

TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

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TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Town of Port Hedland being the annual financial report and other information for the financial year ended 30th June 2011 are in my opinion properly drawn up to present fairly the financial position of the Town of Port Hedland at 30th June 2011 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 29th day of November 2011



Paul Martin
Chief Executive Officer

TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2011

	NOTE	2011 \$	2011 Budget \$	2010 \$
REVENUE				
Rates	22	13,571,692	13,318,745	11,335,260
Operating Grants, Subsidies and Contributions	28	6,470,557	4,947,347	3,316,330
Fees and Charges	27	21,207,469	18,226,272	17,888,849
Interest Earnings	2(a)	2,195,662	2,397,928	1,863,451
Other Revenue		494,801	519,137	434,907
		<u>43,940,181</u>	<u>39,409,429</u>	<u>34,838,797</u>
EXPENSES				
Employee Costs		(13,440,726)	(13,064,860)	(11,170,036)
Materials and Contracts		(12,515,128)	(10,517,160)	(9,848,939)
Utility Charges		(1,659,674)	(1,293,270)	(1,677,418)
Depreciation on Non-Current Assets	2(a)	(6,140,570)	(4,442,873)	(4,847,366)
Interest Expenses	2(a)	(438,565)	(962,202)	(340,626)
Insurance Expenses		(708,908)	(622,760)	(655,814)
Other Expenditure		(1,862,589)	(5,042,308)	(1,170,847)
		<u>(36,766,160)</u>	<u>(35,945,433)</u>	<u>(29,711,046)</u>
		7,174,021	3,463,996	5,127,751
Non-Operating Grants, Subsidies and Contributions	28	21,822,577	42,892,658	9,610,522
Profit on Asset Disposals	20	1,491	60,700	10,532
Loss on Asset Disposal	20	<u>(23,430)</u>	<u>(153,400)</u>	<u>(15,634)</u>
NET RESULT		28,974,659	46,263,954	14,733,171
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u>28,974,659</u>	<u>46,263,954</u>	<u>14,733,171</u>

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

TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2011

	NOTE	2011 \$	2011 Budget \$	2010 \$
REVENUE				
Governance		92,818	45,560	176,539
General Purpose Funding		19,334,947	18,572,781	15,169,559
Law, Order, Public Safety		600,884	604,497	227,383
Health		71,845	68,750	81,601
Education and Welfare		334,713	536,724	293,628
Housing		3,280,387	3,272,536	222,248
Community Amenities		7,504,098	5,835,770	5,476,777
Recreation and Culture		10,786,599	9,635,149	2,164,771
Transport		13,137,940	32,429,904	12,438,818
Economic Services		10,364,266	11,105,785	7,699,327
Other Property and Services		<u>255,752</u>	<u>255,331</u>	<u>509,200</u>
	2 (a)	65,764,249	82,362,787	44,459,851
EXPENSES EXCLUDING FINANCE COSTS				
Governance		(1,485,539)	(1,564,153)	(1,362,029)
General Purpose Funding		(367,773)	(374,480)	(397,272)
Law, Order, Public Safety		(1,240,196)	(1,055,102)	(903,831)
Health		(486,096)	(481,656)	(397,748)
Education and Welfare		(956,184)	(882,408)	(766,235)
Housing		(617,505)	(501,351)	(540,466)
Community Amenities		(6,970,489)	(5,316,383)	(5,190,501)
Recreation & Culture		(12,792,658)	(14,100,269)	(10,275,380)
Transport		(9,202,724)	(8,307,876)	(8,021,382)
Economic Services		(1,788,306)	(2,156,602)	(1,001,617)
Other Property and Services		<u>(443,555)</u>	<u>(396,350)</u>	<u>(529,593)</u>
	2 (a)	(36,351,025)	(35,136,630)	(29,386,054)
FINANCE COSTS				
Governance		(4,499)	(4,496)	(6,340)
Law, Order, Public Safety		(17,882)	(18,497)	(19,515)
Education and Welfare		(21,288)	(22,020)	(25,714)
Housing		(285,892)	(372,494)	(185,186)
Community Amenities		(10,688)	(10,804)	(23,856)
Recreation & Culture		(91,137)	(526,709)	(71,054)
Transport		(2,901)	(2,905)	(4,436)
Economic Services		<u>(4,278)</u>	<u>(4,278)</u>	<u>(4,525)</u>
	2 (a)	(438,565)	(962,203)	(340,626)
NET RESULT		<u>28,974,659</u>	<u>46,263,954</u>	<u>14,733,171</u>
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>28,974,659</u></u>	<u><u>46,263,954</u></u>	<u><u>14,733,171</u></u>

