

# Town of Port Hedland

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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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 2014

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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 09/10/14.  
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 2014

*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 2014 are in my opinion properly drawn up to present fairly the financial position of the Town of Port Hedland at 30 June 2014 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 9th day of October 2014



Mal Osborne

**CHIEF EXECUTIVE OFFICER**

## Town of Port Hedland

Statement of Comprehensive Income (by Nature or Type)  
for the year ended 30 June 2014

\$ '000	Notes	2014 Actual	2014 Budget	2013 Actual
<b>Revenue</b>				
Rates	24(a)	22,522	22,558	18,858
Operating Grants, Subsidies & Contributions	30	10,234	9,304	6,074
Fees & Charges	29	36,124	35,593	31,943
Interest Earnings	2(a)	3,297	2,355	2,792
Other Revenue		4,193	1,060	12,191
		<u>76,370</u>	<u>70,870</u>	<u>71,858</u>
<b>Expenses</b>				
Employee Costs	33	(20,605)	(25,711)	(22,552)
Materials & Contracts		(25,512)	(20,980)	(16,517)
Utilities		(3,572)	(5,216)	(3,153)
Depreciation	2(a)	(11,172)	(11,091)	(9,740)
Interest Expenses	2(a)	(1,491)	(1,662)	(1,252)
Insurance		(1,309)	(1,228)	(1,217)
Other Expenditure		(6,048)	(1,778)	(14,828)
		<u>(69,709)</u>	<u>(67,666)</u>	<u>(69,259)</u>
<b>Operating Result from Continuing Operations</b>		<u>6,661</u>	<u>3,204</u>	<u>2,599</u>
Non-Operating Grants, Subsidies & Contributions	30	4,539	29,684	57,569
Profit on Asset Disposals	21	97	17	49
Loss on Asset Disposal	21	(280)	(358)	(156)
		<u>4,356</u>	<u>29,343</u>	<u>57,462</u>
<b>Net Result - Surplus (Deficit)</b>		<u>11,017</u>	<u>32,547</u>	<u>60,061</u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	13	89,410	-	(635)
<b>Total Other Comprehensive Income</b>		<u>89,410</u>	<u>-</u>	<u>(635)</u>
<b>Total Comprehensive Income</b>		<u>100,427</u>	<u>32,547</u>	<u>59,426</u>

## Town of Port Hedland

Statement of Comprehensive Income (by Program)  
for the year ended 30 June 2014

\$ '000	Notes	2014 Actual	2014 Budget	2013 Actual
<b>Revenue</b>				
Governance		48	57	103
General Purpose Funding		29,809	27,810	24,391
Law, Order, Public Safety		307	238	252
Health		158	82	81
Education & Welfare		414	409	108
Housing		309	351	259
Community Amenities		14,648	10,941	21,833
Recreation & Culture		3,405	5,266	3,403
Transport		19,087	17,750	17,731
Economic Services		7,163	7,408	3,063
Other Property & Services		1,023	557	633
		<u>76,371</u>	<u>70,869</u>	<u>71,857</u>
<b>Expenses</b>				
Governance		(1,931)	(1,269)	(2,149)
General Purpose Funding		(589)	(432)	(555)
Law, Order, Public Safety		(1,808)	(1,781)	(3,404)
Health		(709)	(756)	(750)
Education & Welfare		(1,364)	(2,103)	(1,394)
Housing		(3,043)	(2,815)	(1,118)
Community Amenities		(10,197)	(9,621)	(19,858)
Recreation & Culture		(26,577)	(25,565)	(20,629)
Transport		(16,618)	(18,977)	(15,042)
Economic Services		(3,303)	(3,798)	(1,985)
Other Property & Services		(2,080)	1,093	(1,122)
		<u>(68,219)</u>	<u>(66,024)</u>	<u>(68,006)</u>
<b>Finance Costs</b>				
	2(a)			
Governance		(2)	(125)	-
Law, Order, Public Safety		(13)	(13)	(14)
Education & Welfare		(15)	(16)	(31)
Housing		(261)	(260)	(255)
Community Amenities		(93)	(95)	-
Recreation & Culture		(1,026)	(1,033)	(872)
Transport		(78)	(96)	(76)
Economic Services		(3)	-	(4)
Other Property & Services		-	(3)	-
		<u>(1,491)</u>	<u>(1,641)</u>	<u>(1,252)</u>
<b>Non-Operating Grants, Subsidies, Contributions</b>				
Recreation & Culture		1,982	2,271	2,242
Transport		2,557	27,413	21,575
Economic Services		-	-	33,752
	30	<u>4,539</u>	<u>29,684</u>	<u>57,569</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Housing		(110)	-	-
Community Amenities		(122)	(263)	-
Transport		49	(78)	(107)
	21	<u>(183)</u>	<u>(341)</u>	<u>(107)</u>
<b>Net Result</b>				
		<u>11,017</u>	<u>32,547</u>	<u>60,061</u>
Changes on revaluation of non-current assets	13	89,410	-	(635)
<b>Total Comprehensive Income</b>		<u>100,427</u>	<u>32,547</u>	<u>59,426</u>

This statement should be read in conjunction with the accompanying notes.

## Town of Port Hedland

## Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	2014 Actual	2013 Actual
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	68,409	76,243
Investments	4	7,000	-
Trade and Other Receivables	5	11,262	32,216
Inventories	6	10	12
<b>Total Current Assets</b>		<b>86,681</b>	<b>108,471</b>
<b>Non-Current Assets</b>			
Trade and Other Receivables	5	1,224	823
Property, Plant and Equipment	7	187,636	101,201
Infrastructure	8	163,633	131,142
<b>Total Non-Current Assets</b>		<b>352,493</b>	<b>233,166</b>
<b>TOTAL ASSETS</b>	19	<b>439,174</b>	<b>341,637</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	9	6,456	11,837
Borrowings	10	1,278	1,305
Provisions	11	2,632	2,289
<b>Total Current Liabilities</b>		<b>10,366</b>	<b>15,431</b>
<b>Non-Current Liabilities</b>			
Borrowings	10	27,463	25,359
Provisions	11	225	154
<b>Total Non-Current Liabilities</b>		<b>27,688</b>	<b>25,513</b>
<b>TOTAL LIABILITIES</b>		<b>38,054</b>	<b>40,944</b>
<b>Net Assets</b>		<b>401,120</b>	<b>300,693</b>
<b>EQUITY</b>			
Retained Surplus		243,725	225,281
Reserves - Cash/Investment Backed	12	67,132	74,559
Reserves - Asset Revaluation	13	90,263	853
<b>Total Equity</b>		<b>401,120</b>	<b>300,693</b>

## Town of Port Hedland

Statement of Changes in Equity  
for the year ended 30 June 2014

\$ '000	Notes	Retained Surplus	Reserves Cash / Investment Backed	Asset Revaluation Reserve	Total Equity
Balance as at 1 July 2012		202,881	37,533	853	241,267
Changes in Accounting Policy	41	-	-	-	-
<b>Restated Balance</b>		<b>202,881</b>	<b>37,533</b>	<b>853</b>	<b>241,267</b>
Net Result		60,061	-	-	60,061
Total OCI / Asset Revaluation		(635)	-	-	(635)
Reserve Transfers	12	(37,026)	37,026	-	-
<b>Balance as at 30 June 2013</b>		<b>225,281</b>	<b>74,559</b>	<b>853</b>	<b>300,693</b>
Net Result		11,017	-	-	11,017
Total OCI / Asset Revaluation	13	-	-	89,410	89,410
Reserve Transfers	12	7,427	(7,427)	-	-
<b>Balance as at 30 June 2014</b>		<b>243,725</b>	<b>67,132</b>	<b>90,263</b>	<b>401,120</b>

## Town of Port Hedland

## Statement of Cash Flows

for the year ended 30 June 2014

\$ '000	Notes	2014 Actual	2014 Budget	2013 Actual
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
Rates		22,866	21,881	18,504
Operating Grants, Subsidies and Contributions		9,304	8,373	6,074
Fees and Charges		32,840	32,627	39,256
Interest Earnings		3,297	2,355	2,791
Goods and Services Tax		4,596	-	5,837
Other Revenue		3,812	1,039	12,193
		<u>76,714</u>	<u>66,275</u>	<u>84,655</u>
<b>Payments:</b>				
Employee Costs		(20,191)	(25,628)	(21,619)
Materials and Contracts		(9,852)	(16,784)	(58,235)
Utilities		(3,247)	(4,955)	(3,153)
Insurance		(1,190)	(1,228)	(1,217)
Interest		(1,491)	(1,662)	(1,229)
Goods and Services Tax		(1,391)	-	(8,268)
Other Expenditure		(5,498)	(1,828)	(11,198)
		<u>(42,860)</u>	<u>(52,085)</u>	<u>(104,919)</u>
<b>Net Cash provided (or used in) Operating Activities</b>	14(b)	<u>33,854</u>	<u>14,190</u>	<u>(20,265)</u>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
Non-Operating Grants, Subsidies and Contributions	30	4,539	29,684	37,648
Proceeds from Sale of Assets	21	819	466	354
<b>Payments:</b>				
Payments for Purchase of Property, Plant & Equipment	20	(7,715)	(29,037)	(16,982)
Payments for Construction of Infrastructure	20	(33,976)	(33,111)	(6,786)
Advances to Community Groups		(500)	-	-
Payments for Purchase of Investments		(7,000)	-	-
		<u>(43,833)</u>	<u>(31,998)</u>	<u>14,234</u>
<b>Net Cash provided (or used in) Investing Activities</b>		<u>(43,833)</u>	<u>(31,998)</u>	<u>14,234</u>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
Proceeds from Self Supporting Loans		68	197	64
Proceeds from New Debentures	23(b)	3,382	8,174	6,100
<b>Payments:</b>				
Repayment of Debentures	23(a)	(1,305)	(1,426)	(1,009)
<b>Net Cash provided (or used in) Investing Activities</b>		<u>2,145</u>	<u>6,945</u>	<u>5,155</u>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<u>(7,834)</u>	<u>(10,863)</u>	<u>(876)</u>
Cash at the beginning of the year	3	76,243	89,341	77,119
<b>Cash &amp; Cash Equivalents - End of the Year</b>	14(a)	<u>68,409</u>	<u>78,478</u>	<u>76,243</u>
Additional Information:				
plus: <b>Investments on hand - end of year</b>	4	7,000	-	-
<b>Total Cash, Cash Equivalents &amp; Investments</b>		<u>75,409</u>	<u>78,478</u>	<u>76,243</u>

This statement should be read in conjunction with the accompanying notes.

