)</u>	<u>(1,671)</u>
<b>Operating Result from Continuing Operations</b>		<u>(13,837)</u>	<u>(1,441)</u>	<u>4,819</u>

## Town of Port Hedland

Statement of Comprehensive Income (by Program) (continued)  
for the year ended 30 June 2016

\$ '000	Notes	2016 Actual	2016 Budget	2015 Actual
<b>Non-Operating Grants, Subsidies, Contributions</b>				
Law, Order, Public Safety		20	-	-
Education & Welfare		-	-	1,425
Housing		2,463	-	-
Community Amenities		268	380	1,504
Recreation & Culture		417	1,200	1,255
Transport		2,431	2,678	1,511
Economic Services		28	-	49,886
	30	<u>5,627</u>	<u>4,258</u>	<u>55,581</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Community Amenities		-	34	(156)
Recreation & Culture		(715)	-	-
Transport		(646)	(66)	42
Economic Services		470	-	2,042
	21	<u>(891)</u>	<u>(32)</u>	<u>1,928</u>
<b>Loss on Revaluation of Furniture and Equipment</b>				
		(206)	-	-
		<u>(206)</u>	<u>-</u>	<u>-</u>
<b>Discontinued Operations</b>				
Net profit from Discontinued Operations	42	2,611	2,001	7,875
Profit on sale of Discontinued Operations	42	33,223	-	-
<b>Net Result - Surplus (Deficit)</b>		<u>26,527</u>	<u>4,786</u>	<u>70,203</u>
<b>Other Comprehensive Income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(21,862)	-	114,953
Impairment of non-current assets	13	(14,665)	-	-
<b>Total Comprehensive Income</b>		<u>(10,000)</u>	<u>4,786</u>	<u>185,156</u>

## Town of Port Hedland

## Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	2016 Actual	2015 Actual
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	62,818	50,833
Investments	4	181,447	30,300
Trade and Other Receivables	5	8,013	14,165
Inventories	6	940	500
Current assets classified as "held for sale"	38	730	1,187
Disposal Group assets "held for sale"	42	-	62,229
<b>Total Current Assets</b>		<b>253,948</b>	<b>159,214</b>
<b>Non-Current Assets</b>			
Trade and Other Receivables	5	2,601	1,144
Property, Plant and Equipment	7	109,059	195,336
Infrastructure	8	250,546	251,602
Investment Property	39	46,208	-
Non-current assets classified as "held for sale"	38	8,499	16,069
<b>Total Non-Current Assets</b>		<b>416,913</b>	<b>464,151</b>
<b>TOTAL ASSETS</b>	19	<b>670,861</b>	<b>623,365</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	9	7,343	8,588
Borrowings	10	1,171	1,135
Provisions	11	18,209	2,561
Disposal Group liabilities "held for sale"	42	-	57
<b>Total Current Liabilities</b>		<b>26,723</b>	<b>12,341</b>
<b>Non-Current Liabilities</b>			
Trade and Other Payables	9	45,001	-
Borrowings	10	22,650	24,583
Provisions	11	211	166
<b>Total Non-Current Liabilities</b>		<b>67,862</b>	<b>24,749</b>
<b>TOTAL LIABILITIES</b>		<b>94,585</b>	<b>37,090</b>
<b>Net Assets</b>		<b>576,276</b>	<b>586,275</b>
<b>EQUITY</b>			
Retained Surplus		195,271	301,573
Reserves - Cash/Investment Backed	12	239,598	79,486
Reserves - Asset Revaluation	13	141,407	205,216
<b>Total Equity</b>		<b>576,276</b>	<b>586,275</b>

## Town of Port Hedland

Statement of Changes in Equity  
for the year ended 30 June 2016

\$ '000	Notes	Reserves			Total Equity
		Retained Surplus	Cash / Investment Backed	Asset Revaluation Reserve	
Balance as at 1 July 2014		<b>243,724</b>	<b>67,132</b>	<b>90,263</b>	<b>401,119</b>
Net Result		70,203	-	-	<b>70,203</b>
Total OCI / Asset Revaluation	13	-	-	114,953	<b>114,953</b>
Reserve Transfers	12	(12,354)	12,354	-	-
<b>Balance as at 30 June 2015</b>		<b>301,573</b>	<b>79,486</b>	<b>205,216</b>	<b>586,275</b>
Net Result		26,527	-	-	<b>26,527</b>
Transfer due to Discontinued Operations	13	27,282	-	(27,282)	-
Total OCI / Asset Revaluation	13	-	-	(36,527)	<b>(36,527)</b>
Reserve Transfers	12	(160,111)	160,111	-	-
<b>Balance as at 30 June 2016</b>		<b>195,271</b>	<b>239,598</b>	<b>141,407</b>	<b>576,275</b>



## Town of Port Hedland

## Statement of Cash Flows

for the year ended 30 June 2016

\$ '000	Notes	2016 Actual	2016 Budget	2015 Actual
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
Rates		24,551	25,621	26,007
Operating Grants, Subsidies and Contributions		3,028	3,391	4,968
Fees and Charges		16,700	30,997	11,776
Interest Earnings		4,721	2,210	3,572
Goods and Services Tax		1,358	-	4,110
Other Revenue		3,260	9,835	5,755
		<u>53,618</u>	<u>72,054</u>	<u>56,188</u>
<b>Payments:</b>				
Employee Costs		(22,674)	(24,448)	(18,471)
Materials and Contracts		(17,450)	(26,358)	(17,958)
Utilities		(2,611)	(3,682)	(2,128)
Insurance		(1,074)	(1,340)	(820)
Interest		(1,395)	(1,557)	(1,628)
Goods and Services Tax		(1,358)	-	(422)
Other Expenditure		(204)	(1,509)	-
		<u>(46,766)</u>	<u>(58,894)</u>	<u>(41,427)</u>
Cash provided from Discontinued Operations	42	<u>51,280</u>	<u>-</u>	<u>9,677</u>
<b>Net Cash provided (or used in) Operating Activities</b>	14(b)	<u>58,132</u>	<u>13,160</u>	<u>24,438</u>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
Non-Operating Grants, Subsidies and Contributions		3,164	4,258	4,282
Proceeds from Land Held for Resale	21	640	-	-
Proceeds from disposal of assets	21	27	4,985	3,170
Proceeds from Investments	4	30,000	-	7,000
Proceeds on sale of discontinued operations	42	166,869	-	-
<b>Payments:</b>				
Payments for cost to sell of discontinued operations		(5,737)	-	-
Payments for purchase of Property, Plant and Equipment		(2,465)	(9,069)	(9,752)
Payments for construction of Infrastructure		(5,863)	(12,739)	(13,474)
Payment for Work in Progress		(3,622)	(17,042)	-
Payments for Purchase of Investments	4	(181,147)	-	(30,300)
<b>Net Cash provided (or used in) Investing Activities</b>		<u>(44,342)</u>	<u>(29,606)</u>	<u>(39,074)</u>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
Proceeds from Self Supporting Loans	23(a)	92	92	87
Proceeds from New Loans	23(b)	341	5,322	-
<b>Payments:</b>				
Repayment of Debentures	23(a)	(2,238)	(1,156)	(3,027)
<b>Net Cash provided (or used in) Financing Activities</b>		<u>(1,805)</u>	<u>4,258</u>	<u>(2,940)</u>

## Town of Port Hedland

Statement of Cash Flows (continued)  
for the year ended 30 June 2016

\$ '000	Notes	2016 Actual	2016 Budget	2015 Actual
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		11,985	(12,188)	(17,576)
Cash at the beginning of the year	3	50,833	77,662	68,408
<b>Cash &amp; Cash Equivalents - End of the Year</b>	14(a)	<u>62,818</u>	<u>65,474</u>	<u>50,833</u>
Additional Information:				
plus: <b>Investments on hand - end of year</b>	4	181,447	-	30,300
<b>Total Cash, Cash Equivalents &amp; Investments</b>		<u>244,265</u>	<u>65,474</u>	<u>81,133</u>

## Town of Port Hedland

Rate Setting Statement (by Program)  
for the year ended 30 June 2016

\$ '000	Notes	2016 Actual	2016 Budget	2015 Actual
<b>Revenue</b>				
Governance		12	4	33
General Purpose Funding (Excl Rates)		5,190	6,778	6,935
Law, Order, Public Safety		290	263	300
Health		100	72	121
Education and Welfare		908	979	2,564
Housing		2,694	349	298
Community Amenities		10,539	11,696	14,639
Recreation and Culture		2,092	1,884	2,992
Transport		2,644	19,850	1,772
Economic Services		5,444	2,171	58,977
Other Property and Services		477	483	1,740
		<u>30,390</u>	<u>44,529</u>	<u>90,371</u>
<b>Expenses</b>				
Governance		(2,343)	(2,642)	(1,245)
General Purpose Funding		(726)	(373)	(1,129)
Law, Order, Public Safety		(1,997)	(2,064)	(2,053)
Health		(928)	(965)	(805)
Education and Welfare		(3,834)	(3,877)	(4,230)
Housing		(1,513)	(1,824)	(2,105)
Community Amenities		(9,627)	(9,706)	(8,252)
Recreation and Culture		(21,043)	(23,086)	(21,255)
Transport		(9,836)	(19,935)	(7,424)
Economic Services		(2,161)	(2,446)	(3,112)
Other Property and Services		(10,678)	(2,704)	(2,806)
		<u>(64,686)</u>	<u>(69,621)</u>	<u>(54,416)</u>
Profit on sale of Discontinued Operations		33,223	-	-
Net profit from Discontinued Operations		2,611	-	7,875
Loss on revaluation of Furniture and Equipment		(206)	-	-
		<u>1,332</u>	<u>(25,092)</u>	<u>43,829</u>
<b>Net Result Excluding Rates</b>				
<b>Adjustment for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure &amp; Revenue</b>				
Loss/(Profit) on disposal of assets	21	891	31	(1,928)
Profit on sale of Discontinued Operations	42	(33,223)	-	-
Depreciation & amortisation on assets	2(a)	12,739	14,462	13,132
Loss on revaluation of Furniture and Equipment		206	-	-
Write down in fair value of Investment Property		7,330	-	-
Recognition of the portion of Lease Premium Prepaid		(283)	-	-
Movement in Non-Current Deferred Pensioner Rates		(2)	-	(12)
Movement in Non-Current Employee Benefit Provisions		45	-	62
Contributed asset		(2,463)	-	(51,299)
Other Non-Cash - Initial recognition of Land Held for Resale		-	-	1,187
		<u>(14,760)</u>	<u>14,493</u>	<u>(38,858)</u>

## Town of Port Hedland

Rate Setting Statement (by Program) (continued)  
for the year ended 30 June 2016

\$ '000	Notes	2016 Actual	2016 Budget	2015 Actual
<b>Capital Expenditure</b>				
Purchase Land and Buildings	20	(435)	-	(1,004)
Purchase Plant and Equipment	20	(247)	(9,069)	(4,309)
Purchase Furniture and Equipment	20	(638)	-	(459)
Work in Progress	20	(3,622)	(17,042)	(3,980)
Purchase Infrastructure Assets	20	(3,557)	(12,739)	(13,474)
Repayment of Debentures	23(a)	(2,239)	(1,156)	(3,027)
Payments for cost to sell of discontinued operations		(5,737)	-	-
Non-Operating Grants, Subsidies and Contributions		-	4,258	-
<b>Net Capital Expenditure</b>		<b>(16,475)</b>	<b>(35,748)</b>	<b>(26,253)</b>
<b>Capital Revenue</b>				
Proceeds from disposal of assets		167,536	4,984	3,170
Proceeds from New Debentures	23(b)	341	5,322	-
Self-Supporting Loan Principal Income	23(a)	93	92	87
<b>Net Capital Revenue</b>		<b>167,970</b>	<b>10,398</b>	<b>3,257</b>
<b>Transfers</b>				
Transfers to Reserves (Restricted Assets)	12	(169,547)	(6,680)	(19,307)
Transfers from Reserves (Restricted Assets)	12	9,436	16,028	6,953
Transfer (to) / from Unspent Grants		-	-	1,310
Transfer (to) / from Unspent Loans		-	-	808
Transfer (to) / from Restricted Receivables		(2,568)	-	6,135
<b>Net Transfers</b>		<b>(162,679)</b>	<b>9,348</b>	<b>(4,101)</b>
Surplus/(Deficit) July 1 B/Fwd	24(b)	5,066	2,950	817
Surplus/(Deficit) June 30 C/Fwd	24(b)	5,650	1,972	5,066
<b>Amount Raised from Rates</b>	24(a)	<b>(25,195)</b>	<b>(25,621)</b>	<b>(26,375)</b>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

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## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

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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.

##### **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.

##### **Airport Major Works**

The provision for airport major works is expected to be settled within 12 months from the reporting date. The assessment requires a degree of estimation and judgement. The level of provision is assessed by obtaining quotes and history of similar projects.

##### **(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.

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

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

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST.

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

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

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

##### (f) Inventories

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

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

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

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

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

##### (g) Fixed Assets

##### Initial Recognition

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

##### Revaluation

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

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

are charged to the statement of comprehensive income.

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

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

#### Land under Roads

In Western Australia, all land under roads is Crown land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact that *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

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

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

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

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

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

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

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

The assets residual value and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

#### (i) Financial Instruments

##### Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a part to the contractual



## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

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

#### **Classification and Subsequent Measurement**

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

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

Amortised cost is calculated as:

- (a) the amount at 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 2016

#### 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 are 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 use is represented by the asset's written down replacement cost.