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

**TOWN OF PORT HEDLAND
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2011**

	NOTE	2011 \$	2010 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	35,458,967	44,937,866
Trade and Other Receivables	4	6,915,465	6,858,704
Inventories	5	14,451	7,334
TOTAL CURRENT ASSETS		<u>42,388,883</u>	<u>51,803,904</u>
NON-CURRENT ASSETS			
Other Receivables	4	955,808	879,846
Property, Plant and Equipment	6	67,587,176	36,059,859
Infrastructure	7	116,744,977	104,661,136
TOTAL NON-CURRENT ASSETS		<u>185,287,961</u>	<u>141,600,841</u>
TOTAL ASSETS		<u>227,676,844</u>	<u>193,404,745</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	7,274,177	5,363,064
Long Term Borrowings	9	634,820	697,759
Provisions	10	1,491,158	1,331,128
TOTAL CURRENT LIABILITIES		<u>9,400,155</u>	<u>7,391,951</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	9,288,722	5,994,359
Provisions	10	100,166	105,293
TOTAL NON-CURRENT LIABILITIES		<u>9,388,888</u>	<u>6,099,652</u>
TOTAL LIABILITIES		<u>18,789,043</u>	<u>13,491,603</u>
NET ASSETS		<u>208,887,801</u>	<u>179,913,142</u>
EQUITY			
Retained Surplus		180,557,880	138,687,643
Reserves - Cash Backed	11	27,477,393	40,372,971
Reserves - Asset Revaluation	12	852,528	852,528
TOTAL EQUITY		<u>208,887,801</u>	<u>179,913,142</u>

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

**TOWN OF PORT HEDLAND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2011**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2009		129,914,564	34,412,879	852,528	165,179,971
Net Result		14,733,171	0	0	14,733,171
Total Other Comprehensive Income		0	0	0	0
Reserve Transfers		(5,960,092)	5,960,092	0	0
Balance as at 30 June 2010		138,687,643	40,372,971	852,528	179,913,142
Net Result		28,974,659	0	0	28,974,659
Total Other Comprehensive Income		0	0	0	0
Reserve Transfers		12,895,578	(12,895,578)	0	0
Balance as at 30 June 2011		180,557,880	27,477,393	852,528	208,887,801

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

**TOWN OF PORT HEDLAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2011**

	NOTE	2011 \$	2011 Budget \$	2010 \$
Cash Flows From Operating Activities				
Receipts				
Rates		13,669,902	13,052,370	11,335,260
Operating Grants, Subsidies and Contributions		6,470,557	4,947,347	3,316,330
Fees and Charges		21,169,768	16,707,416	17,875,980
Interest Earnings		2,195,662	2,397,928	1,863,451
Goods and Services Tax		2,710,938	0	1,754,826
Other Revenue		494,801	519,137	591,629
		<u>46,711,628</u>	<u>37,624,198</u>	<u>36,737,476</u>
Payments				
Employee Costs		(13,241,218)	(12,969,098)	(11,030,257)
Materials and Contracts		(10,660,080)	(9,640,730)	(10,548,112)
Utility Charges		(1,659,674)	(1,138,077)	(1,677,418)
Insurance Expenses		(708,908)	(622,760)	(655,814)
Interest expenses		(434,222)	(962,202)	(340,626)
Goods and Services Tax		(2,710,938)	0	(1,911,548)
Other Expenditure		(1,862,589)	(5,042,308)	(1,170,847)
		<u>(31,277,629)</u>	<u>(30,375,175)</u>	<u>(27,334,622)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>15,433,999</u>	<u>7,249,023</u>	<u>9,402,854</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(34,524,473)	(37,138,870)	(6,564,248)
Payments for Construction of Infrastructure		(15,387,879)	(32,463,273)	(12,288,822)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		21,352,577	42,892,658	9,610,522
Proceeds from Sale of Plant & Equipment		138,686	357,000	146,819
Net Cash Provided By (Used In) Investing Activities		<u>(28,421,089)</u>	<u>(26,352,485)</u>	<u>(9,095,729)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(698,576)	(889,194)	(793,539)
Transfer from Trust - Public Open Space		470,000	100,000	
Transfer of Self Supporting Loan		(250,000)	0	(500,000)
Proceeds from Self Supporting Loans		56,767	51,208	28,873
Proceeds from New Debentures		3,930,000	19,878,000	2,703,000
Net Cash Provided By (Used In) Financing Activities		<u>3,508,191</u>	<u>19,140,014</u>	<u>1,438,334</u>
Net Increase (Decrease) in Cash Held		(9,478,899)	36,552	1,745,459
Cash at Beginning of Year		44,937,866	27,407,153	43,192,407
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>35,458,967</u></u>	<u><u>27,443,705</u></u>	<u><u>44,937,866</u></u>