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## Town of Port Hedland

Rate Setting Statement (by Program)  
for the year ended 30 June 2014

\$ '000	Notes	2014 Actual	2014 Budget	2013 Actual
<b>Revenue</b>				
Governance		48	57	103
General Purpose Funding (Excl Rates)		7,287	5,252	5,534
Law, Order, Public Safety		307	238	252
Health		158	82	82
Education and Welfare		414	409	108
Housing		309	351	259
Community Amenities		14,648	10,946	21,833
Recreation and Culture		5,386	7,536	5,645
Transport		21,740	45,175	39,355
Economic Services		7,163	7,408	36,815
Other Property and Services		1,023	557	633
		<u>58,483</u>	<u>78,011</u>	<u>110,619</u>
<b>Expenses</b>				
Governance		(1,934)	(1,394)	(2,149)
General Purpose Funding		(589)	(432)	(555)
Law, Order, Public Safety		(1,821)	(1,794)	(3,419)
Health		(709)	(756)	(750)
Education and Welfare		(1,378)	(2,119)	(1,425)
Housing		(3,414)	(3,075)	(1,373)
Community Amenities		(10,414)	(9,983)	(19,858)
Recreation and Culture		(27,602)	(26,598)	(21,501)
Transport		(16,742)	(19,164)	(15,909)
Economic Services		(3,306)	(3,801)	(1,989)
Other Property and Services		(2,080)	1,093	(1,122)
		<u>(69,989)</u>	<u>(68,023)</u>	<u>(70,050)</u>
<b>Net Result Excluding Rates</b>				
		<u>(11,506)</u>	<u>9,988</u>	<u>40,569</u>
<b>Adjustment for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure &amp; Revenue</b>				
(Profit)/Loss on Asset Disposal	21	183	341	107
Movement in Non-Current Deferred Pensioner Rates		13	-	-
Movement in Other Non Current Assets / Liabilities		-	-	50
Movement in Non-Current Employee Benefit Provisions		71	-	(36)
Loss in Revaluation Surplus		-	-	635
Depreciation on Assets	2(a)	11,172	11,091	9,740
<b>Net Non-Cash Expenditure &amp; Revenue</b>		<u>11,439</u>	<u>11,432</u>	<u>10,496</u>
<b>Capital Expenditure</b>				
Purchase Land and Buildings	20	(2,552)	(24,994)	(11,634)
Purchase Infrastructure Assets		(33,976)	(41,389)	(6,786)
Purchase Plant and Equipment	20	(3,808)	(5,552)	(3,179)
Purchase Furniture and Equipment	20	(410)	(20)	(2,169)
Work in Progress	20	(945)	-	-
Advances to Community Groups		(500)	-	-
Repayment of Debentures	23(a)	(1,305)	(1,426)	(982)
<b>Net Capital Expenditure</b>		<u>(43,496)</u>	<u>(73,381)</u>	<u>(24,750)</u>
<b>Capital Revenue</b>				
Proceeds from Disposal of Assets	21	819	466	354
Proceeds from New Debentures	23(b)	3,382	8,175	6,100
Self-Supporting Loan Principal Income	23(a)	68	197	64
<b>Net Capital Revenue</b>		<u>4,269</u>	<u>8,838</u>	<u>6,518</u>

## Town of Port Hedland

Rate Setting Statement (by Program) (continued)  
for the year ended 30 June 2014

\$ '000	Notes	2014 Actual	2014 Budget	2013 Actual
<b>Transfers</b>				
Transfers to Reserves (Restricted Assets)	12	(33,586)	(41,381)	(83,050)
Transfers from Reserves (Restricted Assets)	12	41,013	58,683	46,024
Transfer (to) / from Unspent Grants		(310)	-	4,025
Transfer (to) / from Unspent Loans		(808)	-	3,229
Transfer (to) / from Restricted Receivables		13,786	-	(19,921)
<b>Net Transfers</b>		<u>20,095</u>	<u>17,302</u>	<u>(49,693)</u>
Surplus/(Deficit) July 1 B/Fwd	24(b)	(2,506)	3,263	(4,436)
Surplus/(Deficit) June 30 C/Fwd	24(b)	817	-	(2,438)
<b>Amount Raised from Rates</b>	24(a)	<u>(22,522)</u>	<u>(22,558)</u>	<u>(18,858)</u>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2014

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

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

##### (a) Basis of preparation

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other authoritative pronouncements of the Australian Standards Board, *Local Government Act 1995* and accompanying regulations. The report has also been prepared on the accrual basis under the convention of historical cost accounting modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

##### Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

##### (b) The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report. In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated. All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 18 to this financial report.

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

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

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

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

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

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

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

##### (f) Inventories

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

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

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

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

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

##### (g) Fixed Assets

###### Initial Recognition

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

###### Revaluation

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

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair

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

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

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

###### Land under Roads

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

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

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

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

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

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

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2014

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

Expenditure on items of equipment under \$2,000 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 50 years
<b>Furniture &amp; Equipment</b>	4 to 10 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	20 years
Asphalt Surfaces	25 years
<b>Gravel Roads</b>	
- Formation	Not Depreciated
- Pavement	50 years
- Gravel Sheet	12 years
<b>Formed Roads (unsealed)</b>	
- Formation	Not Depreciated
- Pavement	50 years
<b>Footpaths - Slab</b>	20 years
<b>Sewerage Piping</b>	100 years
<b>Water Supply Piping &amp; Drainage Systems</b>	75 years

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

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

#### (i) Financial Instruments

##### Initial Recognition and Measurement

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

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

##### Classification and Subsequent Measurement

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

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

Amortised cost is calculated as:

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

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

##### (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.

##### (v) Financial Liabilities

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

##### Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses recognised in the Statement of Comprehensive Income.

##### (j) Fair Value Estimation

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

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

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

##### (k) Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2014

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

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.

#### (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:



## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2014

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

##### **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) Rates, Grants, Donations and Other Contributions**

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

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

##### **(t) Current and Non-Current Classification**

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

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

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

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2014

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

##### (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.

##### (x) Investment Property

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

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

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

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

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

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

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

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

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

##### (z) Intangible Assets

Council has not classified any assets as Intangible.

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting period ending 30 June 2014.

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

Council’s assessment of the impact of these new standards and interpretations is set out below.

##### Applicable to Local Government with implications:

***AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)***

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2014

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

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

**Applicable to Local Government but no implications for Council;**

***AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)***

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

**Applicable to Local Government but not relevant to Council at this stage;**

***AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised***

***AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)***

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

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 2015.

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

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.

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

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

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

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

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 2. Operating Revenues and Expenses

\$ '000	Notes	2014 Actual	2014 Budget	2013 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		50	22	28
- Financial Management Review		-	-	8
- Assistance with the finalisation of the annual financial report		8	-	5
- Other Services - Disbursements and Grant Acquittals		20	29	-
		<u>78</u>	<u>51</u>	<u>41</u>
<b>Bad &amp; Doubtful Debts</b>				
Rates	27(b)	131	131	-
General Debtors	27(b)	219	219	-
<b>Depreciation</b>				
<i>Property, Plant &amp; Equipment</i>				
- Buildings		2,670	2,208	2,569
- Furniture and Equipment		1,071	776	916
- Plant and Equipment		2,044	2,191	1,604
<i>Infrastructure</i>				
- Roads		1,532	5,572	1,433
- Drainage		173	338	-
- Bridges		461	-	-
- Footpaths		9	6	-
- Parks & Ovals		2,266	-	-
- Airports		825	-	694
- Bus Shelters		21	-	-
- Depot		20	-	-
- Other		80	-	2,524
		<u>11,172</u>	<u>11,091</u>	<u>9,740</u>
<b>Interest Expenses (Finance Costs)</b>				
Debentures	23(a)	1,491	1,662	1,218
Other		-	-	34
		<u>1,491</u>	<u>1,662</u>	<u>1,252</u>
<b>Rental Charges</b>				
- Operating Leases		199	320	141
		<u>199</u>	<u>320</u>	<u>141</u>
<b>(ii) Crediting as Revenue:</b>				
<b>Interest Earnings</b>				
Investments - Reserve Funds		146	503	1,099
Investments - Other Funds		2,856	1,792	1,512
Other Interest Revenue	28	295	60	181
		<u>3,297</u>	<u>2,355</u>	<u>2,792</u>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

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##### (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 and for each of its broad activities/programs.

##### **REPORTING PROGRAM DESCRIPTIONS**

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

##### **COMMUNITY VISION**

The Town of Port Hedland's vision is to create "a nationally significant, friendly city, where people want to live and are proud to call home."

##### **GOVERNANCE**

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

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

##### **GENERAL PURPOSE FUNDING**

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

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

##### **LAW, ORDER, PUBLIC SAFETY**

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

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

##### **HEALTH**

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

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

##### **EDUCATION AND WELFARE**

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

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

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2014

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

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

###### **HOUSING**

Objective: Help ensure adequate housing.

Activities: Maintenance of staff and community housing.

###### **COMMUNITY AMENITIES**

Objective: To provide services required by the community.

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

###### **RECREATION 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.

###### **TRANSPORT**

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

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

###### **ECONOMIC SERVICES**

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

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

###### **OTHER PROPERTY & SERVICES**

Objective: To help maintain the Town's assets and carry out repairs and maintenance

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

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

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

##### **REVENUE**

###### **Rates**

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

###### **Operating Grants, Subsidies and Contributions**

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

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

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

###### **Profit on Asset Disposal**

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

###### **Fees and Charges**

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

###### **Service Charges**

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

###### **Interest Earnings**

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

###### **Other Revenue**

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



## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

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

#### EXPENDITURE

##### Employee Costs

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

##### Material and Contracts

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

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

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

##### Depreciation on Non-Current Assets

Depreciation and amortisation expense raised on all classes of assets.

##### Loss on Asset Disposal

Loss on the disposal of fixed assets.

##### Interest Expenses

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

##### Insurance

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

##### Other Expenditure

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000	Opening Balance <sup>1</sup> 1-Jul-12	Received <sup>2</sup> 2013	Expended <sup>3</sup> 2013	Closing Balance <sup>1</sup> 30-Jun-13	Received <sup>2</sup> 2014	Expended <sup>3</sup> 2014	Closing Balance 30-Jun-14
<b>(d) Conditions Over Grants, Subsidies &amp; Contributions</b>							
<b>Grant/Subsidy/Contribution</b>							
<b><u>Law, Order &amp; Public Safety</u></b>							
Environment Health - Dog Health Programme - 09/10 (*)				<b>8</b>	-	(6)	<b>2</b>
Aware Grant - SEMC - Update Emergency Risk Management				-	12	-	<b>12</b>
<b><u>Health</u></b>							
Environment Help - Pilbara Regions Aboriginal Health Workshop (*)				<b>4</b>	-	-	<b>4</b>
Environmental Health - Prepare EH Plan for Yandeyarra (*)				<b>11</b>	-	(11)	-
Department of Health - Port Hedland CLAG - FIMMWA 13/14				-	33	(17)	<b>16</b>
<b><u>Community Amenities</u></b>							
Country Local Government Funding Round 12/13 - Drainage etc				-	808	(50)	<b>758</b>
Pilbara Development Commission -Wayfinding Signage (Formally Coastal Access Managed Camped)	44	-	(8)	<b>36</b>	14	(41)	<b>9</b>
Building Safety (Fire) Grant (*)	15	-	-	<b>15</b>	-	(15)	-
<b><u>Recreation &amp; Culture</u></b>							
LandCorp - Skate Park/Youth Space (*)				<b>350</b>	-	-	<b>350</b>
Government of WA - NPP - Foreshore Master Plan (*)				<b>30</b>	45	(58)	<b>17</b>
Atlas Iron - Trails Master Plan (*)		35	(35)	-	8	-	<b>8</b>
PH Enhancement Scheme - Foreshore Park	10	-	-	<b>10</b>	-	(10)	-
Royalties for Regions - Sth Hedland Library &Community Centre	665			<b>665</b>	-	(373)	<b>292</b>
Royalties for Regions - South Hedland Bowls and Tennis Club		500	-	<b>500</b>	1,500	(2,000)	-
Pilbara Development Commission - South Hedland Bowls and Tennis Club		250	-	<b>250</b>	250	(500)	-
Community Contribution - Bicycle Plan	32	-	-	<b>32</b>	-	-	<b>32</b>

(continued on next page)