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

##### (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 of non operating grants arises when the Town can benefit from funds transferred to it and deny or

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

regulate the access of others to those benefits. Therefore, control arises when the Town can use funds granted or transferred to purchase goods and services or retain those funds for future purchases.

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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

#### **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 with changes in presentation for the current financial year.

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

#### **(w) Budget Comparative Figures**

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

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

##### (x) Investment Property

Investment property, comprising of freehold land, 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

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 and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

Town of Port Hedland has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally Council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of authorisation of the financial report, AASB 9 *Financial Instruments* and AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have a material impact on Council's financial statements.

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council, which means that Council will disclose more information about related parties and transactions with those related parties.

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

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

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, including its investment at fair value. There will be no financial impact on the consolidated financial statements.

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 2018 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.

Other 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.

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.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

- AASB 14 *Regulatory Deferral Accounts*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014-3 *Amendments to Australian Accounting Standards-Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of*

##### *Acceptable Methods of Depreciation and Amortisation*

- AASB 2014-6 *Amendments to Australian Accounting Standards-Agriculture: Bearer Plants*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* [AASB 1, 127 & 128]
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [AASB 10 & AASB 128]
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* [AASB 10, AASB 12 & AASB 128]
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part D)*

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

- AASB 1056 *Superannuation Entities*
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* [AASB 10, AASB 124 & AASB 1049]

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

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

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

- *AASB Financial Instruments (December 2009)*
- *AASB 15 Revenue from Contracts with Customers*
- *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- *AASB 2014-1 Amendments to Australian Accounting Standards (Part E)*
- *AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

##### **Effective for periods commencing 1 January 2019:**

- *AASB 16 Leases*

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 2017.

##### **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.

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

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

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 2. Operating Revenues and Expenses

\$ '000	Notes	2016 Actual	2016 Budget	2015 Actual
<b>(a) Net Result</b>				
The Result includes:				
<b>(i) Charging as an Expense:</b>				
<b>Auditors Remuneration</b>				
- Audit of the Financial Report		52	60	71
- Other Services - Disbursements and Grant Acquittals		48	15	35
		<b>100</b>	<b>75</b>	<b>106</b>
<b>Bad &amp; Doubtful Debts</b>				
Rates	27(b)	3	5	2
General Debtors	27(b)	56	3	88
		<b>59</b>	<b>8</b>	<b>90</b>
<b>Depreciation &amp; Amortisation</b>				
<i>Property, Plant &amp; Equipment</i>				
- Buildings	7(b)	3,338	4,765	3,984
- Furniture and Equipment		312	564	926
- Plant and Equipment		2,024	1,533	2,320
		<b>5,674</b>	<b>6,862</b>	<b>7,230</b>
<i>Infrastructure</i>				
- Roads	8(b)	3,958	-	2,202
- Drainage		308	-	239
- Footpaths		765	-	9
- Parks & Ovals		1,916	-	2,465
- Airports		-	-	843
- Other Infrastructure		75	-	85
- Bus Shelters		10	-	21
- Depot		33	-	38
- Other		-	7,600	-
		<b>7,065</b>	<b>7,600</b>	<b>5,902</b>
		<b>12,739</b>	<b>14,462</b>	<b>13,132</b>
Depreciation Discontinued Operations	42	-	-	(1,801)
		<b>12,739</b>	<b>14,462</b>	<b>11,331</b>
<b>Interest Expenses (Finance Costs)</b>				
Interest Discontinued Operations		(295)	(76)	(72)
Debentures	23(a)	1,674	1,556	1,671
		<b>1,379</b>	<b>1,480</b>	<b>1,599</b>
<b>Other Expenditure</b>				
Loss from Fair Value Adjustment	39	7,330	-	-
Other expenditure		204	347	-
		<b>7,534</b>	<b>347</b>	<b>-</b>



## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual	2016 Budget	2015 Actual
<b>Rental Charges</b>				
- Operating Leases		155	180	183
		<b>155</b>	<b>180</b>	<b>183</b>
<b>(ii) Crediting as Revenue:</b>				
<b>Interest Earnings</b>				
Investments - Reserve Funds		3,776	-	43
Investments - Other Funds		96	1,855	3,093
Other Interest Revenue	28	385	355	436
		<b>4,257</b>	<b>2,210</b>	<b>3,572</b>
<b>Other Revenue</b>				
Rental Income from Other Council Properties		4,245	-	5,929
Other Revenue		2,397	9,834	3,070
		<b>6,642</b>	<b>9,834</b>	<b>8,999</b>

#### (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 2016

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

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\$ '000

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##### (b). Statement of Objectives, Reporting Programs and Nature or Type (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 and Waste Reserves, 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, sanitation and litter collection.

###### **RECREATION AND CULTURE**

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

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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##### (b). Statement of Objectives, Reporting Programs and Nature or Type (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 shire 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: Private works operation, plant repair and operation costs, engineering operation costs, 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 2016

#### 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, rubbish collection fees, rental of property 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 2016

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

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\$ '000

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##### (c) Nature or Type Classifications (continued)

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

Expenditure 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 & 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, levies, member fees and allowances, donations and subsidies made to community groups.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Opening Balance <sup>1</sup> 1-Jul-14	Received <sup>2</sup> 2015	Expended <sup>3</sup> 2015	Closing Balance <sup>1</sup> 30-Jun-15	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance 30-Jun-16
<b>(d). Conditions Over Grants, Subsidies &amp; Contributions</b>							
<b>Grant/Subsidy/Contribution</b>							
<b>General Purpose</b>							
Department of Local Government & Communities - General Purpose Grant	-	-	-	-	549	(549)	-
<b>Law, Order &amp; Public Safety</b>							
Department of Health - Dog Health Programme - 09/10	2	-	-	2	-	(2)	-
Aware Grant - SEMC - Update Emergency Risk Management	12	-	(12)	-	-	-	-
Department of Fire and Emergency Services - State Emergency Service 1516	-	-	-	-	62	(62)	-
Department of Fire and Emergency Services - State Emergency Service 1617	-	-	-	-	11	-	11 '@
Department of Fire and Emergency Services - Fire Mitigation	-	-	-	-	3	(3)	-
WA Police - State Graffiti Fund	-	-	-	-	20	-	20 '@
<b>Health</b>							
Environment Help - Pilbara Regions Aboriginal Health Workshop	4	-	-	4	-	(4)	-
Department of Health - Mosquito Control	16	12	(16)	12	6	(18)	-
Main Roads WA - Roadside Litter Cleanup Campaign	-	-	-	-	20	(1)	19
<b>Education &amp; Welfare</b>							
Atlas - North West Festival 2016 Sponsor	-	-	-	-	18	(18)	-
BHP - North West Festival 2016	-	-	-	-	300	(300)	-
Lotterywest - North West Festival 2015	-	-	-	-	20	(20)	-
Maca Mining - North West Festival 2016 Sponsor	-	-	-	-	23	(23)	-
Roy Hill - North West Festival 2016 Sponsor	-	-	-	-	60	(60)	-
Western Australian Tourism Commission - North West Festival 2015	-	-	-	-	25	(25)	-
Fortescue Metals Group - North West Festival 2015	-	-	-	-	25	(25)	-
Department of Local Government and Communities - North West Skate Fest	-	-	-	-	5	(5)	-
Department of Local Government and Communities - Awesome Art Seed	-	-	-	-	4	-	4 '@
Disability Services Commission - Movie Night for Disability Awareness Week	-	-	-	-	1	(1)	-
Horizon Power - Lights & Decoration Competition Sponsor	-	-	-	-	3	(3)	-
Recfishwest - Fishing Clinics 2016	-	-	-	-	2	-	2 '@
Australian Terminal Operations - Spinifex Spree 2016	-	-	-	-	5	(5)	-
BHP - Australia Day Celebrations 2016	-	-	-	-	17	(17)	-

(continued on next page)

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Opening Balance <sup>1</sup> 1-Jul-14	Received <sup>2</sup> 2015	Expended <sup>3</sup> 2015	Closing Balance <sup>1</sup> 30-Jun-15	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance 30-Jun-16
<b>(d). Conditions Over Grants, Subsidies &amp; Contributions (continued)</b>							
<b>Grant/Subsidy/Contribution (continued)</b>							
<b>Education &amp; Welfare (continued)</b>							
Fortescue Metals Group - Welcome to Hedland 2016	-	-	-	-	3	(3)	-
IBN - Welcome to Hedland 2016 Sponsor	-	-	-	-	5	(5)	-
Lotterywest - Spinifex Spree 2015	-	-	-	-	20	(20)	-
Pirtek - Spinifex Spree 2016 Sponsor	-	-	-	-	2	(2)	-
Pilbara Ports Authority - Australia Day Celebrations 2016	-	-	-	-	30	(30)	-
Rio Tinto - Spinifex Spree 2016 Sponsor	-	-	-	-	3	(3)	-
<b>Housing</b>							
Catamore Court (recognition of contributed asset)	-	-	-	-	2,463	(2,463)	-
<b>Community Amenities</b>							
Country Local Government Funding Round 12/13	758	-	(694)	64	-	(33)	31 '@
Pilbara Development Commission - Wayfinding Signage	9	-	-	9	-	-	9 '@
Department of Planning - South Hedland Tip Relocation	-	-	-	-	211	(211)	-
Department of Planning - Housing Infill Densification Study	-	-	-	-	36	(36)	-
Department of Planning - West End and Port Hedland Town Centre Plan	-	-	-	-	38	(38)	-
Department of Planning - South Hedland East Plan	-	-	-	-	319	(319)	-
Department of Health - Public Open Space at Lot 13	-	-	-	-	268	(268)	-
<b>Recreation &amp; Culture</b>							
Department of Sport and Recreation - SLAM 2016-2018	-	-	-	-	40	-	40 '@
Department of Sport and Recreation - Gratwick Aquatic Centre	-	-	-	-	32	(32)	-
Department of Sport and Recreation - Gratwick Aquatic Centre	-	-	-	-	32	(32)	-
Department of Sport and Recreation - Club Development Officer	-	-	-	-	60	(60)	-
Port Hedland Netball Association - Faye Gladstone Netball Courts	-	-	-	-	87	(87)	-
Childrens Book Council of Australia - Book week	4	-	(4)	-	4	(4)	-
East Pilbara Shire - Regional Library Model	-	-	-	-	5	(5)	-
State Library of Western Australia - Regional Library Model	-	-	-	-	20	(20)	-
Department of Culture and the Arts - Matt Dann Theatre Upgrade	-	-	-	-	266	-	266 '@
Fortescue Metals Group - Wanangkura Stadium	-	-	-	-	375	(375)	-

(continued on next page)

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Opening Balance <sup>1</sup> 1-Jul-14	Received <sup>2</sup> 2015	Expended <sup>3</sup> 2015	Closing Balance <sup>1</sup> 30-Jun-15	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance 30-Jun-16
<b>(d). Conditions Over Grants, Subsidies &amp; Contributions (continued)</b>							
<b>Grant/Subsidy/Contribution (continued)</b>							
<b>Recreation &amp; Culture (continued)</b>							
YMCA - Spin Bike Replacement	-	-	-	-	10	(10)	-
LandCorp - Skate Park/Youth Space	350	-	(350)	-	-	-	-
Government of WA - NPP - Foreshore Master Plan	17	-	-	17	-	(17)	-
Atlas Iron - Trails Master Plan	8	-	-	8	-	-	8
Royalties for Regions - South Hedland Library & Community Centre	292	-	(14)	278	-	(19)	259 '@
Community Contribution - Bicycle Plan	32	-	-	32	-	-	32
Dept of Sport and Rec - CSRFF Grant Master Planning	25	-	-	25	-	(25)	-
Atlas Iron - In term Swimming	22	-	(22)	-	-	-	-
WA Police Service - The Slam	14	-	(14)	-	-	-	-
Garnduwa Amboorny Wirnan - SLAM	12	8	(12)	8	-	(5)	3
Creating Communities - The Slam	10	-	(10)	-	-	-	-
Dept of Corrective Services - The Slam	9	-	(9)	-	3	(3)	-
Atlas Iron "Catch for your thought" music at JD Hardie	6	-	(6)	-	-	-	-
Dept of Sport and Rec - Hedland Junior Basketball Program	5	-	(5)	-	-	-	-
Atlas Iron - "Through our eyes" - Oral history of Aboriginal people of Port Hedland	5	-	(1)	4	-	-	4
FMG - Helping others Community Grant - School Series	5	-	(5)	-	-	-	-
Kidsport Grant	5	6	(8)	3	-	(3)	-
Contributions - Foreshore Rehabilitation	3	29	(15)	17	-	(17)	-
Australian Red Cross - The Slam	2	-	(2)	-	-	-	-
Port Hedland Chamber of Commerce - In Term Swimming Program	1	-	(1)	-	-	-	-
Atlas Iron - Partnership Funds - Mural & Multicultural Banner	-	8	(5)	3	-	(3)	-
Recfishwest Community Grant Scheme	-	2	-	2	-	(2)	-
FMG - The Slam Basketball Program	-	4	-	4	-	(4)	-
Pilbara Development Commission - Youth Space - Art Activation	-	20	-	20	-	(20)	-
<b>Transport</b>							
Blackspot Funding	27	-	(27)	-	-	-	-
Department of Local Government & Communities - Local Road Grant	-	-	-	-	321	(321)	-
Landcorp - Footpath Construction	-	-	-	-	306	(306)	-
Department of Local Government & Communities - Yandeyarra Road	-	-	-	-	50	(13)	37 '@
Main Roads WA - Pinga Street Upgrade	-	-	-	-	1,122	(1,122)	-