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

**TOWN OF PORT HEDLAND
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2011**

	NOTE	2011 \$	2011 Budget \$
REVENUE			
Governance		92,818	45,560
General Purpose Funding		5,763,255	5,254,036
Law, Order, Public Safety		600,884	604,497
Health		71,845	68,750
Education and Welfare		334,713	536,724
Housing		3,280,387	3,272,536
Community Amenities		7,504,098	5,835,770
Recreation and Culture		10,786,599	9,635,149
Transport		13,137,940	32,429,904
Economic Services		10,364,266	11,105,785
Other Property and Services		255,752	255,330
		<u>52,192,557</u>	<u>69,044,041</u>
EXPENSES			
Governance		(1,490,038)	(1,568,649)
General Purpose Funding		(367,773)	(374,480)
Law, Order, Public Safety		(1,258,078)	(1,073,599)
Health		(486,096)	(481,656)
Education and Welfare		(977,472)	(904,428)
Housing		(903,397)	(873,844)
Community Amenities		(6,981,177)	(5,327,186)
Recreation & Culture		(12,883,795)	(14,626,978)
Transport		(9,205,625)	(8,310,781)
Economic Services		(1,792,584)	(2,160,880)
Other Property and Services		(443,555)	(396,350)
		<u>(36,789,590)</u>	<u>(36,098,831)</u>
Net Operating Result Excluding Rates		15,402,967	32,945,210
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
(Profit)/Loss on Asset Disposals		21,939	92,700
Movement in Accrued Interest		4,343	0
Movement in Deferred Pensioner Rates (non-current)		82,474	0
Movement in Accrued Salaries and Wages		44,605	0
Movement in Employee Benefit Provisions		154,903	0
Depreciation and Amortisation on Assets		6,140,570	4,442,873
Capital Expenditure and Revenue			
Purchase Land and Buildings		(32,007,635)	(36,538,347)
Purchase Infrastructure Assets - Roads		(2,206,369)	(31,056,566)
Purchase Infrastructure Assets - Other		(13,181,510)	(9,522,525)
Purchase Plant and Equipment		(2,188,022)	(2,310,750)
Purchase Furniture and Equipment		(328,816)	(244,450)
Proceeds from Disposal of Assets		138,686	357,000
Repayment of Debentures		(698,576)	(889,194)
Transfer to Self Supporting Loans		(250,000)	(500,000)
Proceeds from New Debentures		3,930,000	17,175,000
Self-Supporting Loan Principal Income		56,767	57,294
Transfer from Trust		0	100,000
Transfers to Reserves (Restricted Assets)		(19,657,640)	(15,888,111)
Transfers from Reserves (Restricted Assets)		32,553,218	24,376,617
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		6,144,881	4,084,504
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		7,728,477	0
Amount Required to be Raised from Rates	22	<u><u>(13,571,692)</u></u>	<u><u>(13,318,745)</u></u>

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

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

(c) Goods and Services Tax

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

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

(e) Trade and Other Receivables

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

General

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land Held for Resale

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

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

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

(g) Fixed Assets

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

Initial Recognition

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

Revaluation

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

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

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

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Land under Roads

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

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

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

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

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

Depreciation of Non-Current Assets

All non-current assets having a limited useful life 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.