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000	Opening Balance <sup>1</sup> 1-Jul-12	Received <sup>2</sup> 2013	Expended <sup>3</sup> 2013	Closing Balance <sup>1</sup> 30-Jun-13	Received <sup>2</sup> 2014	Expended <sup>3</sup> 2014	Closing Balance 30-Jun-14
<b>(d) Conditions Over Grants, Subsidies &amp; Contributions (continued)</b>							
<b>Recreation &amp; Culture (continued)</b>							
Dept of Sport and Rec - CSRFF Grant Master Planning				-	25	-	<b>25</b>
Atlas Iron - In term Swimming				-	25	(3)	<b>22</b>
WA Police Service - The Slam				-	20	(6)	<b>14</b>
Garnduwa Amboorny Wirnan Grant Indigenous Sport Program - The Slam and Port Bound				-	12	-	<b>12</b>
Creating Communities - The Slam				-	10	-	<b>10</b>
Dept of Corrective Services - The Slam				-	9	-	<b>9</b>
Atlas Iron "Catch for your thought" music at JD Hardie				-	12	(6)	<b>6</b>
Dept of Sport and Rec - Hedland Junior Basketball Program				-	5	-	<b>5</b>
Atlas Iron - "Through our eyes" - Oral history of Aboriginal people of Port Hedland				-	5	-	<b>5</b>
FMG - Helping others Community Grant - School Series				-	5	-	<b>5</b>
Kidsport Grant	-	60	(3)	<b>57</b>	10	(62)	<b>5</b>
Children Book Council of Aust	4	4	(4)	<b>4</b>	4	(4)	<b>4</b>
Contributions 705330 - Foreshore Rehabilitation				-	17	(14)	<b>3</b>
Australian Red Cross - The Slam				-	2	-	<b>2</b>
Port Hedland Chamber of Commerce - In Term Swimming Program				-	1	-	<b>1</b>
Dept of Sport and Recreation - Marie Marland Overhead Lighting				-	232	(232)	-
<b>Transport</b>							
Roads to Recovery				-	890	(354)	<b>536</b>
Regional Roads Group	363	469	(631)	<b>201</b>	883	(674)	<b>410</b>
Blackspot Funding	-	-	-	-	27	-	<b>27</b>
BHP - Wallwork Bridge	446	-	(2)	<b>444</b>	-	(444)	-
Federal Aboriginal Road Grant	44	-	-	<b>44</b>	-	(44)	-

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000	Opening Balance <sup>1</sup> 1-Jul-12	Received <sup>2</sup> 2013	Expended <sup>3</sup> 2013	Closing Balance <sup>1</sup> 30-Jun-13	Received <sup>2</sup> 2014	Expended <sup>3</sup> 2014	Closing Balance 30-Jun-14
<b>(d) Conditions Over Grants, Subsidies &amp; Contributions (continued)</b>							
<b><u>Other Property &amp; Services</u></b>							
Northern Planning - Studies to Facilitate South Hedland Tip Relocation				-	184	(172)	12
Northern Planning - South Hedland East - Planning Scheme Amendment				-	100	(99)	1
Pilbara Development Commission - Port Hedland Infrastructure Capacity Study	-	18	-	18	-	(18)	-
Land Corp - Port Hedland Infrastructure Capacity Study	-	18	(9)	9	-	(9)	-
Department of Housing - Port Hedland Infrastructure Capacity Study	-	18	-	18	-	(18)	-
<b>Total Unspent Grants, Subsidies &amp; Contributions</b>	<u>1,623</u>	<u>1,372</u>	<u>(692)</u>	<u>2,706</u>	<u>5,148</u>	<u>(5,240)</u>	<u>2,614</u>
				(402)	(*)		
				<u>2,304</u>	12/13 AFR		

#### 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.
- (\*) - Grants/contributions recognised in Note 2 (c) in the 2012/2013 Financial Statements which have since been **investigated and confirmed to be fully expended**. Grants/contributions which were not recognised in Note 2 (c) in the 2012/2013 Financial Statements which have since been investigated and confirmed to have been received in a prior year and not fully expended. Therefore, the closing balance as at 30 June 2013 has been revised.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 3. Cash and Cash Equivalents

\$ '000	Notes	2014 Actual	2013 Actual
Cash on Hand - Municipal: Unrestricted		4,855	(620)
Cash at Bank - Municipal: Restricted Grants		2,614	2,304
Cash at Bank - Municipal: Restricted Loans		808	-
Cash at Bank - Reserves (Restricted)		67,132	74,559
Less: Investments (Restricted)	4	(7,000)	-
<b>Total Cash and Cash Equivalents</b>	14(a)	<b>68,409</b>	<b>76,243</b>
<b>The following restrictions have been imposed by regulations or other externally imposed requirements:</b>			
Asset Management Reserve	12	202	185
Underground Power Reserve	12	-	654
Waste Collection Reserve	12	-	4,204
Airport Reserve	12	16,463	19,060
Unfinished Works and Committed Works Reserve	12	982	-
Leave Reserve	12	876	895
Developer Contribution Reserve- Car Parking	12	367	232
Waste Management Reserve	12	4,750	-
Lights Replacement Reserve	12	-	23
Depot Facilities Reserve	12	-	17
South Hedland Library Reserve	12	-	14
SES Shed Reserve	12	-	35
Waste Management & Recycling Reserve	12	-	453
BHP Reserve	12	3,494	5,638
Civil Building / Infrastructure Reserve	12	-	8
Newcrest Reserve	12	-	2
Spoilbank Reserve	12	39,608	40,760
Royalties for Regions Reserve	12	48	927
Community Facilities Reserve	12	-	1,258
Developer Contribution Reserve- Public Open	12	158	-
GP Housing Reserve	12	184	194
<b>Total Reserves</b>		<b>67,132</b>	<b>74,559</b>
Unspent Grants	2(d)	2,614	2,304
Unspent Loans	23(c)	808	-
<b>Total Unspent Grants and Loans</b>		<b>3,422</b>	<b>2,304</b>
<b>Total Restricted Cash</b>		<b>70,554</b>	<b>76,863</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 4. Investments

\$ '000	2014 Actual	2013 Actual
<b>Financial Assets at Fair Value through Profit and Loss</b>	7,000	-
<b>Movements in Financial Assets at Fair Value through Profit and Loss</b>		
<b>At beginning of the year</b>	-	-
Additions	7,000	-
Disposals	-	-
<b>At end of the year</b>	7,000	-
<b>Total Investments</b>	<u>7,000</u>	<u>-</u>
<b>Classified as:</b>		
Current	7,000	-
Non-Current	-	-
<b>Total Investments</b>	<u>7,000</u>	<u>-</u>

## Note 5. Trade &amp; Other Receivables

<b>Current</b>		
Rates	76	408
Sundry Debtors	10,936	30,565
Loans - Clubs / Institutions	87	68
Accrued Income	245	1,459
Other	228	217
Provision for Doubtful Debts	(310)	(501)
<b>Total Current Trade &amp; Other Receivables</b>	<u>11,262</u>	<u>32,216</u>
<b>Non-Current</b>		
Rates Outstanding - Pensioners	7	19
Loans - Clubs / Institutions	1,217	804
<b>Total Non-Current Trade &amp; Other Receivables</b>	<u>1,224</u>	<u>823</u>

## Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2014

## Note 6. Inventories

\$ '000	2014 Actual	2013 Actual
<b>Current</b>		
Fuel and Materials	2	6
Matt Dann Kiosk	5	4
JD Hardie Centre	3	2
<b>Total Current Inventories</b>	<b>10</b>	<b>12</b>

## Non-Current

Nil

## Note 7a. Property, Plant and Equipment

Land - Fair Value	73,880	1,404
Less Accumulated Depreciation	-	-
	<u>73,880</u>	<u>1,404</u>
Buildings - Fair Value	99,197	103,212
Less Accumulated Depreciation	-	(15,762)
Reclassification of Assets	-	(145)
	<u>99,197</u>	<u>87,305</u>
Furniture and Equipment - Cost	3,198	8,470
Less Accumulated Depreciation	(1,071)	(4,858)
Reclassification of Assets	162	(824)
	<u>2,289</u>	<u>2,788</u>
Plant and Equipment - Fair Value	12,980	19,162
Less Accumulated Depreciation	(2,045)	(10,630)
Reclassification of Assets	390	1,172
	<u>11,325</u>	<u>9,704</u>
Work in Progress - Cost	945	-
Less Accumulated Depreciation	-	-
	<u>945</u>	<u>-</u>
<b>Total Property, Plant &amp; Equipment</b>	<b>7(b) <u>187,636</u></b>	<b><u>101,201</u></b>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

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\$ '000

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

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

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

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

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

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

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

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

#### Valuation Process - Plant and Equipment

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



## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

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

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

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

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

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000

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

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

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

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

(1) Land - Council Owned	68,110	1,404
Accumulated Depreciation	-	-
	68,110	1,404
Land - Council Controlled (Not owned)	5,770	-
Accumulated Depreciation	-	-
	5,770	-

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

#### 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	Cost	Fair Value	Cost	
<b>\$ '000</b>							
Balance as at 1 July 2013		1,404	87,305	2,788	9,704	-	101,201
Additions							
- Renewal		-	513	80	3,301	381	4,275
- New		1,682	357	330	507	564	3,440
Disposals		(470)	-	-	(532)	-	(1,002)
Revaluation - Increments	13	71,264	18,671	-	-	-	89,935
Impairment - (Decrements)		-	(525)	-	-	-	(525)
Depreciation	2(a)	-	(2,670)	(1,071)	(2,045)	-	(5,786)
Other Movements		-	(4,454)	162	390	-	(3,902)
<b>Property, Plant &amp; Equipment at 30 June 2014</b>		<b>73,880</b>	<b>99,197</b>	<b>2,289</b>	<b>11,325</b>	<b>945</b>	<b>187,636</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 8a. Infrastructure

\$ '000	Notes	2014 Actual	2013 Actual
Roads - Cost		70,410	83,610
Less Accumulated Depreciation		<u>(1,532)</u>	<u>(22,905)</u>
		68,878	60,705
Drainage - Cost		9,568	9,916
Less Accumulated Depreciation		<u>(173)</u>	<u>(3,480)</u>
		9,395	6,436
Bridges - Cost		17,028	4,795
Less Accumulated Depreciation		<u>(461)</u>	<u>(567)</u>
		16,567	4,228
Footpaths - Cost		8,207	9,633
Less Accumulated Depreciation		<u>(9)</u>	<u>(2,431)</u>
		8,198	7,202
Parks & Ovals - Cost		39,070	47,339
Less Accumulated Depreciation		<u>(2,267)</u>	<u>(10,394)</u>
Reclassification		<u>(347)</u>	<u>(203)</u>
		36,456	36,742
Airports - Cost		22,660	27,813
Less Accumulated Amortisation		<u>(825)</u>	<u>(12,528)</u>
		21,835	15,285
Other Infrastructure - Cost		529	-
Less Accumulated Amortisation		<u>(80)</u>	<u>-</u>
		449	-
Bus Shelters - Cost		54	205
Less Accumulated Amortisation		<u>(21)</u>	<u>(160)</u>
		33	45
Depot - Cost		678	671
Less Accumulated Amortisation		<u>(20)</u>	<u>(172)</u>
		658	499
Work in Progress -		1,164	-
Less Accumulated Amortisation		<u>-</u>	<u>-</u>
		1,164	-
<b>Total Infrastructure</b>	8(b)	<u><u>163,633</u></u>	<u><u>131,142</u></u>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

#### Note 8b. Infrastructure (continued)

#### Movements in Carrying Amounts

		Roads	Drainage	Bridges	Footpaths	Parks & Ovals	Airports	Other Infrastructure	Bus Shelters	Depot	Work in Progress	Total
\$ '000	Notes	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	-	
Balance as at 1 July 2013		60,705	6,436	4,228	7,202	36,742	15,285	-	45	499	-	131,142
Additions												
- Renewal		5,574	72	-	15	1,095	19	-	-	-	1,002	7,777
- New		882	3,064	12,500	961	1,233	7,276	15	-	106	162	26,199
Disposals		-	-	-	-	-	-	-	-	-	-	-
Revaluation - Increments	13	-	-	-	-	-	-	-	-	-	-	-
Revaluation - (Decrements)	13	-	-	-	-	-	-	-	-	-	-	-
Impairment - (Losses)		-	-	-	-	-	-	-	-	-	-	-
Impairment - Reversals		-	-	-	-	-	-	-	-	-	-	-
Depreciation (Expense)	2(a)	(1,532)	(173)	(461)	(9)	(2,265)	(825)	(80)	(21)	(20)	-	(5,386)
Other Movements (reclassification)		3,249	(4)	300	29	(349)	80	514	9	73	-	3,901
<b>Infrastructure at 30 June 2014</b>		<b>68,878</b>	<b>9,395</b>	<b>16,567</b>	<b>8,198</b>	<b>36,456</b>	<b>21,835</b>	<b>449</b>	<b>33</b>	<b>658</b>	<b>1,164</b>	<b>163,633</b>

## Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2014

## Note 9. Trade and Other Payables

\$ '000	2014 Actual	2013 Actual
<b>Current</b>		
Sundry Creditors	6,109	9,099
Income in Advance	-	2,116
Accrued Interest on Debentures	347	310
Accrued Salaries and Wages	-	312
<b>Total Current Trade and Other Payables</b>	<b><u>6,456</u></b>	<b><u>11,837</u></b>
<b>Non-Current</b>		
Nil		

## Note 10. Borrowings

<b>Current</b>		
Secured by Floating Charge - Debentures	23(a) 1,278	1,305
<b>Total Current Borrowings</b>	<b><u>1,278</u></b>	<b><u>1,305</u></b>
<b>Non-Current</b>		
Secured by Floating Charge - Debentures	23(a) 27,463	25,359
<b>Total Non-Current Borrowings</b>	<b><u>27,463</u></b>	<b><u>25,359</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 2014

## Note 11. Provisions

\$ '000	2014 Actual	2013 Actual	
<b>Current</b>			
Annual Leave	1,695	1,576	
Long Service Leave	701	527	
Sick Leave	236	186	
<b>Total Current Provisions</b>	<b><u>2,632</u></b>	<b><u>2,289</u></b>	
<b>Non-Current</b>			
Long Service Leave	225	154	
<b>Total Non-Current Provisions</b>	<b><u>225</u></b>	<b><u>154</u></b>	
<b>Movements in Provisions</b>			
Class of Provision	Opening Balance as at 1/7/13	Additional Provisions	Closing Balance as at 30/6/14
Annual Leave	1,576	119	1,695
Long Service Leave	681	245	926
Sick Leave	186	50	236
<b>TOTAL</b>	<b><u>2,443</u></b>	<b><u>414</u></b>	<b><u>2,857</u></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.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 12. Reserves - Cash/Investment Backed

\$ '000	2014 Actual	2014 Budget	2013 Actual
<b>(a). Asset Management Reserve</b>			
Opening Balance	185	29	-
Amount Set Aside / Transfer to Reserve	563	557	367
Amount Used / Transfer from Reserve	(546)	(586)	(182)
	<u>202</u>	<u>-</u>	<u>185</u>
<b>(b). Plant Reserve</b>			
Opening Balance	-	6	285
Amount Set Aside / Transfer to Reserve	-	-	7
Amount Used / Transfer from Reserve	-	(6)	(292)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>(c). Underground Power Reserve</b>			
Opening Balance	654	-	-
Amount Set Aside / Transfer to Reserve	-	-	654
Amount Used / Transfer from Reserve	(654)	-	-
	<u>-</u>	<u>-</u>	<u>654</u>
<b>(d). Waste Collection Reserve</b>			
Opening Balance	4,204	4,244	1,284
Amount Set Aside / Transfer to Reserve	-	-	4,470
Amount Used / Transfer from Reserve	(4,204)	(4,244)	(1,550)
	<u>-</u>	<u>-</u>	<u>4,204</u>
<b>(e). Airport Reserve</b>			
Opening Balance	19,060	15,381	12,833
Amount Set Aside / Transfer to Reserve	14,997	25,065	37,996
Amount Used / Transfer from Reserve	(17,594)	(31,469)	(31,769)
	<u>16,463</u>	<u>8,977</u>	<u>19,060</u>
<b>(f). Unfinished Works and Committed Works Reserve</b>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	982	-	-
	<u>982</u>	<u>-</u>	<u>-</u>



## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000	2014 Actual	2014 Budget	2013 Actual
<b>(g). Leave Reserve</b>			
Opening Balance	895	840	949
Amount Set Aside / Transfer to Reserve	-	14	26
Amount Used / Transfer from Reserve	(19)	-	(80)
	876	854	895
<b>(h). Developer Contribution Reserve- Car Parking</b>			
Opening Balance	232	256	227
Amount Set Aside / Transfer to Reserve	135	4	5
	367	260	232
<b>(i). Waste Management Reserve</b>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	15,297	14,261	-
Amount Used / Transfer from Reserve	(10,547)	(11,777)	-
	4,750	2,484	-
<b>(j). Lights Replacement Reserve</b>			
Opening Balance	23	23	23
Amount Used / Transfer from Reserve	(23)	(23)	-
	-	-	23
<b>(k). Depot Facilities Reserve</b>			
Opening Balance	17	11	17
Amount Used / Transfer from Reserve	(17)	(11)	-
	-	-	17
<b>(l). South Hedland Library Reserve</b>			
Opening Balance	14	15	14
Amount Used / Transfer from Reserve	(14)	(15)	-
	-	-	14
<b>(m). SES Shed Reserve</b>			
Opening Balance	35	36	34
Amount Set Aside / Transfer to Reserve	-	-	1
Amount Used / Transfer from Reserve	(35)	(36)	-
	-	-	35

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000	2014 Actual	2014 Budget	2013 Actual
<b>(n). Waste Management &amp; Recycling Reserve</b>			
Opening Balance	453	460	442
Amount Set Aside / Transfer to Reserve	-	-	11
Amount Used / Transfer from Reserve	(453)	(460)	-
	<u>-</u>	<u>-</u>	<u>453</u>
<b>(o). BHP Reserve</b>			
Opening Balance	5,638	6,083	7,779
Amount Set Aside / Transfer to Reserve	112	122	3,801
Amount Used / Transfer from Reserve	(2,256)	(5,481)	(5,942)
	<u>3,494</u>	<u>724</u>	<u>5,638</u>
<b>(p). Civil Building / Infrastructure Reserve</b>			
Opening Balance	8	-	91
Amount Set Aside / Transfer to Reserve	-	-	2
Amount Used / Transfer from Reserve	(8)	-	(85)
	<u>-</u>	<u>-</u>	<u>8</u>
<b>(q). Newcrest Reserve</b>			
Opening Balance	2	3	2
Amount Used / Transfer from Reserve	(2)	(3)	-
	<u>-</u>	<u>-</u>	<u>2</u>
<b>(r). Spoilbank Reserve</b>			
Opening Balance	40,760	40,510	10,386
Amount Set Aside / Transfer to Reserve	-	32	30,425
Amount Used / Transfer from Reserve	(1,152)	(1,449)	(51)
	<u>39,608</u>	<u>39,093</u>	<u>40,760</u>
<b>(s). Royalties for Regions Reserve</b>			
Opening Balance	927	-	249
Amount Set Aside / Transfer to Reserve	16	-	3,220
Amount Used / Transfer from Reserve	(895)	-	(2,542)
	<u>48</u>	<u>-</u>	<u>927</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000	2014 Actual	2014 Budget	2013 Actual
<b>(t). Community Facilities Reserve</b>			
Opening Balance	1,258	1,803	2,219
Amount Set Aside / Transfer to Reserve	1,326	1,326	530
Amount Used / Transfer from Reserve	(2,584)	(3,123)	(1,491)
	<u>-</u>	<u>6</u>	<u>1,258</u>
<b>(u). GP Housing Reserve</b>			
Opening Balance	194	37	699
Amount Set Aside / Transfer to Reserve	-	-	1,535
Amount Used / Transfer from Reserve	(10)	-	(2,040)
	<u>184</u>	<u>37</u>	<u>194</u>
<b>(v). Developer Contributions Reserve- Public Open</b>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	158	-	-
	<u>158</u>	<u>-</u>	<u>-</u>
<b>Total Reserves</b>	<u><u>67,132</u></u>	<u><u>52,435</u></u>	<u><u>74,559</u></u>

**Summary of Reserve Transfers****Transfers to Reserves**

Asset Management Reserve	563	557	367
Plant Reserve	-	-	7
Underground Power Reserve	-	-	654
Waste Collection Reserve	-	-	4,470
Airport Reserve	14,997	25,065	37,996
Unfinished Works and Committed Works Reserve	982	-	-
Leave Reserve	-	14	26
Developer Contribution Reserve- Car Parking	135	4	5
Waste Management Reserve	15,297	14,261	-
SES Shed Reserve	-	-	1
Waste Management & Recycling Reserve	-	-	11
BHP Reserve	112	122	3,801
Civil Building / Infrastructure Reserve	-	-	2
Spoilbank Reserve	-	32	30,425
Royalties for Regions Reserve	16	-	3,220
Community Facilities Reserve	1,326	1,326	530
GP Housing Reserve	-	-	1,535
Developer Contribution Reserve- Public Open	158	-	-
<b>Total Transfers to Reserves</b>	<u><u>33,586</u></u>	<u><u>41,381</u></u>	<u><u>83,050</u></u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000	2014 Actual	2014 Budget	2013 Actual
<b>Transfers from Reserves</b>			
Asset Management Reserve	(546)	(586)	(182)
Plant Reserve	-	(6)	(292)
Underground Power Reserve	(654)	-	-
Waste Collection Reserve	(4,204)	(4,244)	(1,550)
Airport Reserve	(17,594)	(31,469)	(31,769)
Leave Reserve	(19)	-	(80)
Waste Management Reserve	(10,547)	(11,777)	-
Lights Replacement Reserve	(23)	(23)	-
Depot Facilities Reserve	(17)	(11)	-
South Hedland Library Reserve	(14)	(15)	-
SES Shed Reserve	(35)	(36)	-
Waste Management & Recycling Reserve	(453)	(460)	-
BHP Reserve	(2,256)	(5,481)	(5,942)
Civil Building / Infrastructure Reserve	(8)	-	(85)
Newcrest Reserve	(2)	(3)	-
Spoilbank Reserve	(1,152)	(1,449)	(51)
Royalties for Regions Reserve	(895)	-	(2,542)
Community Facilities Reserve	(2,584)	(3,123)	(1,491)
GP Housing Reserve	(10)	-	(2,040)
<b>Total Transfers from Reserves</b>	<b>(41,013)</b>	<b>(58,683)</b>	<b>(46,024)</b>
<b>Total Net Transfer to/(from) Reserves</b>	<b>(7,427)</b>	<b>(17,302)</b>	<b>37,026</b>

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

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

**Asset Management Reserve**

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

**Plant Reserve**

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

**Underground Power Reserve**

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

**Airport Reserve**

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

**Leave Reserve**

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

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\$ '000

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##### **Developer Contribution Reserve- Car Parking**

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

##### **Waste Management Reserve**

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

##### **Lights Replacement Reserve**

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

##### **Depot Facilities Reserve**

- to be used for the depot upgrade.

##### **South Hedland Library Reserve**

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

##### **SES Shed Reserve**

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

##### **Waste Management & Recycling Reserve**

- to fund future waste recycling products.

##### **BHP Reserve**

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

##### **Civil Building / Infrastructure Reserve**

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

##### **Newcrest Reserve**

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

##### **Spoilbank Reserve**

- for development projects on the Port Hedland Spoilbank Reserve.