(continued on next page)



## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Opening Balance <sup>1</sup> 1-Jul-14	Received <sup>2</sup> 2015	Expended <sup>3</sup> 2015	Closing Balance <sup>1</sup> 30-Jun-15	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance 30-Jun-16
<b>(d). Conditions Over Grants, Subsidies &amp; Contributions (continued)</b>							
<b>Grant/Subsidy/Contribution (continued)</b>							
<b>Transport (continued)</b>							
Main Roads WA - Murdoch Drive/ Captains Way	-	-	-	-	13	(13)	-
Main Roads WA - Direct Grant	-	-	-	-	146	(146)	-
Main Roads WA - Street Lighting	-	-	-	-	28	(28)	-
Main Roads WA - Powell and Wallwork Roads	-	-	-	-	15	(15)	-
Roads to Recovery	536	-	(536)	-	940	(940)	-
Regional Roads Group	410	984	(1,233)	161	-	(161)	-
WALGA - Road Safety Initiatives	-	-	-	-	1	-	1
<b>Economic Services</b>							
City of Karratha - Retail/ Franchise Attraction Strategy	-	-	-	-	20	-	20
Pilbara Development Commission - Retail/ Franchise Attraction Strategy	-	-	-	-	50	(4)	46
Shire of Ashburton - Retail/ Franchise Attraction Strategy	-	-	-	-	10	-	10
Shire of East Pilbara - Retail/ Franchise Attraction Strategy	-	-	-	-	20	-	20
Aspen Parks - North West Economic Summit 2015	-	-	-	-	6	(6)	-
BHP - North West Economic Summit 2015	-	-	-	-	8	(8)	-
Charter Hall - North West Economic Summit 2015	-	-	-	-	8	(8)	-
ESS Support Services - North West Economic Summit 2015	-	-	-	-	3	(3)	-
Hedland First National Real Estate - North West Economic Summit 2015	-	-	-	-	4	(4)	-
Horizon Power - North West Economic Summit 2015	-	-	-	-	5	(5)	-
Market Creations - North West Economic Summit 2015	-	-	-	-	13	(13)	-
Port Hedland Chamber of Commerce - North West Economic Summit 2015	-	-	-	-	18	(18)	-
Regional Development Australia Pilbara - North West Economic Summit 2015	-	-	-	-	3	(3)	-
Roy Hill - North West Economic Summit 2015	-	-	-	-	8	(8)	-
Pilbara Development Commission - Toursim Signage	-	-	-	-	27	-	27 '@
<b>Other Property &amp; Services</b>							
Northern Planning - Studies to Facilitate South Hedland Tip Relocation	12	-	(12)	-	-	-	-
Northern Planning - South Hedland East Planning Scheme Amendment	1	-	(1)	-	-	-	-
BHP Kingsford Smith Business Park Landscaping	-	480	-	480	-	(274)	206
LGIS Member Initiative	-	150	-	150	-	(150)	-
<b>Total Unspent Grants, Subsidies &amp; Contributions</b>	<b>2,614</b>	<b>1,702</b>	<b>(3,012)</b>	<b>1,304</b>	<b>8,656</b>	<b>(8,884)</b>	<b>1,076</b>

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

#### (d). Conditions Over Grants, Subsidies & Contributions (continued)

##### Grant/Subsidy/Contribution (continued)

##### 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.
  - (4) - Grants received but not expected to be fully expended in the next financial year.
  - (5) - Includes Sponsorship funds recognised
- @ - At 30 June 2016 the Town had committed this funding for use in accordance with the funding agreement.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Cash and Cash Equivalents

\$ '000	Notes	2016 Actual	2015 Actual
Cash on Hand - Municipal: Unrestricted		4,667	1,648
Cash at Bank - Reserves (Restricted)		239,598	79,485
Less: Investments (Restricted)	4	(181,447)	(30,300)
<b>Total Cash and Cash Equivalents</b>	14(a)	<b>62,818</b>	<b>50,833</b>

**The following restrictions have been imposed by regulations or other externally imposed requirements:**

Asset Management Reserve - Infrastructure	12	2,171	524
Plant Reserve	12	1,840	837
Airport Reserve	12	15,872	20,874
Unfinished Works and Committed Works Reserve	12	1,657	2,282
Employee Leave Reserve	12	876	876
Developer Contribution Reserve - Car Parking	12	270	270
Waste Management Reserve	12	11,956	10,704
BHP Reserve	12	-	527
Spoilbank Reserve	12	38,372	38,990
Asset Management - Community Facilities Reserve	12	20	10
GP Housing Reserve	12	184	184
Developer Contributions Reserve - Public	12	1,520	1,374
Staff Housing Reserve	12	760	730
Unspent Grants, Loans and Contributions Reserve	12	1,076	1,304
Strategic Reserve	12	587	-
Port Hedland International Airport Lease Proceeds	12	162,437	-
<b>Total Reserves</b>		<b>239,598</b>	<b>79,486</b>
<b>Total Restricted Cash</b>		<b>239,598</b>	<b>79,486</b>

## Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 4. Investments

\$ '000	Notes	2016 Actual	2015 Actual
<b>Financial Assets at Fair Value through Profit and Loss</b>		<u>181,447</u>	<u>30,300</u>
<b>Movements in Financial Assets at Fair Value through Profit and Loss</b>			
<b>At beginning of the year</b>		30,300	7,000
Additions		181,147	30,300
Disposals		<u>(30,000)</u>	<u>(7,000)</u>
<b>At end of the year</b>		<u>181,447</u>	<u>30,300</u>
<b>Total Investments</b>		<u><u>181,447</u></u>	<u><u>30,300</u></u>
<b>Classified as:</b>			
Current		181,447	30,300
Non-Current		-	-
<b>Total Investments</b>		<u><u>181,447</u></u>	<u><u>30,300</u></u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 5. Trade &amp; Other Receivables

\$ '000	2016 Actual	2015 Actual
<b>Current</b>		
Rates	1,083	435
Self Supporting Loan Debtors	90	92
Sundry Debtors	6,387	12,024
Prepayment	203	-
Accrued Income	1,357	1,821
Other	-	26
Provision for Doubtful Debts	(1,107)	(233)
<b>Total Current Trade &amp; Other Receivables</b>	<b>8,013</b>	<b>14,165</b>
<b>Non-Current</b>		
Rates Outstanding - Pensioners	17	19
Self Supporting Loan Debtors	1,035	1,125
Prepayment *	1,549	-
<b>Total Non-Current Trade &amp; Other Receivables</b>	<b>2,601</b>	<b>1,144</b>

\* Prepayment relates to the portion of the transaction costs relating to the land classified as Investment Property as per Note 39. The Prepayment will be written down over the term of the lease.

## Note 6. Inventories

<b>Current</b>		
Depot	934	498
Matt Dann Kiosk	4	2
JD Hardie Centre	2	-
	<b>940</b>	<b>500</b>
Land held for resale - Cost		
- Cost of Acquisition	619	150
- Development Costs	111	1,037
	<b>730</b>	<b>1,187</b>
<b>Total Current Inventories</b>	<b>1,670</b>	<b>1,687</b>
<b>Non-Current</b>		
Land Held for Resale - Cost		
- Cost of Acquisition	1,075	2,037
- Development Costs	7,424	14,032
<b>Total Non-Current Inventories</b>	<b>8,499</b>	<b>16,069</b>

Refer Note 38 for the disclosure for Land Held for Sale.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 7a. Property, Plant and Equipment

\$ '000	Notes	2016 Actual	2015 Actual
Land - Fair Value		24,190	93,775
Less Accumulated Impairment		(8,720)	-
		<u>15,470</u>	<u>93,775</u>
Buildings - Fair Value		89,448	87,940
Additions - Cost		2,898	-
Less Accumulated Depreciation		(6,597)	-
Less Accumulated Impairment		(5,389)	-
		<u>80,360</u>	<u>87,940</u>
Furniture and Equipment - Fair Value		2,525	843
Furniture and Equipment - Fair Value (Reclassification of Assets)		-	138
		<u>2,525</u>	<u>981</u>
Plant and Equipment - Fair Value		8,906	15,045
Plant and Equipment - Fair Value (Reclassification of Assets)		-	(2,147)
Less Accumulated Depreciation		-	(2,320)
		<u>8,906</u>	<u>10,578</u>
Work in Progress - Fair Value		1,798	2,062
		<u>1,798</u>	<u>2,062</u>
<b>Total Property, Plant &amp; Equipment</b>	7(b)	<u><u>109,059</u></u>	<u><u>195,336</u></u>

All property, plant and equipment asset classes are carried at Fair Value and are subject to a policy of regular revaluation, they are also subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136 "Impairment of Assets".

(1) Land - Council Owned		9,700	88,005
		<u>9,700</u>	<u>88,005</u>
Land - Council Controlled (Not owned)		5,770	5,770
		<u>5,770</u>	<u>5,770</u>
	7(b)	<u><u>15,470</u></u>	<u><u>93,775</u></u>

Refer Note 37 for Fair Value Disclosures

## Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2016

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

## Movements in Carrying Amounts

	Notes	Land		Buildings		Furniture and Equipment		Plant and Equipment		Work in Progress		Total
		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	
Balance as at 1 July 2015		93,775	87,940	981	10,578	2,062	195,336					
Additions												
- Renewal	20	-	53	638	247	297	1,235					
- New	20	-	382	-	-	132	514					
- Contributed Asset	20	-	2,463	-	-	-	2,463					
	20	-	2,898	638	247	429	4,212					
Disposals	21	-	(715)	-	(18)	-	(733)					
Revaluation - Increments	13	-	-	-	1,485	-	1,485					
Revaluation - (Decrements through profit and loss)		-	-	(206)	-	-	(206)					
Revaluation - (Decrements)	13	(23,347)	-	-	-	-	(23,347)					
Impairment	13	(9,276)	(5,389)	-	-	-	(14,665)					
Depreciation	2(a)	-	(3,338)	(312)	(2,024)	-	(5,674)					
Reclassifications between Asset Classes		-	-	1,249	(1,596)	-	(347)					
Reclassifications on movement from Work in Progress		-	19	175	234	(234)	194					
Reclassification - Land held for Sale		(603)	-	-	-	-	(603)					
Reclassification - Disposal Group "Held for sale"		-	(1,055)	-	-	(459)	(1,514)					
Reclassification - Investment Property		(45,079)	-	-	-	-	(45,079)					
<b>Property, Plant &amp; Equipment at 30 June 2016</b>		<b>15,470</b>	<b>80,360</b>	<b>2,525</b>	<b>8,906</b>	<b>1,798</b>	<b>109,059</b>					

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 8a. Infrastructure

\$ '000	Notes	2016 Actual	2015 Actual
Roads - Fair Value		188,496	189,390
Additions - Cost		2,480	-
Less Accumulated Depreciation		<u>(31,942)</u>	<u>(28,109)</u>
		159,034	161,281
Drainage - Fair Value		29,900	29,900
Additions - Cost		538	-
Less Accumulated Depreciation		<u>(6,985)</u>	<u>(6,676)</u>
		23,453	23,224
Footpaths - Fair Value		27,925	27,925
Additions - Cost		191	-
Less Accumulated Depreciation		<u>(9,196)</u>	<u>(8,431)</u>
		18,920	19,494
Parks & Ovals - Fair Value		49,783	49,498
Additions - Cost		6,200	-
Less Accumulated Depreciation		<u>(13,542)</u>	<u>(11,636)</u>
		42,441	37,862
Other Infrastructure - Fair Value		1,232	1,232
Additions - Cost		335	-
Less Accumulated Depreciation		<u>(686)</u>	<u>(612)</u>
		881	620
Bus Shelters - Fair Value		152	151
Additions - Cost		-	-
Less Accumulated Depreciation		<u>(50)</u>	<u>(39)</u>
		102	112
Depot - Fair Value		1,016	1,016
Additions - Cost		316	-
Less Accumulated Depreciation		<u>(210)</u>	<u>(177)</u>
		1,122	839
Work in Progress - Cost		<u>4,593</u>	<u>8,170</u>
		4,593	8,170
<b>Total Infrastructure</b>	8(b)	<u><u>250,546</u></u>	<u><u>251,602</u></u>

\* Refer Note 37 for Fair Value Disclosures



## Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 8b. Infrastructure (continued)

## Movements in Carrying Amounts

	Notes	Roads		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	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	
Balance as at 1 July 2015		161,281	23,224	19,494	37,862	-	620	112	839	8,170	251,602									
Additions																				
- Renewal	20	1,746	-	-	255	-	37	-	-	1,445	3,483									
- New	20	482	339	-	438	-	-	-	260	1,748	3,267									
	20	2,228	339	-	693	-	37	-	260	3,193	6,750									
Disposals	21	(655)	-	-	-	-	-	-	-	-	(655)									
Depreciation (Expense)	2(a)	(3,958)	(308)	(765)	(1,916)	-	(75)	(10)	(33)	-	(7,065)									
Reclassifications between Asset Classes		-	-	-	349	-	-	-	-	-	349									
Reclassification - movement of Work in Progress		252	198	191	5,507	-	299	-	56	(6,697)	(194)									
Reclassification - Disposal Group "Held for sale"		(114)	-	-	(54)	-	-	-	-	(73)	(241)									
<b>Infrastructure at 30 June 2016</b>		<b>159,034</b>	<b>23,453</b>	<b>18,920</b>	<b>42,441</b>	<b>-</b>	<b>881</b>	<b>102</b>	<b>1,122</b>	<b>4,593</b>	<b>250,546</b>									

## Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 9. Trade and Other Payables

\$ '000	2016 Actual	2015 Actual
<b>Current</b>		
Sundry Creditors	5,031	6,998
Accrued Interest on Debentures	302	318
Accrued Salaries and Wages	857	407
Income in Advance	229	865
Lease Premium Prepaid	39 (b) 924	-
<b>Total Current Trade and Other Payables</b>	<b><u>7,343</u></b>	<b><u>8,588</u></b>
<b>Non-Current</b>		
Lease Premium Prepaid	39 (b) 45,001	-
<b>Total Non-Current Trade and Other Payables</b>	<b><u>45,001</u></b>	<b><u>-</u></b>

## Note 10. Borrowings

<b>Current</b>		
Secured by Floating Charge		
- Debentures	23(a) 1,171	1,135
<b>Total Current Borrowings</b>	<b><u>1,171</u></b>	<b><u>1,135</u></b>
<b>Non-Current</b>		
Secured by Floating Charge		
- Debentures	23(a) 22,650	24,583
<b>Total Non-Current Borrowings</b>	<b><u>22,650</u></b>	<b><u>24,583</u></b>

Additional detail on borrowings is provided in Note 23.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 11. Provisions

\$ '000	2016 Actual	2015 Actual
<b>Current</b>		
Annual Leave	1,508	1,367
Long Service Leave	561	565
Sick Leave	268	629
Airport Major Works *	15,872	-
<b>Total Current Provisions</b>	<b>18,209</b>	<b>2,561</b>
<b>Non-Current</b>		
Long Service Leave	211	166
<b>Total Non-Current Provisions</b>	<b>211</b>	<b>166</b>

## Movements in Provisions

Class of Provision	2015		2016			
	Opening Balance as at 1/7/15	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/16
Annual Leave	1,367	227	(19)	(67)	-	1,508
Long Service Leave	731	52	-	(11)	-	772
Sick Leave	629	-	-	(11)	(350)	268
<b>TOTAL</b>	<b>2,727</b>	<b>279</b>	<b>(19)</b>	<b>(89)</b>	<b>(350)</b>	<b>2,548</b>

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.

\* The provision of \$15,872 relates to capital projects relating to the Port Hedland International Airport for the Water Infrastructure Works (\$13,269m), Apron Strengthening (\$1,303m), CCTV Access Controls (\$1,2m) and Electrical Upgrade (\$100k). The Capital Works will be completed in the 16/17 Financial Year.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 12. Reserves - Cash/Investment Backed

\$ '000	2016 Actual	2016 Budget	2015 Actual
<b>(a). Asset Management Reserve - Infrastructure</b>			
Opening Balance	524	494	202
Amount Set Aside / Transfer to Reserve	2,912	1,050	338
Amount Used / Transfer from Reserve	(1,265)	(166)	(16)
	<u>2,171</u>	<u>1,378</u>	<u>524</u>
<b>(b). Plant Reserve</b>			
Opening Balance	837	837	-
Amount Set Aside / Transfer to Reserve	1,003	1,248	837
	<u>1,840</u>	<u>2,085</u>	<u>837</u>
<b>(c). Airport Reserve</b>			
Opening Balance	20,874	15,463	16,463
Amount Set Aside / Transfer to Reserve	-	-	4,411
Amount Used / Transfer from Reserve	(5,002)	(8,401)	-
	<u>15,872</u>	<u>7,062</u>	<u>20,874</u>
<b>(d). Unfinished Works and Committed Works Reserve</b>			
Opening Balance	2,282	2,281	982
Amount Set Aside / Transfer to Reserve	513	-	2,282
Amount Used / Transfer from Reserve	(1,138)	(2,281)	(982)
	<u>1,657</u>	<u>-</u>	<u>2,282</u>
<b>(e). Employee Leave Reserve</b>			
Opening Balance	876	876	876
	<u>876</u>	<u>876</u>	<u>876</u>
<b>(f). Developer Contribution Reserve - Car Parking</b>			
Opening Balance	270	367	367
Amount Used / Transfer from Reserve	-	-	(97)
	<u>270</u>	<u>367</u>	<u>270</u>
<b>(g). Waste Management Reserve</b>			
Opening Balance	10,704	9,200	4,750
Amount Set Aside / Transfer to Reserve	1,252	2,971	5,954
	<u>11,956</u>	<u>12,171</u>	<u>10,704</u>
<b>(h). BHP Reserve</b>			
Opening Balance	527	481	3,494
Amount Set Aside / Transfer to Reserve	3	-	241
Amount Used / Transfer from Reserve	(530)	(481)	(3,208)
	<u>-</u>	<u>-</u>	<u>527</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Actual	2016 Budget	2015 Actual
<b>(i). Spoilbank Reserve</b>			
Opening Balance	38,990	39,319	39,608
Amount Used / Transfer from Reserve	(618)	(2,000)	(618)
	<u>38,372</u>	<u>37,319</u>	<u>38,990</u>
<b>(j). Royalties for Regions Reserve</b>			
Opening Balance	-	-	48
Amount Used / Transfer from Reserve	-	-	(48)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>(k). Asset Management - Community Facilities Reserve</b>			
Opening Balance	10	10	-
Amount Set Aside / Transfer to Reserve	10	475	10
	<u>20</u>	<u>485</u>	<u>10</u>
<b>(l). GP Housing Reserve</b>			
Opening Balance	184	185	184
	<u>184</u>	<u>185</u>	<u>184</u>
<b>(m). Developer Contributions Reserve - Public Open Space</b>			
Opening Balance	1,374	1,374	158
Amount Set Aside / Transfer to Reserve	268	-	1,216
Amount Used / Transfer from Reserve	(122)	(1,216)	-
	<u>1,520</u>	<u>158</u>	<u>1,374</u>
<b>(n). Staff Housing Reserve</b>			
Opening Balance	730	730	-
Amount Set Aside / Transfer to Reserve	30	30	730
Amount Used / Transfer from Reserve	-	(250)	-
	<u>760</u>	<u>510</u>	<u>730</u>
<b>(o). Unspent Grants, Loans and Contributions Reserve</b>			
Opening Balance	1,304	1,233	-
Amount Set Aside / Transfer to Reserve	524	-	1,304
Amount Used / Transfer from Reserve	(752)	(1,233)	-
	<u>1,076</u>	<u>-</u>	<u>1,304</u>
<b>(p). Strategic Reserve</b>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	595	906	1,984
Amount Used / Transfer from Reserve	(8)	-	(1,984)
	<u>587</u>	<u>906</u>	<u>-</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Actual	2016 Budget	2015 Actual
<b>(q). Port Hedland International Airport Lease Proceeds Lease Proceeds Reserve</b>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	162,437	-	-
	<u>162,437</u>	<u>-</u>	<u>-</u>
<b>Total Reserves</b>	<u><b>239,598</b></u>	<u><b>63,502</b></u>	<u><b>79,486</b></u>
<b><u>Summary of Reserve Transfers</u></b>			
<b>Transfers to Reserves</b>			
Asset Management Reserve - Infrastructure	2,912	1,050	338
Plant Reserve	1,003	1,248	837
Airport Reserve	-	-	4,411
Unfinished Works and Committed Works Reserve	513	-	2,282
Waste Management Reserve	1,252	2,971	5,954
BHP Reserve	3	-	241
Asset Management - Community Facilities Reserve	10	475	10
Developer Contributions Reserve - Public	268	-	1,216
Staff Housing Reserve	30	30	730
Unspent Grants, Loans and Contributions Reserve	524	-	1,304
Strategic Reserve	595	906	1,984
Port Hedland International Airport Lease Proceeds - Lease Proceeds Reserve	162,437	-	-
<b>Total Transfers to Reserves</b>	<u><b>169,547</b></u>	<u><b>6,680</b></u>	<u><b>19,307</b></u>
<b>Transfers from Reserves</b>			
Asset Management Reserve - Infrastructure	(1,265)	(166)	(16)
Airport Reserve	(5,002)	(8,401)	-
Unfinished Works and Committed Works Reserve	(1,138)	(2,281)	(982)
Developer Contribution Reserve - Car Parking	-	-	(97)
BHP Reserve	(530)	(481)	(3,208)
Spoilbank Reserve	(618)	(2,000)	(618)
Royalties for Regions Reserve	-	-	(48)
Developer Contributions Reserve - Public	(122)	(1,216)	-
Staff Housing Reserve	-	(250)	-
Unspent Grants, Loans and Contributions Reserve	(752)	(1,233)	-
Strategic Reserve	(8)	-	(1,984)
<b>Total Transfers from Reserves</b>	<u><b>(9,436)</b></u>	<u><b>(16,028)</b></u>	<u><b>(6,953)</b></u>
<b>Total Net Transfer to/(from) Reserves</b>	<u><b>160,111</b></u>	<u><b>(9,348)</b></u>	<u><b>12,354</b></u>

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.

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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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 - Infrastructure**

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

##### **Plant Reserve**

- to fund the Plant Replacement Program.

##### **Airport Reserve**

- to fund the future Port Hedland International Airport Capital Works commitments.

##### **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.

##### **Employee Leave Reserve**

- to ensure the adequate funds are available to finance employee leave entitlements such as annual leave, long service leave, sick leave and redundancies.

##### **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, maintenance and capital expenditure for the Council's waste management facilities including the landfill and waste collection operations and any associated repayments of borrowings and employee entitlements.

##### **BHP Reserve**

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

##### **Spoilbank Reserve**

- to fund the Port Hedland Spoilbank development.

##### **Asset Management - 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.

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

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\$ '000

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##### **Developer Contributions Reserve - Public**

- 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, Loans and Contributions Reserve**

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

##### **Strategic Reserve**

- to fund strategic projects (excluding renewal and replacement) as included in the Town's Strategic Community Plan and Corporate Business Plan.

##### **Port Hedland International Airport Lease Proceeds**

- to account for the lease proceeds from the long term lease of the Port Hedland International Airport and disburse funds as per the Wealth Management Framework.



## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 13. Reserves - Asset Revaluation

\$ '000	Notes	2016 Actual	2015 Actual
Asset revaluation reserves have arisen on revaluation of the following classes of assets:			
<b>(a). Land</b>			
Opening Balance		71,926	71,926
Impairment	7(b)	(9,276)	-
Revaluation Decrement	7(b)	(23,347)	-
		<u>39,303</u>	<u>71,926</u>
<b>(b). Buildings</b>			
Opening Balance		18,452	18,337
Impairment	7(b)	(5,389)	-
Revaluation Increment		-	115
Transfer due to Discontinued Operations		(5,375)	-
		<u>7,688</u>	<u>18,452</u>
<b>(c). Furniture and Equipment</b>			
Opening Balance		1,291	-
Revaluation Increment		-	1,291
Transfer due to Discontinued Operations		(1,291)	-
		<u>-</u>	<u>1,291</u>
<b>(d). Plant and Equipment</b>			
Opening Balance		-	-
Revaluation Increment	7(b)	1,485	-
		<u>1,485</u>	<u>-</u>
<b>(e). Infrastructure</b>			
Opening Balance		113,547	-
Revaluation Increment		-	113,547
Transfer due to Discontinued Operations		(20,616)	-
		<u>92,931</u>	<u>113,547</u>
<b>Total Asset Revaluation Reserves</b>		<u>141,407</u>	<u>205,216</u>
Opening Balance		205,216	90,263
Revaluation Increment		1,485	114,953
Revaluation Decrement		(23,347)	-
Impairment		(14,665)	-
Transfer due to Discontinued Operations		(27,282)	-
		<u>141,407</u>	<u>205,216</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual	2016 Budget	2015 Actual
<b>(a). Reconciliation of Cash</b>				
For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:				
Cash and Cash Equivalents	3	<u>62,818</u>	<u>65,474</u>	<u>50,833</u>
<b>(b). Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>				
<b>Net Result</b>		26,527	4,786	70,203
Depreciation		12,739	14,462	13,132
Loss on revaluation on furniture and equipment		206	-	-
Write down in fair value of Investment Property		7,330	-	-
Loss on sale of assets		891	32	(1,928)
Profit on sale of Discontinued Operations		(33,223)	-	-
Recognition of a portion of prepaid lease income		(283)	-	-
Provision for Agreed Capital Works		(15,872)	-	-
Decrease/(Increase) in Receivables		5,278	1,938	(2,831)
Increase/(Decrease) in Provision for Doubtful Debts		874	-	(77)
Decrease/(Increase) in Inventories		(440)	100	(541)
Increase/(Decrease) in Provision		15,872	-	-
Increase/(Decrease) in Payables & Accruals		(2,153)	(3,800)	2,163
Increase/(Decrease) in Accrued Interest Payable		(16)	-	(29)
Increase/(Decrease) in Lease Premium Prepaid		46,208	-	-
Increase/(Decrease) in Employee Leave Entitlements		(179)	(100)	(73)
Non-Operating Grants, Subsidies and Contributions		(3,164)	(4,258)	(4,282)
Contributed Asset		(2,463)	-	(51,299)
<b>Net Cash from Operating Activities</b>		<u>58,132</u>	<u>13,160</u>	<u>24,438</u>
<b>(c). Undrawn Borrowing Facilities Credit Standby Arrangements</b>				
Credit Card Limit		65	100	100
Credit Card Balance at Balance Date		(38)	-	(55)
<b>Total Amount of Credit Unused</b>		<u>27</u>	<u>100</u>	<u>45</u>
<b>Loan Facilities</b>				
Loan Facilities - Current	10	1,171		1,135
Loan Facilities - Non-Current	10	22,650		24,583
<b>Total Facilities in Use at Balance Date</b>		<u>23,821</u>		<u>25,718</u>
<b>Unused Loan Facilities at Balance Date</b>		<u>-</u>		<u>-</u>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Contingent Liabilities

\$ '000

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

##### LIABILITIES NOT RECOGNISED:

###### (i) Bank Guarantee

The Town 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

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

###### (ii) Other Contingent Liabilities

The Town is not aware of any reportable Contingent Liabilities.