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

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

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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

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

Capitalisation Threshold

Expenditure on items of equipment under \$2,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

(h) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

Amortised cost is calculated as:

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

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

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

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

(ii) Loans and receivables

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (classified as non-current assets).

(iii) Held-to-maturity investments

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

Held-to-maturity financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

If the 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.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(iv) Available-for-sale financial assets

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

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

(v) Financial liabilities

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

Impairment

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

(i) Estimation of Fair Value

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 based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment

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

Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 '*Impairment of Assets*' and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

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

(k) Trade and Other Payables

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

(l) 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:

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

The provision for employees' benefits to 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 employees services provided to reporting date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

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

(m) Borrowing Costs

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

(o) Leases

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

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

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

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

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

(p) Joint Venture

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

(q) Rates, Grants, Donations and Other Contributions

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

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Superannuation

The Council contributes to a number of superannuation funds on behalf of employees.

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

(v) Budget Comparative Figures

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2011.

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

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 9 – Financial Instruments	December 2009	1 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 124 – Related Party Disclosures	December 2009	1 January 2011	Nil – It is not anticipated the Council will have any related parties as defined by the Standard.
(iii) AASB 1053 - Application of Tiers of Australian Accounting Standards	June 2010	1 July 2013	Nil - Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iv) AASB 2009 -12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	December 2009	1 January 2011	Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(v) AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2009	1 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(vi) AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	June 2010	1 July 2013	Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(vii) AASB 2010 - 4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134, and Interpretation 13]	June 2010	1 January 2011	Nil - The revisions are part of the AASB's annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs. It is not anticipated these will have any effect on the Council.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 2010 - 5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	October 2010	1 January 2011	Nil - The revisions embodied in this standard are largely editorial in nature or relate to standards not applicable to the Council and will have minimal effect (if any) on the accounting practices of the Council.
(ix) AASB 2010 - 6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & 7]	November 2010	1 July 2011	Nil - The revisions embodied in this standard amend disclosures required on transfers of financial assets. The Council is not expected to have any qualifying transfers.
(x) AASB 2010 - 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2010	1 January 2013	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(xi) AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 1 & 7]	December 2010	1 January 2012	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(xi) (Continued)			
AASB 2010 - 9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	December 2010	1 July 2011	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2009- 14 Amendments to Australian Interpretations - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	December 2009	1 January 2011	
AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	1 January 2013	

Notes:

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

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 2009 - 5
AASB 2009 - 8
AASB 2009 - 10
AASB 2009 - 13
AASB 2010 - 1
AASB 2010 - 3

Interpretation 19

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

2. REVENUE AND EXPENSES

2011
\$

2010
\$

(a) Net Result

The Net Result includes:

(i) Charging as an Expense:

Auditors Remuneration

- Audit	21,200	27,433
- Other Services	18,510	13,950
	<u>39,710</u>	<u>41,383</u>

Depreciation

Buildings	1,325,246	929,950
Furniture and Equipment	310,856	315,230
Plant and Equipment	1,200,430	938,717
Roads	1,378,856	1,341,316
Infrastructure - Airport	526,864	503,234
Infrastructure - Other	1,398,318	818,919

<u>6,140,570</u>	<u>4,847,366</u>
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Interest Expenses (Finance Costs)

Debentures (<i>refer Note 21(a)</i>)	438,565	340,626
	<u>438,565</u>	<u>340,626</u>

Rental Charges

- Operating Leases	276,360	188,811
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(ii) Crediting as Revenue:

2011
\$

2011
Budget
\$

2010
\$

Interest Earnings

Investments			
- Reserve Funds	1,758,074	936,400	1,508,340
- Other Funds	229,611	1,294,000	214,648
- Loans	51,860	67,528	28,630
Other Interest Revenue (<i>refer note 26</i>)	156,117	100,000	111,833
	<u>2,195,662</u>	<u>2,397,928</u>	<u>1,863,451</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

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

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

GENERAL PURPOSE FUNDING

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

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

LAW, ORDER, PUBLIC SAFETY

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

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

HEALTH

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

Activities: Food quality and pest control, and Aboriginal environmental health.