##### **Royalties for Regions Reserve**

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

##### **Community Facilities Reserve**

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

##### **GP Housing Reserve**

- for 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 2014

## Note 13. Reserves - Asset Revaluation

\$ '000	Notes	2014 Actual	2013 Actual
Asset revaluation reserves have arisen on revaluation of the following classes of assets:			
<b>(a). Land</b>			
Opening Balance		662	662
Revaluation Increment	7(b)	71,264	-
		<u>71,926</u>	<u>662</u>
<b>(b). Buildings</b>			
Opening Balance		191	191
Revaluation Increment	7(b)	18,671	-
Revaluation Decrement	7(b)	(525)	-
		<u>18,337</u>	<u>191</u>
<b>Total Asset Revaluation Reserves</b>		<u><u>90,263</u></u>	<u><u>853</u></u>

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

\$ '000	Notes	2014 Actual	2014 Budget	2013 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>68,409</u>	<u>78,478</u>	<u>76,243</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 14. Notes to the Statement of Cash flows (continued)

\$ '000	Notes	2014 Actual	2014 Budget	2013 Actual
<b>(b). Reconciliation of Net Cash Provided By Operating Activities to Net Result (continued)</b>				
Net Result		11,017	32,547	59,426
Depreciation		11,172	11,091	9,740
(Profit)/Loss on Sale of Assets		183	341	107
Loss on Revaluation of Assets		-	-	635
Decrease/(Increase) in Receivables		20,984	(2,229)	(21,230)
Decrease/(Increase) in Inventories		3	(10)	(7)
Increase/(Decrease) in Payables & Accruals		(5,381)	1,184	(32,097)
Increase/(Decrease) in Employee Leave Entitlements		415	950	809
Grants/Contributions for the Development of Assets		(4,539)	(29,684)	(37,648)
<b>Net Cash from Operating Activities</b>		<b>33,854</b>	<b>14,190</b>	<b>(20,265)</b>
<b>(c). Undrawn Borrowing Facilities Credit Standby Arrangements</b>				
Credit Card Limit		57	15	13
Credit Card Balance at Balance Date		(1)	-	(8)
<b>Total Amount of Credit Unused</b>		<b>56</b>	<b>15</b>	<b>5</b>
<b>Loan Facilities</b>				
Loan Facilities - Current	10	1,278		1,305
Loan Facilities - Non-Current	10	27,463		25,359
<b>Total Facilities in Use at Balance Date</b>		<b>28,741</b>		<b>26,664</b>
<b>Unused Loan Facilities at Balance Date</b>		<b>808</b>		<b>-</b>

## Note 15. Contingent Liabilities

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

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

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

**(ii) Litigation**

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

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 16. Capital and Leasing Commitments

\$ '000	2014 Actual	2013 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	199	141
- later than one year but not later than five years	-	87
- later than five years	-	-
<b>Total Operating Lease Commitments</b>	<b>199</b>	<b>228</b>
<b>(c). Capital Expenditure Commitments</b>		
<b>Contracted for:</b>		
- building expenditure projects	209	4,458
- road expenditure projects	1,560	211
- airport expenditure projects	1,674	82
- drainage expenditure projects	40	-
- footpaths expenditure projects	-	69
- parks expenditure projects	67	524
- land development expenditure projects	35	-
- furniture & equipment purchases	64	221
- plant & equipment purchases	381	343
<b>Total Capital Expenditure Commitments</b>	<b>4,030</b>	<b>5,908</b>
<b>Payable:</b>		
- not later than one year	4,030	5,908
- later than one year but not later than five years	-	-
- later than five years	-	-
<b>Total Capital Expenditure Commitments</b>	<b>4,030</b>	<b>5,908</b>

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



## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

#### Note 17. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

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

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

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

##### **Subsidiaries**

**Note 17(a)**

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

##### **Associated Entities & Joint Venture Entities**

**Note 17(b)**

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

##### **Joint Venture Operations**

**Note 17(c)**

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

##### **Subsidiaries, Associated Entities and Joint Ventures Not Recognised**

**Note 17(d)**

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

Council has no interest in any Subsidiaries.

#### **(b) Associated Entities & Joint Venture Entities**

Council has no interest in any Associated Entities & Joint Venture Entities.

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

#### Note 17. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

##### (c) Joint Venture Operations

###### (a) Council is involved in the following Joint Venture Operations (JVO)

Name of Operation	Principal Activity	Councils Interests in Outputs of JVO's
Community Arts Facility	Establish a Community Arts Facility	50%

The Town of Port Hedland together with the Pilbara Arts Craft Design Aboriginal Corporation (PACDAC) have a joint venture arrangement to purchase the "Court House" in Edgar Street Port Hedland on a 50/50 basis. The purpose of the joint venture is to establish a community arts facility. The operations of the facility are recorded in the financial statements under Education and Welfare and described within Function 8 of the schedules. The only asset of the joint venture is the court house building. Council's half of the building is included in the asset register under Buildings as follows:

(b) Council Assets employed in the Joint Venture Operations	2014	2013
<b>Council's own assets employed in the Operations</b>		
<b>Non-Current Assets</b>		
Buildings	568	472
Less: Accumulated Depreciation	(113)	(102)
<b>Total Assets - Council Owned</b>	<b>455</b>	<b>370</b>
<b>Total Net Assets Employed - Council &amp; Jointly Owned</b>	<b>455</b>	<b>370</b>

##### (d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

All Subsidiaries, Associated Entities & Joint Ventures have been recognised in this Financial Report as required.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 18. Trust Funds

\$ '000	Balance 1-Jul-13	Amounts Received	Amounts Paid	Balance 30-Jun-14
Keep Australia Beautiful	2	-	-	2
Building Retention	5	-	-	5
Staff Bonds	37	13	(12)	38
Ranger Services	3	6	(6)	3
Community Bank	1	-	-	1
Deposits - Halls	15	2	(6)	11
Deposits - Trailer/Comm Bus	1	4	(4)	1
Deposits - Sportsgrounds	20	32	(32)	20
POS Reserve	1	-	-	1
BRB Levy	63	239	(251)	51
BCITF Levy	52	519	(566)	5
Unclaimed Money	2	-	-	2
Sundry	1	-	-	1
Garden Competition	5	-	-	5
MDCC Hire Events	1	1	(1)	1
Building Bonds	22	-	-	22
DAP	24	73	(81)	16
Cyclone George	103	-	-	103
Tech Services Bonds	17	140	(130)	27
	<b>375</b>	<b>1,029</b>	<b>(1,089)</b>	<b>315</b>

Black Rock Stakes Donation is not reported above as amount held in trust as at 30 June 2014 is \$178.

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

\$ '000	2014 Actual	2013 Actual
Governance	1,964	5,125
General Purpose Funding	196	427
Law, Order, Public Safety	1,786	5,610
Health	1,250	388
Education & Welfare	10,599	3,633
Housing	26,495	15,382
Community Amenities	9,707	6,975
Recreation & Culture	98,431	96,371
Transport	211,021	167,112
Economic Services	40,748	733
Other Property & Services	9,357	2,629
Unallocated	27,620	37,252
	<b>439,174</b>	<b>341,637</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 20. Acquisition of Assets

\$ '000	2014 Actual	2014 Budget
<b>By Program</b>		
Governance	325	481
Law, Order, Public Safety	-	5
Health	17	-
Education & Welfare	183	229
Housing	1,860	1,269
Community Amenities	2,741	5,541
Recreation & Culture	5,274	17,021
Transport	31,096	47,246
Economic Services	195	162
	<b>41,691</b>	<b>71,954</b>
<b>By Class</b>		
<i>Property, Plant &amp; Equipment</i>		
- Land	1,682	1,095
- Buildings	870	23,899
- Furniture and Equipment	410	20
- Plant and Equipment	3,808	5,552
- Work in Progress	945	-
<i>Infrastructure</i>		
- Roads	6,456	3,320
- Drainage	3,136	790
- Bridges	12,500	20,850
- Footpaths	976	100
- Parks & Ovals	2,328	4,525
- Airports	7,295	11,544
- Other Infrastructure	15	259
- Depot	106	-
- Work in Progress	1,164	-
	<b>41,691</b>	<b>71,954</b>

## Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2014

## Note 21. Disposal of Assets

\$ '000	Net Book Value		Sale Price		Profit/(Loss)	
	Actual	Budget	Actual	Budget	Actual	Budget
The following assets were disposed of during the year.						
<i>Property, Plant &amp; Equipment</i>						
Land	470	-	425	-	(45)	-
Buildings	-	-	15	-	15	-
Plant and Equipment	532	807	379	466	(153)	(341)
<b>Total</b>	<b>1,002</b>	<b>807</b>	<b>819</b>	<b>466</b>	<b>(183)</b>	<b>(341)</b>

\$ '000	2014		2013
	Actual	Budget	Actual
<b>Summary</b>			
Profit on Asset Disposals	97	17	49
Loss on Asset Disposals	(280)	(358)	(156)
<b>Net Profit/(Loss) on Disposal of Assets</b>	<b>(183)</b>	<b>(341)</b>	<b>(107)</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 22. Financial Ratios

\$ '000	Amounts 2014	Indicator 2014	Target	Prior Periods 2013      2012	
<i>Liquidity Ratio</i>					
<b>1. Current Ratio</b> <sup>(1)</sup>					
Current Assets less Restricted Current Assets	9,992	<b>1.05 : 1</b>	> 1.00 : 1	0.80	0.97
Current Liabilities less Liabilities Associated with Restricted Assets	9,490				
<i>Debt Ratio</i>					
<b>2. Debt Service Cover Ratio</b> <sup>(2)</sup>					
Operating Surplus before Interest and Depreciation Exp	19,324	<b>6.91 : 1</b>	> 2.00 : 1	5.77	11.35
Principal and Interest Repayments	2,796				
<i>Coverage Ratio</i>					
<b>3. Own Source Revenue Coverage Ratio</b> <sup>(3)</sup>					
Own Source Operating Revenue	66,233	<b>94.63%</b>	> 40%	84.70%	107.80%
Operating Expense	69,989				
<i>Financial Performance Ratio</i>					
<b>4. Operating Surplus Ratio</b> <sup>(4)</sup>					
Operating Revenue less Operating Expense	6,478	<b>9.78%</b>	> 1%	3.10%	11.90%
Own Source Operating Revenue	66,233				
<i>Asset Management Ratios</i>					
<b>5. Asset Consumption Ratio</b> <sup>(5)</sup>					
Depreciated Replacement Cost of Depreciable Assets	351,269	<b>84.08%</b>	> 50%	n/a	n/a
Current Replacement Cost of Depreciable Assets	417,779				
<b>6. Asset Sustainability Ratio</b> <sup>(6)</sup>					
Capital Renewal and Replacement Expenditure	12,052	<b>107.88%</b>	90-110%	244.00%	539.50%
Depreciation Expense	11,172				
<b>7. Asset Renewal Funding Ratio</b> <sup>(7)</sup>					
NPV of Planned Capital Renewals over 10 years		<b>n/a</b>	75-95%	n/a	n/a
NPV of Required Capital Expenditure over 10 years					

## 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.

(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.

# Town of Port Hedland

## Notes to the Financial Statements for the year ended 30 June 2014

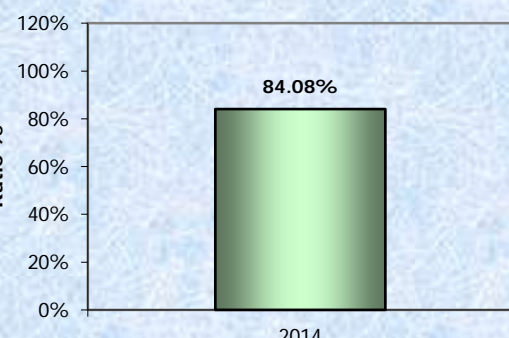
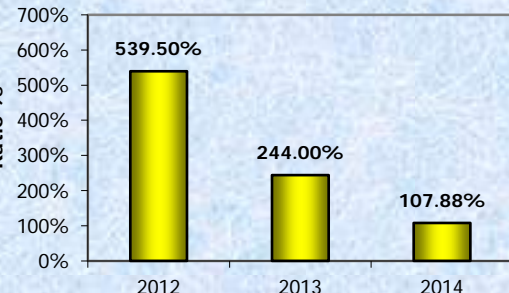
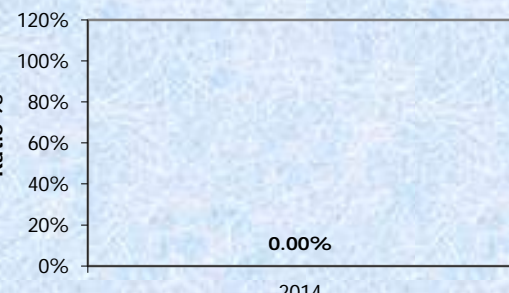
### Note 22. Financial Ratios (continued)