#### Note 16. Capital and Leasing Commitments

\$ '000	2016 Actual	2015 Actual
<b>(a). Finance Lease Commitments</b>		
Nil		
<b>(b). Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
<b>Payable:</b>		
- not later than one year	217	416
- later than one year but not later than five years	27	143
- later than five years	-	-
<b>Total Operating Lease Commitments</b>	<b>244</b>	<b>559</b>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 16. Capital and Leasing Commitments (continued)

\$ '000	2016 Actual	2015 Actual
<b>(c). Capital Expenditure Commitments</b>		
<b>Contracted for:</b>		
- capital expenditure projects	1,237	-
- building expenditure projects	157	1,976
- road expenditure projects	280	28
- airport expenditure projects	-	825
- drainage expenditure projects	75	-
- footpaths expenditure projects	54	2
- parks expenditure projects	899	130
- furniture & equipment purchases	49	-
- plant & equipment purchases	96	13
<b>Total Capital Expenditure Commitments</b>	<b>2,846</b>	<b>2,974</b>
<b>Payable:</b>		
- not later than one year	2,846	2,974
- later than one year but not later than five years	-	-
- later than five years	-	-
<b>Total Capital Expenditure Commitments</b>	<b>2,846</b>	<b>2,974</b>

The capital expenditure project outstanding at the end of the current reporting period represents the construction of the new recreation centre.

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

\$ '000

##### (a) Subsidiaries (ie. Entities & Operations controlled by Council)

Council has no interest in any Subsidiaries.

##### (b) Joint Ventures & Associates

Council has no interest in any Joint Ventures or Associates.

##### (c) Joint Operations

Council has no interest in any Joint Operations.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 18. Trust Funds

\$ '000	Balance 1-Jul-15	Amounts Received	Amounts Paid	Balance 30-Jun-16
Keep Australia Beautiful	2	-	-	2
Building Retention	5	-	-	5
Staff Bonds	36	-	(29)	7
Ranger Services	3	4	(5)	2
Community Bank	1	-	-	1
Deposits - Halls	8	-	-	8
Deposits - Trailer/Comma Bus	1	3	(1)	3
Deposits - Sportsgrounds	20	32	(31)	21
POS Reserve	1	-	-	1
BRB Levy	37	72	(51)	58
BCITF Levy	3	81	(75)	9
Unclaimed Money	4	-	-	4
Sundry	1	-	-	1
Garden Competition	5	-	-	5
Nomination Election Bonds	-	1	(1)	-
Building Bonds	22	-	-	22
DAP	10	7	(7)	10
Cyclone George	103	-	-	103
Tech Services Bonds	65	-	(38)	27
Catamore Court Housing Development	1,127	-	(1,127)	-
	<u>1,455</u>	<u>200</u>	<u>(1,365)</u>	<u>290</u>

Black Rock Stakes Donation is not reported above as amount held in trust as at 30 June 2016 is \$178.

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

\$ '000	2016 Actual	2015 Actual
Governance	984	710
General Purpose Funding	311,254	81,157
Law, Order, Public Safety	1,222	1,421
Health	1,187	1,261
Education & Welfare	9,088	10,792
Housing	16,437	26,288
Community Amenities	2,824	4,541
Recreation & Culture	106,906	111,537
Transport	201,602	306,911
Economic Services	682	19,211
Other Property & Services	12,347	10,891
Unallocated	6,328	48,645
	<u>670,861</u>	<u>623,365</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 20. Acquisition of Assets

\$ '000		2016 Actual	2016 Budget
<b>By Program</b>			
<b>Governance</b>			
Land and Buildings		-	4,800
Furniture and Equipment		637	807
<b>Housing</b>			
Land and Buildings		2,898	567
Work in Progress		13	522
<b>Community Amenities</b>			
Other Infrastructure		37	300
Parks and Ovals		333	-
Work in Progress		1,025	650
<b>Recreation &amp; Culture</b>			
Parks and Ovals		156	426
Depot		260	-
Work in Progress		771	1,724
<b>Transport</b>			
Land and Buildings		-	1,556
Furniture and Equipment		-	20
Plant and Equipment		246	1,009
Roads		2,228	1,275
Drainage		339	-
Airport		-	8,305
Footpaths		-	600
Parks and Ovals		134	-
Other Property & Services		-	133
Work in Progress		1,494	13,598
<b>Economic Services</b>			
Parks and Ovals		72	-
Work in Progress		319	-
<b>Other Property &amp; Services</b>			
Land and Buildings		-	10
Other		-	2,000
Work in Progress		-	547
		<b>10,962</b>	<b>38,849</b>
<b>By Class</b>			
<i>Property, Plant &amp; Equipment</i>			
- Buildings	7(b)	2,898	6,933
- Furniture and Equipment		638	826
- Plant and Equipment		247	1,309
		<b>3,783</b>	<b>9,068</b>
<i>- Work in Progress</i>			
Property, Plant & Equipment	7(b)	429	17,042
Infrastructure	8(b)	3,193	-
		<b>3,622</b>	<b>17,042</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 20. Acquisition of Assets (continued)

\$ '000		2016 Actual	2016 Budget
<i>Infrastructure</i>	8(b)		
- Roads		2,228	1,275
- Drainage		339	-
- Footpaths		-	600
- Parks & Ovals		693	426
- Airports		-	8,305
- Other Infrastructure		37	-
- Depot		260	-
- Other		-	2,133
		<u>3,557</u>	<u>12,739</u>

## 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>		170	-	640	-	470	-
<b>By Asset Class</b>							
<i>Property, Plant &amp; Equipment</i>	7(b)						
Buildings		715	-	-	-	(715)	-
Plant and Equipment		18	208	27	176	9	(31)
<i>Infrastructure</i>	8(b)						
Roads		655	-	-	-	(655)	-
<b>By Program</b>							
<i>Property, Plant &amp; Equipment</i>							
Community Amenities		-	25	-	60	-	35
Transport		-	183	-	116	-	(66)
Other		1,558	-	667	-	(891)	-
<b>Total</b>		<u>1,558</u>	<u>208</u>	<u>667</u>	<u>176</u>	<u>(891)</u>	<u>(31)</u>

\$ '000	2016 Actual	2016 Budget	2015 Actual
<b>Summary (Excluding Airport Discontinued Operations)</b>			
Profit on Asset Disposals	479	35	2,042
Loss on Asset Disposals	(1,370)	(66)	(114)
<b>Net Profit/(Loss) on Disposal of Assets</b>	<u>(891)</u>	<u>(31)</u>	<u>1,928</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

Note 22. Financial Ratios <sup>(8)</sup>

\$ '000	Amounts 2016	Indicator 2016	Target	Prior Periods 2015      2014	
<i>Liquidity Ratio</i>					
<b>1. Current Ratio <sup>(1)</sup></b>					
Current Assets less Restricted Current Assets	14,350	<b>1.44 : 1</b>	> 1.00 : 1	6.95	1.05
Current Liabilities less Liabilities Associated with Restricted Assets	9,975				
<i>Debt Ratio</i>					
<b>2. Debt Service Cover Ratio <sup>(2)</sup></b>					
Operating Surplus before Interest and Depreciation Exp	7,328	<b>2.03 : 1</b>	> 2.00 : 1	4.25	6.91
Principal and Interest Repayments	3,618				
<i>Coverage Ratio</i>					
<b>3. Own Source Revenue Coverage Ratio <sup>(3)</sup></b>					
Own Source Operating Revenue	47,757	<b>73.58%</b>	> 40%	105.59%	94.63%
Operating Expense	64,901				
<i>Financial Performance Ratio</i>					
<b>4. Operating Surplus Ratio <sup>(4)</sup></b>					
Operating Revenue less Operating Expense	(7,604)	<b>-15.92%</b>	> 1%	11.75%	9.78%
Own Source Operating Revenue	47,757				
<i>Asset Management Ratios</i>					
<b>5. Asset Consumption Ratio <sup>(5)</sup></b>					
Depreciated Replacement Cost of Depreciable Assets	344,135	<b>74.16%</b>	> 50%	72.54%	84.08%
Current Replacement Cost of Depreciable Assets	464,040				
<b>6. Asset Sustainability Ratio <sup>(6)</sup></b>					
Capital Renewal and Replacement Expenditure	4,718	<b>37.04%</b>	90-110%	99.57%	107.88%
Depreciation Expense	12,739				
<b>7. Asset Renewal Funding Ratio <sup>(7)</sup></b>					
NPV of Planned Capital Renewals over 10 years	78,724	<b>106.78%</b>	75-95%	85.80%	n/a
NPV of Required Capital Expenditure over 10 years	73,725				

## Notes

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

(2) This ratio is the measurement of Council's ability to repay its debt including lease payments and excluding the PHIA provision for projects

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

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

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

(6) 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.

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

The discontinued operations have been excluded from the calculation of the financial ratios



# Town of Port Hedland

## Notes to the Financial Statements for the year ended 30 June 2016

### Note 22. Financial Ratios (continued)

<p><b>1. Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</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> <tr> <td>2016</td> <td>1.44</td> </tr> </tbody> </table>	Year	Ratio : 1	2013	0.80	2014	1.05	2015	6.95	2016	1.44	<p><b>Purpose of Current Ratio</b></p> <p>To assess the liquidity position of the Town that has arisen from past year's transactions.</p>	<p><b>Commentary on Result</b></p> <p><b>2015/16 Ratio 1.44 : 1</b></p> <p>The Department of Local Government and Communities has set a minimum standard of 1. The Town meets the standard meaning that it has sufficient assets that can be quickly converted to cash to meet immediate cash commitments</p>
Year	Ratio : 1											
2013	0.80											
2014	1.05											
2015	6.95											
2016	1.44											
<p><b>2. Debt Service Cover Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</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> <tr> <td>2016</td> <td>2.03</td> </tr> </tbody> </table>	Year	Ratio : 1	2013	5.77	2014	6.91	2015	4.25	2016	2.03	<p><b>Purpose of Debt Service Cover Ratio</b></p> <p>To assess the Town's ability to repay its debt including lease payments.</p>	<p><b>Commentary on Result</b></p> <p><b>2015/16 Ratio 2.03 : 1</b></p> <p>The Department of Local Government and Communities has set a basic standard if the ratio is greater than two and less than five. The Town has achieved a basic standard meaning that the Town has adequate ability to repay its debt obligations. The ratio has declined compared to prior years due to decrease in revenue as a result of the discontinued operations</p>
Year	Ratio : 1											
2013	5.77											
2014	6.91											
2015	4.25											
2016	2.03											
<p><b>3. Own Source Revenue Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>84.70%</td> </tr> <tr> <td>2014</td> <td>94.63%</td> </tr> <tr> <td>2015</td> <td>105.59%</td> </tr> <tr> <td>2016</td> <td>73.58%</td> </tr> </tbody> </table>	Year	Ratio %	2013	84.70%	2014	94.63%	2015	105.59%	2016	73.58%	<p><b>Purpose of Own Source Revenue Coverage Ratio</b></p> <p>To assess Town's ability to cover its costs through its own revenue efforts.</p>	<p><b>Commentary on Result</b></p> <p><b>2015/16 Ratio 73.58%</b></p> <p>The Department of Local Government and Communities has set a basic standard between 40% and 60%, intermediate standard between 60% and 90% and advanced standard greater than 90%. The Town has achieved the intermediate standard meaning the Town can cover all operating expenses from own source revenue, and is not heavily reliant on external funding. The ratio has declined compared to prior years due to decrease in revenue as a result of the discontinued operations</p>
Year	Ratio %											
2013	84.70%											
2014	94.63%											
2015	105.59%											
2016	73.58%											

Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 22. Financial Ratios (continued)