<p><b>1. Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>0.97</td> </tr> <tr> <td>2013</td> <td>0.80</td> </tr> <tr> <td>2014</td> <td>1.05</td> </tr> </tbody> </table>	Year	Ratio	2012	0.97	2013	0.80	2014	1.05	<p><b>Purpose of Current Ratio</b></p> <p>To assess the liquidity position of the Council that has arisen from past year's transactions.</p>	<p><b>Commentary on Result</b></p> <p><b>2013/14 Ratio 1.05 : 1</b></p> <p>The Department of Local Government and Communities has set a minimum standard of 1. The Town meets the standard meaning that it has sufficient assets that can be quickly converted into cash to meet immediate cash commitments.</p>
Year	Ratio									
2012	0.97									
2013	0.80									
2014	1.05									
<p><b>2. Debt Service Cover Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>11.35</td> </tr> <tr> <td>2013</td> <td>5.77</td> </tr> <tr> <td>2014</td> <td>6.91</td> </tr> </tbody> </table>	Year	Ratio	2012	11.35	2013	5.77	2014	6.91	<p><b>Purpose of Debt Service Cover Ratio</b></p> <p>To assess Council's ability to repay its debt including lease payments.</p>	<p><b>Commentary on Result</b></p> <p><b>2013/14 Ratio 6.91 : 1</b></p> <p>The Department of Local Government and Communities has set a basic standard if the ratio is greater or equal to two. The Town has achieved an advanced standard as the ratio is greater than five meaning that the town can easily cover debt servicing obligations.</p>
Year	Ratio									
2012	11.35									
2013	5.77									
2014	6.91									
<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>2012</td> <td>107.80%</td> </tr> <tr> <td>2013</td> <td>84.70%</td> </tr> <tr> <td>2014</td> <td>94.63%</td> </tr> </tbody> </table>	Year	Ratio %	2012	107.80%	2013	84.70%	2014	94.63%	<p><b>Purpose of Own Source Revenue Coverage Ratio</b></p> <p>To assess Council's ability to cover its costs through its own revenue efforts.</p>	<p><b>Commentary on Result</b></p> <p><b>2013/14 Ratio 94.63%</b></p> <p>The Department of Local Government and Communities has set a basic standard between 40% and 60%, intermediate standard between 60% and 90% and advanced standard greater than 90%. The Town has achieved the advanced standard meaning the Town can cover nearly all operating expenses from own source revenue, and is not heavily reliant on external funding.</p>
Year	Ratio %									
2012	107.80%									
2013	84.70%									
2014	94.63%									
<p><b>4. Operating Surplus Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>11.90%</td> </tr> <tr> <td>2013</td> <td>3.10%</td> </tr> <tr> <td>2014</td> <td>9.78%</td> </tr> </tbody> </table>	Year	Ratio %	2012	11.90%	2013	3.10%	2014	9.78%	<p><b>Purpose of Operating Surplus Ratio</b></p> <p>To assess Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.</p>	<p><b>Commentary on Result</b></p> <p><b>2013/14 Ratio 9.78%</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 relatively healthy indicating that the Town's operating revenue can easily cover operational costs with a surplus available for capital funding and other purposes i.e. transfer to Reserves.</p>
Year	Ratio %									
2012	11.90%									
2013	3.10%									
2014	9.78%									

Town of Port Hedland

Notes to the Financial Statements  
for the year ended 30 June 2014

Note 22. Financial Ratios (continued)

<p><b>5. Asset Consumption Ratio</b></p>  <p>A bar chart with a vertical axis labeled 'Ratio %' ranging from 0% to 120% in 20% increments. A single green bar for the year 2014 reaches the 84.08% mark.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>84.08%</td> </tr> </tbody> </table>	Year	Ratio %	2014	84.08%	<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>2013/14 Ratio 84.08%</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. The Town has yet to assess fair value of infrastructure assets (due 30 June 2015).</p>				
Year	Ratio %									
2014	84.08%									
<p><b>6. Asset Sustainability Ratio</b></p>  <p>A bar chart with a vertical axis labeled 'Ratio %' ranging from 0% to 700% in 100% increments. Three yellow bars represent the years 2012, 2013, and 2014, with values of 539.50%, 244.00%, and 107.88% respectively.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>539.50%</td> </tr> <tr> <td>2013</td> <td>244.00%</td> </tr> <tr> <td>2014</td> <td>107.88%</td> </tr> </tbody> </table>	Year	Ratio %	2012	539.50%	2013	244.00%	2014	107.88%	<p><b>Purpose of Asset Sustainability Ratio</b></p> <p>To indicate whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.</p>	<p><b>Commentary on Result</b></p> <p><b>2013/14 Ratio 107.88%</b></p> <p>The Department of Local Government and Communities has set a standard of 90%. The Town exceeds the standard. This indicates that the Town is replacing or renewing existing assets at the same rate that the overall asset stock is wearing out.</p>
Year	Ratio %									
2012	539.50%									
2013	244.00%									
2014	107.88%									
<p><b>7. Asset Renewal Funding Ratio</b></p>  <p>A bar chart with a vertical axis labeled 'Ratio %' ranging from 0% to 120% in 20% increments. A single green bar for the year 2014 is at the 0.00% mark.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>0.00%</td> </tr> </tbody> </table>	Year	Ratio %	2014	0.00%	<p><b>Purpose Asset Renewal Funding Ratio</b></p> <p>To assess the ability of Council to fund its projected asset renewal / replacements in the future.</p>	<p><b>Commentary on Result</b></p> <p><b>2013/14 Ratio n/a</b></p> <p>This ratio is calculated from information contained in the Long Term Financial Plan and Asset Management Plans, and not the Annual Financial Report. The Town has prepared draft Plans and commentary on ratios will be covered in these documents. The Department of Local Government and Communities has set a basic standard of between 75% and 95%.</p>				
Year	Ratio %									
2014	0.00%									



# Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 23. Information on Borrowings

\$ '000	Borrowing Institution	Interest Rate %	Principal 1-Jul-13	New Loans	Principal Repayments		Principal 30-Jun-14		Interest Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget
<b>(a). Debenture Repayments</b>										
<b>Governance</b>										
- Civic Centre Upgrade	WATC	4.88%	-	500	-	74	500	4,925	3	125
<b>Law, Order, Public Safety</b>										
- State Emergency Services Shed	* WATC	6.36%	216	-	32	31	184	214	14	13
<b>Education &amp; Welfare</b>										
- HACC Housing Upgrade	WATC	6.36%	257	-	36	36	221	255	16	16
- GP Housing Loan	WATC	4.73%	1,500	-	46	46	1,454	1,454	70	71
<b>Housing</b>										
- Staff Housing	WATC	6.92%	129	-	129	129	-	120	7	7
- Staff Housing	Keystart	5.58%	60	-	60	60	-	57	3	3
- Staff Housing - Morgans Street	WATC	6.75%	1,335	-	48	48	1,287	1,332	89	90
- Staff Housing - Morgans Street	WATC	6.78%	1,957	-	67	67	1,890	1,953	132	133
- Staff Housing Airport	WATC	6.04%	1,228	-	39	39	1,189	1,226	74	74
<b>Community Amenities</b>										
- Underground Power	WATC	3.67%	654	-	121	121	533	533	22	23
<b>Recreation &amp; Culture</b>										
- Aquatic Centre Upgrade	WATC	6.71%	321	-	73	73	248	317	20	20
- Swimming Pool Extension	WATC	5.79%	197	-	39	39	158	195	11	11
- Yacht Club	* WATC	6.48%	429	-	25	25	404	427	27	27
- Yacht Club Additional	* WATC	6.02%	227	-	12	12	215	227	13	13
- JD Hardie Upgrade	WATC	6.05%	1,464	-	47	47	1,417	1,462	88	89
- Marquee Park	WATC	6.05%	784	-	25	25	759	805	47	48
- Marquee Park Loan B	WATC	5.22%	4,308	-	137	137	4,171	4,301	223	226
- Multi-purpose Recreation Centre	WATC	5.22%	7,590	-	242	242	7,348	7,578	394	398
- South Hedland Bowling Club	* WATC	5.21%	-	500	-	7	500	493	10	13
- JD Hardie Facility Upgrade	WATC	4.63%	1,446	-	45	45	1,401	1,401	66	67
- Wanangkura Stadium	WATC	4.82%	2,500	-	77	77	2,423	2,423	120	122
- JD Hardie Roof & Security Upgrade			-	280	-	4	280	276	5	7

(continued on next page)

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000	Borrowing Institution	Interest Rate %	Principal 1-Jul-13	New Loans	Principal Repayments		Principal 30-Jun-14		Interest Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget
<b>(a). Debenture Repayments (continued)</b>										
<b>Transport</b>										
-Wallwork Rd Bridge	WATC	4.96%	-	484	-	14	484	837	4	22
-Floodwater Pump	WATC		-	-	-	4	-	296	-	8
<b>Economic Services</b>										
- Port Hedland Visitors Centre	WATC	5.79%	62	-	5	6	57	61	3	4
- Catamore Court	WATC	5.21%	-	1,618	-	16	1,618	1,077	30	28
- JD Hardie Land Purchase	WATC		-	-	-	2	-	148	-	4
			<b>26,664</b>	<b>3,382</b>	<b>1,305</b>	<b>1,426</b>	<b>28,741</b>	<b>34,393</b>	<b>1,491</b>	<b>1,662</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 2014

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

\$ '000	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual	Budget						Actual	Budget	
<b>(b). New Debentures</b>										
Catamore Court	1,618	1,095	WATC	Council	20	1,025	5.21%	1,618	1,868	-
Wallwork Rd Bridge	484	850	WATC	Council	20	290	4.96%	181	484	303
Civic Centre Upgrade	500	5,000	WATC	Council	20	295	4.88%	253	500	247
SH Bowls and Tennis Club	500	500	WATC	Council	20	317	5.21%	392	500	108
JD Hardie Security Upgrade	280	280	WATC	Council	20	177	5.21%	130	280	150
JD Hardie Land Purchase		150								
Floodwater Refurbishment		300								
	<b>3,382</b>	<b>8,175</b>				<b>2,104</b>		<b>2,574</b>	<b>3,632</b>	<b>808</b>

\$ '000	Date Borrowed	Balance 1-Jul-13	Borrowed During Year	Expended During Year	Balance 30-Jun-14

#### (c). Unspent Debentures

Wallwork Rd Bridge	15/05/2014	-	484	(181)	303
Civic Centre Upgrade	30/05/2014	-	500	(253)	247
SH Bowls and Tennis Club	26/02/2014	-	500	(392)	108
JD Hardie Security Upgrade	26/02/2014	-	280	(130)	150
Catamore Court	26/02/2014	-	1,618	(1,618)	-
		<b>-</b>	<b>3,382</b>	<b>(2,574)</b>	<b>808</b>

#### (d). Overdraft

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

# Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 24(a). Rating Information (2013/14 Financial Year)

	Rate in \$	Number of Properties	Rateable Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue
<b>\$ '000</b>											
	Notes										
<b>Rate Type</b>											
<b>Differential General Rate</b>											
GRV - Residential	3.3507	4,918	385,356	12,912	522	13	13,447	12,912	1,000	-	13,912
GRV - Commercial	3.3847	167	24,502	829	40	(16)	853	829	-	-	829
GRV - Industrial	3.3507	327	46,544	1,560	26	1	1,587	1,560	-	-	1,560
GRV - Shopping Centre	6.9496	2	8,682	603	-	-	603	603	-	-	603
GRV - Mass Accommodation	9.9212	19	31,730	3,148	205	112	3,465	3,148	-	-	3,148
UV - Mining Improved	39.6198	51	1,621	642	(20)	(1)	622	642	-	-	642
UV - Mining Vacant	39.6197	76	1,236	490	70	10	570	490	-	-	490
UV - Pastoral	6.4607	9	1,886	122	-	-	122	122	-	-	122
UV - Other	13.1282	13	1,567	206	-	0	206	206	-	-	206
UV - Other Vacant	14.9027	1	200	30	-	-	30	30	-	-	30
<b>Sub-Total</b>		<b>5,583</b>	<b>503,324</b>	<b>20,542</b>	<b>843</b>	<b>119</b>	<b>21,506</b>	<b>20,542</b>	<b>1,000</b>	<b>-</b>	<b>21,542</b>
<b>Minimum Rates</b>											
	Minimum \$										
GRV - Residential	1,165	511	9,015	595	-	-	595	595	-	-	595
GRV - Commercial	1,165	81	1,175	94	-	-	94	93	-	-	93
GRV - Industrial	1,165	61	927	71	-	-	71	70	-	-	70
UV - Mining Improved	1,165	46	58	54	-	-	54	54	-	-	54
UV - Mining Vacant	1,165	255	212	297	-	-	297	297	-	-	297
UV - Pastoral	1,165	2	27	2	-	-	2	2	-	-	2
UV - Other	1,165	2	4	2	-	-	2	2	-	-	2
UV - Other Vacant	1,165	9	-	10	-	-	10	10	-	-	10
<b>Sub-Total</b>		<b>967</b>	<b>11,418</b>	<b>1,125</b>	<b>-</b>	<b>-</b>	<b>1,125</b>	<b>1,124</b>	<b>-</b>	<b>-</b>	<b>1,124</b>
							22,631				22,666
Concessions							(109)				(108)
<b>Totals</b>							<b>22,522</b>				<b>22,558</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000	Notes	2014 Carried Fwd Actual	2013 Brought Fwd Actual
<b>Current Assets</b>			
Cash - Unrestricted	3	4,855	(620)
Cash - Restricted Grants	3	2,614	2,304
Cash - Restricted Reserves	3	67,132	74,559
Cash - Restricted Unspent Loans	3	808	-
Rates - Current	5	76	408
Sundry Debtors	5	10,936	30,565
Provisions for Doubtful Debts		(310)	(501)
Accrued Income		245	1,459
Other Receivables	5	228	217
Inventories			
- Fuel and Materials	6	2	6
- Other	6	8	6
		<b>86,594</b>	<b>108,403</b>
<b>Current Liabilities</b>			
Sundry Creditors	9	6,109	9,099
Accrued Interest on Debentures	9	347	310
Accrued Salaries and Wages	9	-	312
Current Employee Benefits Provision	11	2,632	2,289
Current Loan Liability	10	1,278	1,305
Income in Advance		-	2,116
		<b>10,366</b>	<b>15,431</b>
<b>Net Current Assets</b>		<b>76,228</b>	<b>92,972</b>
<b>Less:</b>			
Reserves - Restricted Cash	3	(67,132)	(74,559)
Restricted Receivables		(6,135)	(19,921)
Unspent Grants		(2,614)	(2,303)
Unspent Loans		(808)	-
<b>Add Back:</b>			
Current Loan Liability	10	1,278	1,305
<b>Surplus/(Deficit)</b>		<b>817</b>	<b>(2,506)</b>

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2014

#### Note 25. Specified Area Rate (2013/14 Financial Year)

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\$ '000

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The Town has not imposed Specified Area Rates.

#### Note 26. Service Charges (2013/14 Financial Year)

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

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

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

Connection Charge - \$1,027.58

kVA Charge - \$137.58

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

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

**Payment Options:**

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

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

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2014

#### Note 27. Discounts, Incentives, Concessions & Write-offs (2013/14 Financial Year)

\$ '000

##### (a) Discounts

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

\$ '000	Notes	Total Cost / Value	Budget Cost / Value
<b>(b). Write-Offs</b>			
	2(a)		
<b>Rate Debtors</b>			
A803135	Lot 270 Great Northern Highway, Port Hedland	31	31
A804113	Lot 185 Maddigan Road, Pippingarra	100	100
<b>Sundry Debtors</b>			
7929		170	170
7231		10	10
7976		6	6
6674		2	2
8216		1	1
4502		1	1
1064		1	1
8310		1	1
6265		16	16
7105		6	6
1037		1	1
1088		1	1
8341		1	1
8188		1	1
8787		1	1
		<u>350</u>	<u>350</u>

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

##### (c). Waivers

The Town of Port Hedland did not provide any waivers during the 2013/14 financial year.

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 27. Discounts, Incentives, Concessions &amp; Write-offs (2013/14 Financial Year) cont'd

\$ '000

## (d). Concessions

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

\$ '000		Notes	Total Cost / Value	Budget Cost / Value
A102320	3 FINLAY STREET, PORT HEDLAND	2(a)	1	1
A106282	17 HAMILTON ROAD, SOUTH HEDLAND		10	10
A106283	19 HAMILTON ROAD, SOUTH HEDLAND		6	6
A113927	22 BEROONA LOOP, SOUTH HEDLAND		2	2
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		2	2
A130165	GREAT NORTHERN HIGHWAY, 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	MADIGAN ROAD, PIPPINGARRA		17	17
A156550	10 MCKAY STREET, PORT HEDLAND		2	2
A300057	33 STYLES ROAD, PORT HEDLAND		1	1
A400610	10 SMITH STREET, SOUTH HEDLAND		2	2
A402430	DEMPSTER STREET, PORT HEDLAND		1	1
A406870	69 STANLEY STREET, SOUTH HEDLAND		2	2
A802155	SHOATA ROAD, BOODARIE		33	33
A802207	LAWSON STREET, SOUTH HEDLAND		1	1
A803051	48P WHARF ROAD, PORT HEDLAND		1	1
A805022	LS2 29 JOHNSON LANE, PORT HEDLAND		1	1
	Pensioner Rubbish Bin Discount (20%)		3	2
			<b>109</b>	<b>108</b>



## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

#### Note 28. Interest Charges and Instalments (2013/14 Financial Year)

\$ '000	Interest Rate %	Admin. Charge	Revenue	Budgeted Revenue
Interest on Unpaid Rates	11.00%	-	197	100
Interest on Instalments Plan	5.50%	-	98	60
Charges on Instalment Plan		13.20	65	50
			<u>360</u>	<u>210</u>

An interest rate of 11% is charged on all rate payments that are late.

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

##### Option 1 - Full Payment:

The full amount of rates and charges including arrears to be paid on or before Monday 23 September 2013 - 35 days after the date of service.

##### Option 2 - 4 Instalments:

First instalment to be received on or before Monday 23 September 2013 including all arrears and a quarter of the current rates and service charges. Second instalment due on or before 2 December 2013, third instalment due on or before 10 February 2014 and the fourth instalment due on or before 10 April 2014.

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 \$13.20 each for the three subsequent instalment notices.

Ratepayers can also register to be considered for an alternative payment arrangement. An administration charge of \$65.80 applies.

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

#### Note 29. Fees & Charges

\$ '000	2014 Actual	2014 Budget	2013 Actual
Governance	2	2	11
General Purpose Funding	75	193	115
Law, Order, Public Safety	171	114	120
Health	145	81	77
Education and Welfare	4	266	-
Housing	246	-	-
Community Amenities	13,252	9,781	10,693
Recreation and Culture	579	713	580
Transport	18,563	17,527	17,637
Economic Services	3,087	6,916	2,572
Other Property and Services	-	-	138
	<u>36,124</u>	<u>35,593</u>	<u>31,943</u>

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000	2014 Actual	2013 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	10,234	6,074
Non-Operating Grants, Subsidies and Contributions	4,539	57,569
	<u>14,773</u>	<u>63,643</u>
<b>(b). By Program</b>		
Governance	6	58
General Purpose Funding	2,434	2,628
Law, Order, Public Safety	127	132
Health	2	4
Education & Welfare	893	108
Housing	59	10
Community Amenities	1,096	4
Recreation & Culture	2,836	4,533
Transport	2,829	21,650
Economic Services	4,248	34,243
Other Property & Services	243	273
	<u>14,773</u>	<u>63,643</u>

#### Note 31. Employee Numbers

\$ '000	2014 Actual	2013 Actual	2012 Actual
The number of full-time equivalent employees at balance date	219	206	161

#### Note 32. Councillor Remuneration

\$ '000	2014 Actual	2014 Budget	2013 Actual
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	231	166	69
Mayor's Allowance	75	75	60
Deputy Mayor's Allowance	20	19	15
Travelling Expenses	-	-	38
Technology Allowance	-	-	8
Telecommunications Allowance	31	31	22
	<u>357</u>	<u>291</u>	<u>212</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 33. Employee Costs

\$ '000	2014 Actual	2014 Budget	2013 Actual
Wages and Salaries	16,558	-	13,206
Employee Leave Entitlements	415	-	809
Superannuation	2,124	-	1,737
Workers' Compensation Insurance	609	-	345
Protective Clothing & Uniforms	91	-	84
Members Allowances & Expenses	8	-	13
Fringe Benefits Tax	252	-	200
Conferences, Training and Travel	282	-	250
Other	266	-	5,908
<b>Total Employee Costs</b>	<b>20,605</b>	<b>25,711</b>	<b>22,552</b>
less: Capitalised Costs	-	-	-
	<b>20,605</b>	<b>25,711</b>	<b>22,552</b>

\$ '000	Salary Range	2014 Actual	2013 Actual
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**Employee Remuneration**

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

**Details**

LG Administration Regulations 19 B	100,000 - 109,999	14	10
	110,000 - 119,999	6	5
	120,000 - 129,999	8	6
	130,000 - 139,999	6	10
	140,000 - 149,999	5	1
	150,000 - 159,999	1	-
	160,000 - 169,999	2	-
	170,000 - 179,999	-	2
	180,000 - 189,999	2	1
	190,000 - 199,999	-	2
	200,000 +	1	1

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

### Note 34. Major Land Transactions

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\$ '000

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#### (a). Details

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

In March 2009 the Town of Port Hedland entered into a 10 year lease agreement with Compass Group Pty Ltd for an 11.895ha parcel of land adjacent to the Port Hedland International Airport. In accordance with the terms of their lease, Compass Group Pty Ltd has developed the land for the purpose of non-residential workforce accommodation. The land is owned freehold by the Town. The financial return is approximately \$8.6 million over the term of the lease which will increase the net operating income of the Town, and will provide additional funds to provide improved services and facilities for Town of Port Hedland residents. There are no new assets or liabilities expected to be realised in association with this major land transaction.

The Town is also negotiating a further lease with Compass Group Pty Ltd for an additional 2.2724ha parcel of land to the 11.985ha lease site. In accordance with the terms of the proposed lease, Compass Group will utilise the land for the purposes of non residential workforce accommodation. Council has endorsed the essential terms of this additional agreement in accordance with the disposal process governing this land transaction, which encompassed back dated lease revenue to the commencement of the principal lease terms.

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

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

##### **Mineral Resources**

The Town is negotiating a lease agreement with Mineral Resources Ltd for a parcel of land adjacent to the Port Hedland International Airport. The land is owned freehold by the Town. In accordance with the terms of the proposed lease, Mineral Resources Ltd will utilise the land for the purposes of non-residential workforce accommodation. Council has endorsed the business plan governing this major land transaction which encompassed lease revenue and a community contribution. Due to the uncertainty surrounding the execution of any lease agreement, the Town has not incorporated any potential financial implications arising from this major land transaction.

##### **Catamore Court**

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

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\$ '000

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

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

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

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

Following an Expressions of Interest process, the Town allocated four houses to Pilbara Medical Holdings, and three to Kinetic Health 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, with the completed assets gifted to the Town. It is anticipated that the handover will occur during the 2014/15 financial year, as such a non cash contribution and corresponding non cash asset acquisition of \$1.75m has been incorporated into the 2014/15 Budget.

The Town will be responsible for the ongoing maintenance and asset management of the houses. Following completion of construction, the Town will run an Expressions of Interest process as per Stage 1, to allocate houses to medical practices within the Town area.

##### **JD Hardie Land**

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

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

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\$ '000

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##### **Kingsford Smith Business Park**

Set out below are details of Major Land Transactions relating to the area of land between Wallwork Road and the Port Hedland International Airport, formally known as Kingsford Smith Business Park. A number of sales of land within this subdivision will fall below the threshold for a major land transaction. The Town is currently preparing a marketing and disposal strategy for the balance of the lots.

As at 30 June 2014, the Town had already entered into or substantially commenced a number of major land transactions relating to this area, however the subdivision has not yet been completed. It is anticipated that other major land transactions will be undertaken in the future, however any such proposed transactions will require the approval of Council. Aside from the transactions identified below, no additional revenue sources from major land transactions have been incorporated into cash flow projections.