<p><b>4. Operating Surplus Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>3.10%</td> </tr> <tr> <td>2014</td> <td>9.78%</td> </tr> <tr> <td>2015</td> <td>11.75%</td> </tr> <tr> <td>2016</td> <td>-15.92%</td> </tr> </tbody> </table>	Year	Ratio %	2013	3.10%	2014	9.78%	2015	11.75%	2016	-15.92%	<p><b>Purpose of Operating Surplus Ratio</b></p> <p>To assess the Town's ability to cover its operational costs and have revenues available for capital funding or other purposes.</p>	<p><b>Commentary on Result</b></p> <p><b>2015/16 Ratio -15.92%</b></p> <p>The Department of Local Government and communities has set a basic standard between 1% and 15% and an advanced standard greater than 15%. The Town's ratio is below the standard due to the loss from Continuing Operations associated with a decline in revenue streams mainly from PHIA and Transient Worker Accommodation facilities.</p>
Year	Ratio %											
2013	3.10%											
2014	9.78%											
2015	11.75%											
2016	-15.92%											
<p><b>5. Asset Consumption Ratio</b></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> <tr> <td>2016</td> <td>74.16%</td> </tr> </tbody> </table>	Year	Ratio %	2014	84.08%	2015	72.54%	2016	74.16%	<p><b>Purpose of Asset Consumption Ratio</b></p> <p>To assess the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.</p>	<p><b>Commentary on Result</b></p> <p><b>2015/16 Ratio 74.16%</b></p> <p>The Department of Local Government and communities has set a standard of 50%. The ratio seeks to highlight the aged condition of a local governments stock of physical assets. The Town's ratio is relatively healthy as the Town's asset base comprises of many significant new assets that have been constructed over the last ten years.</p>		
Year	Ratio %											
2014	84.08%											
2015	72.54%											
2016	74.16%											
<p><b>6. Asset Sustainability Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>244.00%</td> </tr> <tr> <td>2014</td> <td>107.88%</td> </tr> <tr> <td>2015</td> <td>99.57%</td> </tr> <tr> <td>2016</td> <td>37.04%</td> </tr> </tbody> </table>	Year	Ratio %	2013	244.00%	2014	107.88%	2015	99.57%	2016	37.04%	<p><b>Purpose of Asset Sustainability Ratio</b></p> <p>To indicate whether the Town is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.</p>	<p><b>Commentary on Result</b></p> <p><b>2015/16 Ratio 37.04%</b></p> <p>The Department of Local Government and Communities has set a standard of 90%. The Town has achieved a ratio below the standard as the replacing or renewal of assets is not at the same rate that its overall asset stock is wearing out</p>
Year	Ratio %											
2013	244.00%											
2014	107.88%											
2015	99.57%											
2016	37.04%											
<p><b>7. Asset Renewal Funding Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>85.80%</td> </tr> <tr> <td>2015</td> <td>106.78%</td> </tr> </tbody> </table>	Year	Ratio %	2014	85.80%	2015	106.78%	<p><b>Purpose Asset Renewal Funding Ratio</b></p> <p>To assess the ability of the Town to fund its projected asset renewal / replacements in the future.</p>	<p><b>Commentary on Result</b></p> <p><b>2015/16 Ratio 106.78%</b></p> <p>Whilst further community engagement to ascertain the condition level considered appropriate for each type of asset is yet to be carried out, the notion that assets at a level 3 condition and above are considered acceptable in terms of service level and deemed fit for purpose, has been adopted in the projected renewals.</p>				
Year	Ratio %											
2014	85.80%											
2015	106.78%											

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 23. Information on Borrowings

\$ '000	Borrowing Institution	Interest Rate %	Principal 1-Jul-15	New Loans	Principal Repayments		Principal 30-Jun-16		Interest Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget
<b>(a). Debenture Repayments</b>										
<b>Law, Order, Public Safety</b>										
	WATC	6.36%	151	-	35	35	116	116	9	10
<b>Education &amp; Welfare</b>										
	WATC	4.73%	1,405	-	51	51	1,354	1,354	70	75
<b>Housing</b>										
	WATC	6.75%	1,235	-	55	55	1,180	1,180	87	91
	WATC	6.78%	1,818	-	77	77	1,741	1,741	128	134
	WATC	6.04%	1,147	-	1,147	44	-	-	295	76
<b>Community Amenities</b>										
	WATC	3.67%	407	-	131	131	276	276	14	16
<b>Recreation &amp; Culture</b>										
	WATC	6.48%	377	-	29	29	348	348	25	26
	WATC	6.02%	202	-	14	14	188	188	13	13
	WATC	6.05%	1,367	-	53	53	1,314	1,314	87	91
	WATC	6.05%	732	-	28	28	704	704	46	49
	WATC	5.22%	4,027	-	152	152	3,875	3,875	219	235
	WATC	5.22%	7,094	-	268	268	6,826	6,826	384	413
	WATC	5.21%	485	-	15	15	470	470	26	28
	WATC	4.63%	1,354	-	50	50	1,304	1,304	66	71
	WATC	4.82%	2,343	-	84	84	2,259	2,259	120	127
<b>Economic Services</b>										
	WATC	5.21%	1,570	-	50	50	1,520	1,520	85	91
	WATC	2.59%	-	341	-	20	341	321	-	10
			<b>25,718</b>	<b>341</b>	<b>2,239</b>	<b>1,156</b>	<b>23,820</b>	<b>23,796</b>	<b>1,674</b>	<b>1,556</b>

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 2016

**Note 23. Information on Borrowings (continued)**

\$ '000	Amount Borrowed		Institution	Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual	Budget						Actual	Budget	
<b>(b). New Debentures</b>										
	-	4,800				-		-	-	-
Civic Centre Upgrade	341	522	WATC		10	47	2.59%	(341)	(341)	-
Catamore Court	<b>341</b>	<b>5,322</b>				<b>47</b>		<b>(341)</b>	<b>(341)</b>	<b>-</b>

**(c). Unspent Debentures**

Nil

**(d). Overdraft**

The Town does not have an overdraft facility.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 24(a). Rating Information (2015/16 Financial Year)

\$ '000	Notes	Rate in \$	Number of Properties	Rateable Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue	Budget			Budget Total Revenue
									Rate Revenue	Interim Rate	Back Rate	
<b>Rate Type</b>												
<b>Differential General Rate</b>												
5.6920			5,527	262,895	14,964	59	26	15,049	14,958	400	-	15,358
4.3026			173	21,669	932	(59)	3	876	934	-	-	934
2.8978			372	62,556	1,813	33	(6)	1,840	1,701	-	-	1,701
5.7891			2	9,642	558	1	-	559	558	-	-	558
26.0000			6	12,880	3,349	10	-	3,359	3,349	-	-	3,349
11.4339			10	7,360	842	-	-	842	842	100	-	942
42.3693			61	2,404	1,018	6	1	1,025	1,018	-	-	1,018
36.1702			51	523	189	(146)	(6)	37	189	-	-	189
36.9834			152	167	62	2	-	64	65	9	-	74
10.8292			11	1,334	145	1	71	217	135	-	-	135
18.8800			14	1,511	285	(25)	-	260	284	-	-	284
			<b>6,379</b>	<b>382,942</b>	<b>24,157</b>	<b>(119)</b>	<b>89</b>	<b>24,127</b>	<b>24,033</b>	<b>509</b>	<b>-</b>	<b>24,542</b>
<b>Minimum Rates</b>												
1,260			729	9,125	919	-	-	919	925	-	-	925
1,260			62	797	78	-	-	78	81	-	-	81
1,260			41	940	52	-	-	52	52	-	-	52
1,260			44	58	55	-	-	55	55	-	-	55
1,100			49	66	54	-	-	54	54	-	-	54
260			39	19	10	-	-	10	7	-	-	7
1,260			10	4	13	-	-	13	13	-	-	13
			<b>974</b>	<b>11,009</b>	<b>1,181</b>	<b>-</b>	<b>-</b>	<b>1,181</b>	<b>1,186</b>	<b>-</b>	<b>-</b>	<b>1,186</b>
									25,308			
									(113)			
									<b>25,195</b>			
<b>Concessions</b>												
									(108)			
									<b>25,621</b>			

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Carried Fwd Actual	2015 Brought Fwd Actual
<b>Current Assets</b>			
Cash - Unrestricted	3	4,667	1,648
Cash - Restricted Reserves	3	239,598	79,486
Rates	5	1,083	435
Sundry Debtors	5	6,387	12,024
Prepayments	5	203	26
Inventories			
- Depot	6	934	498
- Matt Dann & JD Hardie	6	6	2
Provisions for Doubtful Debts		(1,107)	(233)
Land held for Resale		730	1,187
Accrued Income		1,357	1,821
Self Supporting Loan Debtors		90	92
		<b>253,948</b>	<b>96,986</b>
<b>Current Liabilities</b>			
Sundry Creditors	9	5,031	6,998
Accrued Interest on Debentures	9	302	318
Accrued Salaries and Wages	9	857	407
Current Employee Benefits Provision	11	2,337	2,570
Lease Premium Prepaid	11	924	-
Current Loan Liability	10	1,171	1,135
Income in Advance	10	229	865
Airport Major Works	11	15,872	-
		<b>26,723</b>	<b>12,293</b>
		<b>227,225</b>	<b>84,693</b>
<b>Net Current Assets</b>			
<b>Less:</b>			
Reserves - Restricted Cash	3	(239,598)	(79,485)
Self Supporting Loan Debtors		(90)	(92)
Land Held for Resale		(730)	(1,187)
<b>Add Back:</b>			
Current Loan Liability		1,171	1,135
Lease Premium Prepaid		924	-
Cash Backed Employee Provisions	12	876	-
Airport Major Works		15,872	-
<b>Surplus/(Deficit)</b>		<b>5,650</b>	<b>5,066</b>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 25. Specified Area Rate (2015/16 Financial Year)

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\$ '000

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The Town of Port Hedland has not imposed Specified Area Rates

#### Note 26. Service Charges (2015/16 Financial Year)

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The Town partnered with Horizon Power and the State Government through Royalties for Regions to install underground power to the residents within the Town, specifically South Hedland and Wedgefield. The Town 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 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 Town of borrowing the funds to support payments by instalment.

#### Note 27. Discounts, Incentives, Concessions & Write-offs (2015/16 Financial Year)

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##### (a) Discounts

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Discounts, Incentives, Concessions & Write-offs (2015/16 Financial Year)

\$ '000	Notes	Total Cost / Value	Budget Cost / Value
<b>(b). Write-Offs</b>			
Rate Assessment	2(a)	3	5
General Debtors	2(a)	56	3
		<u>59</u>	<u>3</u>

#### (c). Waivers

The Town provided waivers during the 2015/16 financial year adding up to \$1,609.

#### (d). Concessions

The Town 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	3	3
A115030	2 THOMPSON STREET, PORT HEDLAND	4	4
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	1	1
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	1	1
A156260	118 MADIGAN ROAD, PIPPINGARRA	22	22
A300057	33 STYLES ROAD, PORT HEDLAND	1	1
A400610	10 SMITH STREET, SOUTH HEDLAND	2	2
A402430	LOT 2513 DEMPSTER STREET, PORT HEDLAND	1	1

(continued on next page)



## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Discounts, Incentives, Concessions &amp; Write-offs (2015/16 Financial Year)

\$ '000	Notes	Total Cost / Value	Budget Cost / Value
<b>(d). Concessions (continued)</b>			
A406870	69 STANLEY STREET, SOUTH HEDLAND	2	2
A802155	L254 SHOATA ROAD, BOODARIE	40	44
A802207	L304 LAWSON STREET, SOUTH HEDLAND	1	1
A803051	48P WHARF ROAD, PORT HEDLAND	-	-
A805022	LS2 29 JOHNSON LANE, PORT HEDLAND	1	1
A122640	21 FINLAY STREET, PORT HEDLAND	1	1
A123020	159 ATHOL STREET, PORT HEDLAND	2	2
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
	PENSIONER RUBBISH BIN CONCESSIONS	4	-
	2(a)	<u>113</u>	<u>113</u>

## Note 28. Interest Charges and Instalments (2015/16 Financial Year)

\$ '000	Interest Rate %	Admin. Charge	Actual Revenue	Budgeted Revenue
Interest on Unpaid Rates	11.00%		177	150
Interest on Instalments Plan	5.50%		111	130
Charges on Instalment Plan		14.00	97	75
			<u>385</u>	<u>355</u>

Three 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 29 September 2015 or 35 days after the date of servicing appearing on the rate notice whichever is later.

**Option 2 - 4 Instalments:**

First instalment to be received on or before 29 September 2015 including all arrears and part of the current rates and service charges. Second instalment due on or before 4 December 2015, third instalment due on or before 12 February 2016 and the fourth instalment due on or before 15 April 2016.

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 \$14 each for the three subsequent instalment notices.

**Option 3 - Payment by Arrangement:**

This option allows ratepayers to request an alternative payment arrangement, where payments are deducted via Direct Debit on a weekly, fortnightly or monthly basis. All requests for alternative payment arrangements are subject to approval by the Manager Financial Services under delegated authority. Where rates and charges including arrears are to be paid in full by 30 June 2016, no administration charge or late payment interest penalty will apply. Where rate and charges including arrears are not to be paid in full by 30 June 2016, an administration charge of \$60.00 will apply for the establishment of the alternative arrangement for each financial year that rates remain outstanding plus penalty interest of 11%. Where direct debit payments are dishonoured, a fee of \$20 will be applied for each and every instance.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 29. Fees &amp; Charges

\$ '000	2016 Actual	2016 Budget	2015 Actual
Governance	1	-	1
General Purpose Funding	60	417	47
Law, Order, Public Safety	162	166	226
Health	73	64	78
Education and Welfare	1	2	2
Community Amenities	9,117	11,015	6,061
Recreation and Culture	655	724	2,730
Transport	10,453	16,097	17,285
Economic Services	276	574	5,505
Other Property and Services	-	-	32
	<u>20,798</u>	<u>29,059</u>	<u>31,967</u>
Fees & Charges Discontinuing Operations	(10,432)	(9,906)	(17,285)
	<u>10,366</u>	<u>19,153</u>	<u>14,682</u>

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

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

\$ '000	2016 Actual	2015 Actual
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:		
<b>(a). By Nature &amp; Type</b>		
Operating Grants, Subsidies and Contributions	3,028	5,465
Non-Operating Grants, Subsidies and Contributions	5,627	55,581
	<u>8,655</u>	<u>61,046</u>
<b>(b). By Program</b>		
General Purpose Funding	870	2,439
Law, Order, Public Safety	96	71
Health	26	1,437
Education & Welfare	570	-
Housing	2,463	-
Community Amenities	871	318
Recreation & Culture	934	2,341
Transport	2,622	3,337
Economic Services	203	50,950
Other Property & Services	-	155
	<u>8,655</u>	<u>61,046</u>

Contributed assets of \$2,463k was included in the 2016 Grants, Subsidies and Contributions figure.

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 31. Employee Numbers

\$ '000	2016 Actual	2015 Actual	2014 Actual
The number of full-time equivalent employees at balance date	206	210	219

#### Note 32. Councillor Remuneration

\$ '000	2016 Actual	2016 Budget	2015 Actual
The following fees, expenses and allowances were paid to Elected Members and the Mayor.			
Meeting Fees	275	286	221
Mayor's Allowance	88	88	75
Deputy Mayor's Allowance	22	22	19
Travelling Expenses	49	90	-
Telecommunications Allowance	29	31	28
	<b>463</b>	<b>517</b>	<b>343</b>

#### Note 33. Employee Costs

\$ '000	2016 Actual	2016 Budget	2015 Actual
Wages and Salaries	19,139	15,552	16,054
Employee Leave Entitlements	1,014	519	747
Superannuation	2,071	2,261	2,115
Workers' Compensation Insurance	641	445	439
Protective Clothing & Uniforms	63	70	145
Recruitment Costs	42	45	34
Training Costs (other than Salaries & Wages)	492	585	437
Fringe Benefits Tax	194	164	252
Conferences, Training and Travel	106	120	160
Other	595	4,787	975
	<b>24,357</b>	<b>24,548</b>	<b>21,358</b>
Employee Costs Discontinuing Operations	(1,412)	(1,222)	(2,610)
	<b>22,945</b>	<b>23,326</b>	<b>18,748</b>

## Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 33. Employee Costs (continued)

\$ '000	Salary Range	2016 Actual	2015 Actual
<b>Employee Remuneration</b>			
Set out below, in bands of \$10,000 is the number of employees entitled to an annual salary of 100,000 or more.			
<b>Details</b>			
LG Administration Regulations 19 B	100,000 - 109,999	14	18
	110,000 - 119,999	9	9
	120,000 - 129,999	8	3
	130,000 - 139,999	3	6
	140,000 - 149,999	3	5
	150,000 - 159,999	2	-
	160,000 - 169,999	2	1
	170,000 - 179,999	1	-
	180,000 - 189,999	-	1
	190,000 - 199,999	1	-
	210,000 - 219,999	1	-
	330,000 - 339,999	1	1
	<b>TOTAL</b>	<b>45</b>	<b>44</b>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 34. Major Land Transactions

From time to time, the Town enters in to major land transactions with third parties or on its own. Set out below is a summary of major land transactions previously entered into by the Town, with financial implications relating to the 2016/17 financial year and beyond, together with new major land transactions anticipated to be entered into, that may have financial implications for the 2016/17 financial year and beyond.

For the purpose of future year estimates, 1.0% CPI increase has been assumed for expenditure and 3% for Lease revenue in line with the low inflationary economic environment. Loan repayments are as per individual loan payment schedules.

#### Kingsford Smith Business Park

##### (a). Details

Kingsford Smith Business Park (KSBP) is an area of land between Wallwork Road and the Port Hedland International Airport.

In June 2012, the Town entered into a private treaty arrangement with BHP Billiton Iron Ore (BHPB) to facilitate the subdivision of a portion of an area of land previously known as Precinct 3, now formally known as Kingsford Smith Business Park. Under the arrangement, BHPB constructed a 40 lot subdivision, 38 lots of which to be retained by the Town. Lot 34 of the development has been sold to BHPB, with the intention that they 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 BHPB. The term of the lease is 10 years. In accordance with the terms of the lease, it was proposed that BHPB would utilise the land for the purposes of non-residential workforce accommodation, up to 4,000 beds.

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 has been allocated by the Town to the Strategic Reserve to fund projects from the Strategic Community Plan and the Corporate Business Plan. 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.

\$ '000	2017 Budget	2016 Actual
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##### (b). Current Year Transactions

#### Operating Revenue

Profit on Sale	210	470
	<b>210</b>	<b>470</b>

#### Operating Expense

Advertising, Promotion and Marketing	(30)	-
Legal Costs	(25)	(109)
Valuation, Survey and Search Fees	(14)	-
	<b>(69)</b>	<b>(109)</b>

#### Total

	<b>141</b>	<b>361</b>
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## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 34. Major Land Transactions (continued)

\$ '000	2017 Budget	2016 Actual
<b>Capital Revenue</b>		
Sale Proceeds	460	640
<b>Capital Expenditure</b>		
Landscaping	(206)	-
<b>Total</b>	<b>254</b>	<b>640</b>

\$ '000	2016/17	2017/18	2018/19	2019/20	2020/21	Total
<b>(c). Expected Future Cash Flows</b>						
<b>Cash Inflows</b>						
Land Sales	460	460	460	460	460	2,300
	<b>460</b>	<b>460</b>	<b>460</b>	<b>460</b>	<b>460</b>	<b>2,300</b>
<b>Cash Outflows</b>						
Landscaping	(206)	-	-	-	-	(206)
Advertising, Promotion and Marketing	(30)	(30)	(31)	(31)	(31)	(153)
Legal Costs	(25)	(25)	(26)	(26)	(26)	(128)
Valuation, Survey and Search Fees	(14)	(14)	(15)	(15)	(15)	(73)
	<b>(275)</b>	<b>(69)</b>	<b>(72)</b>	<b>(72)</b>	<b>(72)</b>	<b>(560)</b>
<b>Net Cash Flows</b>	<b>185</b>	<b>391</b>	<b>388</b>	<b>388</b>	<b>388</b>	<b>1,740</b>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 34. Major Land Transactions (continued)

\$ '000

##### Catamore Court

###### (a). Details

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 an 8 unit group dwelling that have been retained by the Town for staff housing. Construction of housing was 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.

It is anticipated that the Town will also take possession of two further lots in the 2016/17 financial year, which will be held as land held for resale, associated with the completion of the transaction.

\$ '000	2017 Budget	2016 Actual
<b>(b). Current Year Transactions</b>		
<b>Operating Income</b>		
Nil		
<b>Operating Expense</b>		
Interest Expenses	(87)	(109)
	<u>(87)</u>	<u>(109)</u>
<b>Total</b>	<u>(87)</u>	<u>(109)</u>
<b>Capital Income</b>		
Land Sales contribution	150	-
Non- Cash contribution	2,463	-
<b>Capital Expenditure</b>		
Development Costs	(150)	(341)
Contributed Assets	(2,463)	
Acquisition of Housing	-	(1,127)
Loan Repayments	(83)	(50)
<b>Total</b>	<u>(83)</u>	<u>(1,518)</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 34. Major Land Transactions (continued)

\$ '000	2016/17	2017/18	2018/19	2019/20	2020/21	Total
<b>(c). Expected Future Cash Flows</b>						
<b>Cash Inflows</b>						
Land Sales	150	-	-	-	-	150
	<b>150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150</b>
<b>Cash Outflows</b>						
Interest on Borrowings	(87)	(83)	(80)	(76)	(72)	(398)
Repayment of Borrowings	(83)	(87)	(90)	(94)	(98)	(452)
Development Cost	(150)	-	-	-	-	(150)
	<b>(320)</b>	<b>(170)</b>	<b>(170)</b>	<b>(170)</b>	<b>(170)</b>	<b>(1,000)</b>
<b>Net Cash Flows</b>	<b>(170)</b>	<b>(170)</b>	<b>(170)</b>	<b>(170)</b>	<b>(170)</b>	<b>(850)</b>

**General Practitioner Housing****(a). Details**

During 2010/11, the Town undertook a General Practitioner (GP) housing project in conjunction with BHP Billiton and the 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 accommodating 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 and three to Sonic Health Plus on a lease term of three years. For the purposes of cash flow projections, the Town has assumed that a lease of some form, albeit with potentially amended parties and terms, will be entered into at the end of the current lease.

In October 2013, the Town endorsed the Business Case for Stage 2 of the GP Housing Project. The proposal would see the construction of a further 3 houses within the subdivision, to be fully funded and managed by BHP Billiton Iron Ore. The development was completed in December 2014 and the assets gifted to the Town. A non cash contribution and corresponding non cash asset acquisition was incorporated in the 14/15 Budget.

An Expressions of Interest process was completed in November 2014, allocating an additional house to OSH Group, one house to Wirraka Maya Health Service and one house to Port Hedland Family Practice. At the time of disposal of each of these leases, all ten agreements were brought in line with fresh lease terms of 3 years with one option to extend for a further 3 years.



## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 34. Major Land Transactions (continued)

\$ '000	2017 Budget	2016 Actual
<b>(b). Current Year Transactions</b>		
<b>Operating Income</b>		
Lease Revenue	360	307
Utilities Reimbursement	60	15
	<b>420</b>	<b>322</b>
<b>Operating Expense</b>		
Materials and Contracts	(20)	(13)
Utilities	(60)	(31)
Depreciation	(118)	(118)
Insurance	(17)	(26)
Interest on Loans	(63)	(70)
Administration Allocation	(16)	(44)
	<b>(294)</b>	<b>(302)</b>
<b>Total</b>	<b>126</b>	<b>20</b>
<b>Capital Expenditure</b>		
Repayment of Borrowings	(53)	(51)
<b>Total</b>	<b>(53)</b>	<b>(51)</b>

\$ '000	2016/17	2017/18	2018/19	2019/20	2020/21	Total
<b>(c). Expected Future Cash Flows</b>						
<b>Cash Inflows</b>						
Lease Revenue	360	367	374	382	389	1,872
Utilities Reimbursement	60	60	60	60	60	300
	<b>420</b>	<b>427</b>	<b>434</b>	<b>442</b>	<b>449</b>	<b>2,172</b>
<b>Cash Outflows</b>						
Materials and Contracts	(20)	(20)	(20)	(20)	(20)	(100)
Utilities	(60)	(60)	(60)	(60)	(60)	(300)
Depreciation	(118)	(118)	(118)	(118)	(118)	(590)
Insurance	(17)	(17)	(17)	(17)	(17)	(85)
Interest on Loans	(63)	(61)	(58)	(55)	(52)	(289)
Administration Allocation	(16)	(16)	(16)	(16)	(16)	(80)
Repayment of Borrowings	(53)	(56)	(59)	(61)	(64)	(293)
	<b>(347)</b>	<b>(348)</b>	<b>(348)</b>	<b>(347)</b>	<b>(347)</b>	<b>(1,737)</b>
<b>Net Cash Flows</b>	<b>73</b>	<b>79</b>	<b>86</b>	<b>95</b>	<b>102</b>	<b>435</b>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 35. Trading and Major Trading Undertakings

\$ '000

No trading or major trading activities were undertaken in 2015/16.

#### Note 36. Financial Risk Management

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

The Town'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 Town.

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

Financial risk management is carried out by the Town's Financial Services Department under policies approved by the Council.

The Town held the following financial instruments at balance date.

	Notes	Carrying Value		Fair Value	
		2016	2015	2016	2015
<b>Financial Assets</b>					
Cash and Cash Equivalents	3	62,818	50,833	62,818	50,833
Receivables (Current & Non-Current)	5	10,614	15,309	10,614	15,309
Financial Assets at Fair Value through Profit or Loss	4	181,447	30,300	181,447	30,300
		<u>254,879</u>	<u>96,442</u>	<u>254,879</u>	<u>96,442</u>
<b>Financial Liabilities</b>					
Payables (Current & Non-Current)		6,419	8,588	6,419	8,588
Borrowings (Current & Non-Current)	10	23,821	25,718	28,402	25,718
		<u>30,240</u>	<u>34,306</u>	<u>34,821</u>	<u>34,306</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 far 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 2016

#### 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.

The Town's Financial Services Department manages the Cash & Investments portfolio.

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

Cash & Investments are subject to interest rate risk - the risk that movements in interest rates could affect returns and income. However this risk has been mitigated through the use of fixed interest term deposits.

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.

The Town 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.

The Town also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

	30-Jun-16	30-Jun-15
<b>Impact of a 10% <sup>(1)</sup> movement in price of investments</b>		
Equity	18,145	3,030
Statement of Comprehensive Income <sup>(2)</sup>	18,145	3,030
<b>Impact of a 1% <sup>(1)</sup> movement in interest rates on cash and investments</b>		
Equity	628	508
Statement of Comprehensive Income	628	508

#### Notes:

- 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.)
- Maximum impact.

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 36. Financial Risk Management (continued)

\$ '000

##### (b). Receivables

The Town'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 the Town may not be repaid.

The Town 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 the Town to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. The Town 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.

The Town 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-16 %	30-Jun-15 %
<b>Percentage of Rates and Annual Charges</b>		
Current	0.00%	0.00%
Overdue	100.00%	100.00%
<b>Percentage of Other Receivables</b>		
Current	35.00%	46.00%
Overdue	65.00%	54.00%

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 36. Financial Risk Management (continued)

\$ '000

## (c). Payables &amp; Borrowings

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

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

Payment terms can be extended & restricted cash reserves can be drawn upon in extenuating circumstances.