##### **- BHP Billiton Iron Ore**

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

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

##### **- Ausco Modular**

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

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 34. Major Land Transactions (continued)

\$ '000

**- Bunnings**

In May 2013, the Town entered into a private treaty arrangement with bunnings Properties Pty Ltd for the sale of part Lot 12 in the Kingsford Smith Business Park at a value of \$2.695m. Settlement of the Sale Contract is contingent upon completion of the subdivision works, and servicing of the lot. The estimated timing for completion of works is February 2015. The sale proceeds and a corresponding transfer to the Airport Reserve have been recognised in the 2014/15 financial year. The sale of the land to Bunnings will cause the land to change from non-rateable to rateable. As the land has not yet been valued by the Office of the Valuer-General, no estimates for additional rates revenue have been incorporated into outward year projections. There are no new assets or liabilities expected to be realised in association with this major land transaction. However, the sale of land will trigger a profit/loss on disposal of asset.

\$ '000	2014 Actual	2013 Actual
<b>(b). Current Year Transactions</b>		
<b>Operating Income</b>		
Port Hedland International Airport - Compass Group Pty Ltd		
Lease Revenue	1,122	820
Rates	748	-
Port Hedland International Airort - Mia Mia Port Hedland International Airport Pty Ltd		
Lease Revenue	190	-
Rates	220	-
Mineral Resources		
Lease Revenue	-	-
Catamore Court		
Nil		
General Practitioner Housing		
Lease Revenue - Pilbara Medical Holdings	93	-
Lease Revenue - Kinetic Health	-	-
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Lease Revenue	4,053	-
Rates	173	-
- Ausco Modular		
Nil		
- Bunnings		
Nil		
	<b>6,599</b>	<b>820</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 34. Major Land Transactions (continued)

\$ '000	2014 Actual	2013 Actual
<b>(b). Current Year Transactions (continued)</b>		
<b>Operating Expense</b>		
Port Hedland International Airport - Compass Group Pty Ltd		
Nil		
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Nil		
Mineral Resources		
Nil		
Catamore Court		
Nil		
General Practitioner Housing		
Property Insurance	(13)	-
Utility Charges	(14)	-
Building Maintenance	(3)	-
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Nil		
- Ausco Modular		
Nil		
- Bunnings		
Nil		
	<u>(30)</u>	<u>-</u>
<b>Total</b>	<u><u>6,569</u></u>	<u><u>820</u></u>



## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 34. Major Land Transactions (continued)

\$ '000	2014 Actual	2013 Actual
<b>(b). Current Year Transactions (continued)</b>		
<b>Capital Income</b>		
Port Hedland International Airport - Compass Group Pty Ltd		
Nil		
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Nil		
Mineral Resources		
Nil		
Catamore Court		
Loan Borrowings	1,618	-
Proceeds from Sale of Land	250	-
General Practitioner Housing		
Nil		
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Nil		
- Ausco Modular		
Nil		
- Bunnings		
Nil		
	<u>1,868</u>	<u>-</u>
<b>Capital Expenditure</b>		
Port Hedland International Airport - Compass Group Pty Ltd		
Nil		
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Nil		
Mineral Resources		
Nil		
Catamore Court		
Land Development Costs	(1,682)	-
General Practitioner Housing		
Project Management Expenses	(5)	-
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Land development Costs	(191)	-
- Ausco Modular		
Nil		
- Bunnings		
Nil		
	<u>(1,878)</u>	<u>-</u>
<b>Total</b>	<u>(10)</u>	<u>-</u>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 34. Major Land Transactions (continued)

\$ '000	2014/15	2015/16	2016/17	2017/18	Total
<b>(c). Expected Future Cash Flows</b>					
<b>Cash Inflows</b>					
Port Hedland International Airport - Compass Group Pty Ltd					
Rates	735	772	810	851	<b>3,168</b>
Lease Revenue	983	1,008	298	1,141	<b>3,430</b>
Port Hedland International Airport - Mia Mia					
Rates	184	193	203	213	<b>793</b>
Lease Revenue	159	163	167	171	<b>660</b>
Community Contribution	487	487	487	487	<b>1,948</b>
Mineral Resources					
Nil					
Catamore Court					
Land Sales	2,977	-	-	-	<b>2,977</b>
General Practitioner Housing					
Lease Revenue - Pilbara Medical Holdings	121	124	-	-	<b>245</b>
Lease Revenue - Kinetic Health	91	94	-	-	<b>185</b>
JD Hardie Land					
Loan Borrowings	150	-	-	-	<b>150</b>
Kingsford Smith Business Park					
- BHP Billiton Iron Ore					
Lease Revenue	3,685	3,795	3,909	4,026	<b>15,415</b>
Rates	229	240	252	265	<b>986</b>
- Ausco Modular					
Nil					
- Bunnings					
Land Sales	2,695	-	-	-	<b>2,695</b>
	<b>12,496</b>	<b>6,876</b>	<b>6,126</b>	<b>7,154</b>	<b>32,652</b>

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 34. Major Land Transactions (continued)

\$ '000	2014/15	2015/16	2016/17	2017/18	Total
<b>(c). Expected Future Cash Flows (continued)</b>					
<b>Cash Outflows (continued)</b>					
Port Hedland International Airport - Compass Group Pty Ltd					
Nil					
Port Hedland International Airport - Mia Mia					
Nil					
Mineral Resources					
Nil					
Catamore Court					
Acquisition of Housing	(2,977)	-	-	-	<b>(2,977)</b>
General Practitioner Housing					
Materials and Contracts	(46)	(50)	(49)	(50)	<b>(195)</b>
Utilities	(30)	(30)	(31)	(32)	<b>(123)</b>
Depreciation	(131)	(134)	(138)	(141)	<b>(544)</b>
Interest	(68)	(66)	(63)	(61)	<b>(258)</b>
Insurance	(14)	(15)	(15)	(16)	<b>(60)</b>
Loan Repayments	(49)	(51)	(53)	(56)	<b>(209)</b>
JD Hardie Land					
Acquisition of Land	(150)	-	-	-	<b>(150)</b>
Kingsford Smith Business Park					
- BHP Billiton Iron Ore					
Nil					
- Ausco Modular					
Nil					
- Bunnings					
Nil					
	<b>(3,465)</b>	<b>(346)</b>	<b>(349)</b>	<b>(356)</b>	<b>(4,516)</b>
<b>Net Cash Flows</b>	<b>9,031</b>	<b>6,530</b>	<b>5,777</b>	<b>6,798</b>	<b>28,136</b>

## Note 35. Trading and Major Trading Undertakings

No trading or major trading activities were undertaken in 2013/14.

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

#### Note 36. Financial Risk Management

\$ '000

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

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

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

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

The Town held the following financial instruments at balance date.

	Notes	Carrying Value		Fair Value	
		2014	2013	2014	2013
<b>Financial Assets</b>					
Cash and Cash Equivalents	3	68,409	76,243	75,409	76,243
Receivables (Current & Non-Current)	5	12,486	33,039	12,839	33,039
Financial Assets at Fair Value through Profit or Loss	4	7,000	-	68,100	-
		<u>87,895</u>	<u>109,282</u>	<u>156,348</u>	<u>109,282</u>
<b>Financial Liabilities</b>					
Payables (Current & Non-Current)	9	6,456	11,837	6,912	11,837
Borrowings (Current & Non-Current)	10	28,741	26,664	28,741	26,664
		<u>35,197</u>	<u>38,501</u>	<u>35,653</u>	<u>38,501</u>

Fair Value is determined as follows:

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000

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

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

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

Council has an Investment Policy which complies with the relevant legislation. The policy is regularly reviewed by Council and an Investment Report is tabled before Council on a monthly basis setting out the make-up and performance of the portfolio.

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

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

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

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

	30-Jun-14	30-Jun-13
<b>Impact of a 10% <sup>(1)</sup> movement in price of investments</b>		
Equity	700	-
Statement of Comprehensive Income <sup>(2)</sup>	700	-
<b>Impact of a 1% <sup>(1)</sup> movement in interest rates on cash and investments</b>		
Equity	754	385
Statement of Comprehensive Income	754	385

#### 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 2014

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

\$ '000

##### (b). Receivables

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

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

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

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

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

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

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

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

	30-Jun-14	30-Jun-13
	%	%
<b>Percentage of Rates and Annual Charges</b>		
Current	0.00%	90.00%
Overdue	100.00%	10.00%
<b>Percentage of Other Receivables</b>		
Current	68.00%	83.00%
Overdue	32.00%	17.00%

## Town of Port Hedland

## Notes to the Financial Statements

for the year ended 30 June 2014

## Note 36. Financial Risk Management (continued)

\$ '000

## (c). Payables &amp; Borrowings

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

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

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
<b>2014</b>					
Payables	6,912	-	-	6,912	6,456
Borrowings	2,836	14,613	27,313	44,762	28,741
	<b>9,748</b>	<b>14,613</b>	<b>27,313</b>	<b>51,674</b>	<b>35,197</b>
<b>2013</b>					
Payables	11,837	-	-	11,837	11,837
Borrowings	1,305	4,998	20,361	26,664	26,664
	<b>13,142</b>	<b>4,998</b>	<b>20,361</b>	<b>38,501</b>	<b>38,501</b>

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

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

	30-Jun-14		30-Jun-13	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank Loans - Fixed	5.66%	28,741	5.48%	26,664
		<u>28,741</u>		<u>26,664</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 2014

## Note 37. Fair Value Measurements

\$ '000

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities,

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

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

2014	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	-	73,880	-	73,880
Buildings	30/06/14	-	8,159	91,561	99,720
Plant and Equipment	30/06/13	-	11,325	-	11,325
<b>Total Property, Plant &amp; Equipment</b>		<b>-</b>	<b>93,364</b>	<b>91,561</b>	<b>184,925</b>



## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

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\$ '000

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##### (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.

##### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs) Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

##### Property, Plant & Equipment

###### Valuation Process - Plant and Equipment

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

###### Valuation Process - Land

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

###### Valuation Process - Buildings

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

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

## Town of Port Hedland

### Notes to the Financial Statements for the year ended 30 June 2014

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

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\$ '000

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#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Valuation Process - Buildings (continued)

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

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

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

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

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

#### (4). Highest and best use

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

## Town of Port Hedland

### Notes to the Financial Statements

for the year ended 30 June 2014

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

\$ '000

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

#### Note 39. Investment Properties

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

#### Note 40. Intangible Assets

Intangible Assets represent identifiable non-monetary asset without physical substance.

The Easements registered to Town of Port Hedland at 30th June 2014 mainly provide right of access for the purpose of water, sewerage, storm water and similar activities. For most of the easements, the access is for Government Agencies like Water Corporation, State Energy Commission and other similar agencies.

The Town is of the view that due to the nature of the easements which mainly provide access only, it is not able to put a value to these easements which will provide future economic benefits to the organisation.

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

\$ '000

2014

2013

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

###### Correction of errors disclosed in this year's financial statements:

2013 Carried Forward Surplus as per 2013 Annual Financial Report	(2,438)
2013 Brought Forward Surplus as per 2014 Annual Financial Report	(2,506)
Self Supporting Loan Principal Income as per Rate Setting Statement	(68)

##### (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 2014

#### Note 42. Discontinued Operations

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\$ '000

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

#### 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 2014) 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 2014.

**(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 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

## **Independent Auditor's Report To the Ratepayers of Town of Port Hedland**

We have audited the accompanying financial report of Town of Port Hedland (“the Town”) which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Chief Executive Officer’s statement.

### **Council’s responsibility for the financial report**

The Council of the Town is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995 Part 6. This responsibility includes establishing and maintaining internal control 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. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with 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 Town’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 Town, as well as evaluating the overall presentation of the financial report.

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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 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Town'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**

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

- (i) gives a true and fair view of the Town of Port Hedland's financial position as at 30 June 2014 and of its performance for the financial year ended 30 June 2014;
- (ii) complies with Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (iii) is prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under that Act.

### **Statutory Compliance**

I did not, during the course of my audit, become aware of any instance where the Council did not comply with the requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 as they relate to financial statements.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M J Hillgrove  
Partner - Audit & Assurance

Perth, 9 October 2014