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

\$ '000	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying Values
<b>2016</b>					
Payables	6,419	-	-	6,419	6,419
Borrowings	2,380	9,080	23,510	34,970	23,821
	<b>8,799</b>	<b>9,080</b>	<b>23,510</b>	<b>41,389</b>	<b>30,240</b>
<b>2015</b>					
Payables	8,588	-	-	8,588	8,588
Borrowings	2,514	9,720	26,905	39,139	25,718
	<b>11,102</b>	<b>9,720</b>	<b>26,905</b>	<b>47,727</b>	<b>34,306</b>

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. The Town manages this risk by borrowing long term and fixing the interest rate on a basis that is most suitable for the circumstance. The Town 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 The Town's Borrowings at balance date:

	30-Jun-16		30-Jun-15	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank Loans - Fixed	5.38%	23,821	5.44%	25,718
		<u>23,821</u>		<u>25,718</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 2016

#### 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 2016 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 2016

#### 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 Values have been measured by the Market Approach by Direct Comparison, an accepted valuation methodology under AASB13. Level 2 valuation inputs were utilised, being sales transactions of other properties within the region, and adjusted for differences between key attributes of the properties. The main input is the price per square metre or price per hectare of land area. The Market Approach is deemed a Level 2 input.

##### Valuation Process - Buildings

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

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

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

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

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 2016

#### 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.

During the 2015/16 year the Port Hedland housing market witnessed a decline in the market value of residential and commercial properties. As such an indexation report was sought from a professional valuation firm to indicate whether an impairment to the towns residential based properties was required. A subsequent indexation of -40% to -54% to Freehold Land and Buildings assets was determined and recognised as an impairment loss. The total impairment to freehold land was \$9,276m and associated buildings \$5,389m.

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

#### Roads & 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.



## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 37. Fair Value Measurements (continued)

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\$ '000

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##### **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.

##### **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.

##### **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 \$5,000. All assets were validated and reviewed for remaining useful life. Both the cost approach and market value was used by a professional valuation firm. This asset class has been revalued 30 June 2016 using Level 3 inputs.

## Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 37. Fair Value Measurements (continued)

\$ '000

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

2016	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	
<b>Property, Plant &amp; Equipment</b>					
Land	30/06/14	-	15,471	-	15,471
Buildings	30/06/14	-	8,033	72,327	80,360
Plant & Equipment	30/06/16	-	8,906	-	8,906
Furniture & Equipment	30/06/16	-	-	2,525	2,525
<b>Total Property, Plant &amp; Equipment</b>		<b>-</b>	<b>32,410</b>	<b>74,852</b>	<b>107,262</b>
<b>Infrastructure</b>					
Roads & Bridges	30/06/15	-	-	159,034	159,034
Drainage	30/06/15	-	-	23,453	23,453
Footpaths	30/06/15	-	-	18,920	18,920
Parks & Ovals	30/06/15	-	-	42,441	42,441
Other Infrastructure	30/06/15	-	-	881	881
Bus Shelters	30/06/15	-	-	102	102
Depot	30/06/15	-	-	1,122	1,122
<b>Total Infrastructure</b>		<b>-</b>	<b>-</b>	<b>245,953</b>	<b>245,951</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 37. Fair Value Measurements (continued)

\$ '000

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

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	
<b>Property, Plant &amp; Equipment</b>					
Land	30/06/14	-	93,775	-	93,775
Buildings	30/06/14	-	9,163	78,778	87,941
Plant & Equipment	30/06/16	-	10,578	-	10,578
Furniture & Equipment	30/06/16	-	459	522	981
<b>Total Property, Plant &amp; Equipment</b>		<b>-</b>	<b>113,975</b>	<b>79,300</b>	<b>193,275</b>
<b>Infrastructure</b>					
Roads & Bridges	30/06/15	-	-	161,281	161,281
Drainage	30/06/15	-	-	23,224	23,224
Footpaths	30/06/15	-	-	19,484	19,484
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
<b>Total Infrastructure</b>		<b>-</b>	<b>-</b>	<b>288,004</b>	<b>288,003</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 37. Fair Value Measurements (continued)

\$ '000

**(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies**

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

Council's policy for determining transfers between Fair Value hierarchies is at the end of the reporting period.

**(3). Fair value measurements using significant unobservable inputs (Level 3)****Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.**

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

Class	Fair Value (30/6/16) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
<b>PP&amp;E</b>					
Buildings	80,360	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	2,525	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.
<b>Infrastructure</b>					
Roads & Bridges	159,034	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	23,453	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.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 37. Fair Value Measurements (continued)

\$ '000

## (3). Fair value measurements using significant unobservable inputs (Level 3) (continued)

Footpaths	18,920	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.
Parks & Ovals	42,441	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	881	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	102	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	1,122	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.

## (4). Highest and best use

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

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016		2015	
	Current	Non Current	Current	Non Current
<b>(i) Non-Current Assets &amp; Disposal Group Assets</b>				
<b>Non Current Assets "Held for Sale"</b>				
Land held for Sale (Inventory)	730	8,499	1,187	16,069
<b>Total Non Current Assets "Held for Sale"</b>	<b>730</b>	<b>8,499</b>	<b>1,187</b>	<b>16,069</b>
<b>Total Non-Current Assets Classified as "Held for Sale"</b>	<b>730</b>	<b>8,499</b>	<b>1,187</b>	<b>16,069</b>
<b>(ii) Details of Assets</b>				
Kingsford Smith Business Park Lots	9,229		17,256	

\$ '000	Assets "Held for Sale"	
	2016	2015
<b>(iii) Reconciliation of Non Current Assets "Held for Sale" &amp; Disposal Groups - i.e. Discontinued Operations</b>		
<b>Opening Balance</b>	17,256	-
<b>less: Carrying Value of Assets/Operations Sold</b>	(170)	(652)
<b>Balance still unsold after 12 months:</b>	<b>17,086</b>	<b>(652)</b>
<b>plus New Transfers in:</b>		
- Assets "Held for Sale"	602	17,908
<b>less: Carrying Value of Assets/Operations Sold that were re-classified this reporting period</b>	(8,459)	-
<b>Closing Balance of "Held for Sale"</b>	<b>9,229</b>	<b>17,256</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 39. Investment Properties

\$ '000	Actual 2016	Actual 2015
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## (a) Land at Fair Value - Port Hedland International Airport

Land - Airport	46,208	-
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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.

The sale was finalised on 11 March 2016, and the Port Hedland International Airport operations transferred to the new airport operator. On this date, the Town of Port Hedland recognised the land at Port Hedland International as an Investment Property.

**Valuation of Investment Property**

The Investment Property is valued per the fair value method at the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition, or based on the continuation of its use, regardless of whether that represents the highest and best use of the asset.

The most recent revaluation of the Investment Property was determined by AssetVal when valuating the land for disposal purposes.

**Reconciliation of Annual Movement:**

Opening Balance		-	-
- Net Gain/(Loss) from Fair Value Adjustments		(7,330)	-
- Transfers from/(to) Inventories	6	8,459	-
- Transfers from/(to) Owner Occupied	7(b)	45,079	-
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b>46,208</b>	<b>-</b>

\$ '000	Extend	Title Area (m2)	Lease Plan Area (m2)
<b>Description of Investment Property</b>			
Lot 9004 on Deposited Plan 404823	Whole	1,506,084	1,506,084
Lot 435 on Deposited Plan 404824	Whole	600,000	600,000
Lot 436 on Deposited Plan 402661	Whole	99,966	99,966
Lot 437 on Deposited Plan 404824	Whole	33,349	33,349
Lot 438 on Deposited Plan 404824	Whole	33,405	33,405
Lot 439 on Deposited Plan 404824	Whole	33,349	33,349
Lot 16 on Deposited Plan 163352	Whole	34,398	34,398
Lot 15 on Deposited Plan 161311	Whole	106,988	106,988
Lot 29 on Deposited Plan 168193	Whole	105,091	105,091
Part of Lot 9006 on Deposited Plan 404824	Whole	329,316	302,831
Part of Lot 9007 on Deposited Plan 404824	Part	2,472,149	2,458,909
Part of Lot 9008 on Deposited Plan 404824	Part	3,104,307	2,864,578
<b>Total</b>		<b>8,458,402</b>	<b>8,178,948</b>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 39. Investment Properties (continued)

\$ '000	Actual 2016	Actual 2015
<b>(b) Amounts Recognised in Income Statement for Investment Properties</b>		
Property Rental	283	-
<p>The Investment Property is leased out as an operating lease over 50 years. The lease was paid upfront for the use of the Investment Property. The Rental income amount of \$283,210 for the period 11 March 2016 to 30 June 2016, is included in the revenue.</p>		
Lease Premium Prepaid received	46,208	-
Amount recognised	(283)	-
	<u>45,925</u>	<u>-</u>
Lease Premium Prepaid - Current Liabilities	924	-
Lease Premium Prepaid - Non-Current Liabilities	45,001	-
<b>Total</b>	<u>45,925</u>	<u>-</u>

#### 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 2016

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

\$ '000	Actual 2016	Actual 2015
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##### (a) Disposal Group "held for sale" and Discontinuing 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.

The sale was finalised on 11 March 2016, and the Port Hedland International Airport operations transferred to the new airport operator. On this date, the Town of Port Hedland derecognised the airport business, including the airport buildings and plant and equipment, consistent with the sale of these assets.

##### Breakdown of Airport Lease and Discontinued Operations

Total Transaction Value	205,000	-
Less: Capital Works (Over 5 years)	(40,000)	-
Total Transaction Value Prior to any Base Point Adjustment on Transition Day	165,000	-
Base Point Adjustment on Transition Day	1,740	-
Unusable Asset Returned	(8)	-
Adjusted Transaction Value	166,732	-
Other Operational Cost Recoup	137	-
<b>Total Cash Received</b>	<b>166,869</b>	<b>-</b>

##### Apportionment of Funds Received:

Airport business, infrastructure and buildings	117,729	-
Lease of Port Hedland International Airport land classified as Investment Property	46,208	-
Asset Sale Agreement	2,730	-
Interest earned on trust account	65	-
Operating income and expenditure	137	-
	<b>166,869</b>	<b>-</b>

An Upside Agreement was signed, ensuring an additional \$10,000,000 over the next 50 years based on growing Passenger numbers. This is billable yearly in arrears when passenger growth exceed the baseline passenger number

##### (b) Financial Performance of Discontinued Operations

###### Financial Performance - Actual Operational Expenses

Revenues	11,581	19,229
Expenses	(8,970)	(11,355)
<b>Net Profit from Discontinued Operations</b>	<b>2,611</b>	<b>7,875</b>

##### (c) Cash Flows from Discontinued Operations

Net Cash Flows from Actual Operating Activities	51,280	9,677
<b>Net Increase/(Decrease) in Cash Generated by the Operations</b>	<b>51,280</b>	<b>9,677</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 42. Disposal Group "held for sale" and Discontinuing Operations (continued)

\$ '000	Actual 2016	Actual 2015
<b>(d) Net Carrying Value of Discontinued Operations and Disposal Group "held for sale"</b>		
<b>Disposal Group</b>		
<b>Port Hedland International Airport</b>		
Buildings	15,074	9,814
Plant and Equipment	2,374	2,147
Furniture and Equipment	2,546	2,270
Infrastructure	47,200	44,586
Work in Progress	-	3,361
Inventories	51	51
Rental Equipment	6	-
	<u>67,251</u>	<u>62,229</u>
Leave Accrual	-	(57)
<b>Total Value of Discontinued Operations</b>	<u><u>67,251</u></u>	<u><u>62,172</u></u>
<b>(e) Profit on sale of Discontinued Operation</b>		
Proceed for Discontinued Operation	117,729	-
Proceed per Asset Sales Agreement	2,730	-
	<u>120,459</u>	<u>-</u>
Total carrying value of Discountinued Operations	(67,251)	-
Airport Major Works	(15,872)	-
Cost to sell (Transaction cost)	(4,113)	-
	<u>(87,236)</u>	<u>-</u>
<b>Profit on sale of Discontinued Operations</b>	<u><u>33,223</u></u>	<u><u>-</u></u>

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2016

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

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Events that occur between the end of the reporting period (ending 30 June 2016) 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 2016.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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



**RSM Australia Pty Ltd**

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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE RATEPAYERS OF**

### **TOWN OF PORT HEDLAND**

#### **Report on the financial report**

We have audited the financial report of Town of Port Hedland, which comprises the statement of financial position as at 30 June 2016 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, the 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.

#### **THE POWER OF BEING UNDERSTOOD**

#### **AUDIT | TAX | CONSULTING**

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

Liability limited by a scheme approved under Professional Standards Legislation

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, the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of Town of Port Hedland'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 Town of Port Hedland:

- (i) Gives a true and fair view of the financial position of Town of Port Hedland as at 30 June 2016 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 Supplementary Ratio Information presented in the financial report, 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 Town of Port Hedland 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 AUSTRALIA PTY LTD



D J WALL  
Director

Perth, WA  
Dated: 4 November 2016



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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE RATEPAYERS OF**

### **TOWN OF PORT HEDLAND**

#### **Report on the financial report**

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#### **Chief Executive Officer's responsibility for the financial report**

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#### **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.

#### **THE POWER OF BEING UNDERSTOOD**

#### **AUDIT | TAX | CONSULTING**

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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, the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of Town of Port Hedland'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.

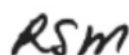
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- (ii) Complies with the *Local Government Act 1995* Part 6 and the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (iii) In relation to the Supplementary Ratio Information presented in the financial report, 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 Town of Port Hedland 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 AUSTRALIA PTY LTD



Perth, WA  
Dated: 4 November 2016

D J WALL  
Director