EDUCATION AND WELFARE

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

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

HOUSING

Objective: Help ensure adequate housing.

Activities: Maintenance of staff and community housing.

COMMUNITY AMENITIES

Objective: Provide services required by the community.

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

RECREATION AND CULTURE

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

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

TRANSPORT

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

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

ECONOMIC SERVICES

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

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

OTHER PROPERTY AND SERVICES

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

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

2. REVENUE AND EXPENSES (Continued)

Grant/Contribution	Function/ Activity	Opening		Received (+)		Expended (#)		Closing	
		Balance (*) 1-Jul-09	\$	2009/10	\$	2009/10	\$	Balance (*) 30-Jun-10	\$
BHP - Environmental Projects		49,838	0	0	0	0	0	49,838	0
Building Safety (Fire) Grant		25,000	0	0	0	(10,000)	0	15,000	15,000
Office of Crime Prevention (CSCPP)		20,000	0	0	0	0	0	20,000	0
Walk It Hedland		12,826	0	0	0	(12,391)	0	435	0
BHP - Hedland Turf Club Grandstand		100,000	0	0	0	0	0	100,000	0
PH Enhancement Scheme - Boat Ramp		33,012	0	0	0	(5,450)	0	27,562	0
PH Enhancement Scheme - Foreshore Park		145,000	0	0	0	(74,154)	0	70,846	0
PH Enhancement Scheme - Spillbank Masterplan		896,104	0	0	0	(348,803)	0	547,301	0
Royalties for Regions - CLGF		1,308,584	0	0	0	(1,251,589)	0	57,005	0
Community Safety Contrib. CCTV		101,200	0	0	0	(101,200)	0	0	0
Foreshore Protection Grant		10,284	0	0	0	(10,284)	0	0	0
Pilbara Development Commission - Turtle BW		392,500	0	0	0	(251,527)	0	140,973	0
Regional and Community Grant		194,411	0	0	0	(194,411)	0	0	0
RADS Grant - Airport Development		155,948	0	0	0	(155,948)	0	0	0
DOTARS Grant - Airport Development		44,581	0	0	0	0	0	44,581	0
BHP - Town Entry Statement		46,709	0	0	0	(46,709)	0	0	0
Local Road Grant		0	439,607	0	0	0	0	439,607	0
R4R (Design for Port Hedland Today)		0	0	35,000	0	0	0	35,000	0
BHP Billiton Contrib, Port Hedland Future Today		0	60,000	0	0	0	0	60,000	0
R4R CCTV Stage 2		0	100,000	0	0	0	0	100,000	0
Dept of Racing, Liquor & Gambling - Club Funding		0	60,000	0	0	(53,798)	0	6,202	0
Lotteries Grant - Playground Development		0	105,000	0	0	(23,089)	0	81,911	0
Dept of Housing - 0910 Walkway Lighting 50%		0	27,500	0	0	(25,948)	0	1,552	0
BHP Billiton Cont. Walkway Road Bridge 08-10		0	763,636	0	0	(20,562)	0	743,074	0
Federal Aboriginal Road Grant		0	31,500	0	0	(5,922)	0	25,578	0
Black Spot Funding Grant		0	52,000	0	0	(24,746)	0	27,254	0
MRWA Direct Grant		0	99,766	0	0	(26,330)	0	73,436	0
Roads to Recovery 10-11 Carry over		0	356,155	0	0	0	0	356,155	0
Grant from DEWR - 40% Payment for Dole Participation		0	41,212	0	0	0	0	41,212	0
BHP/Dept RDL - Joint Project Officer		0	36,364	0	0	(3,413)	0	32,951	0
OCP - Graffiti Removal Programme		0	0	0	0	0	0	0	0
OCP - Reduce the number of burglary and theft offences		0	0	0	0	0	0	0	0
BHP Sponsorship 2010 - Dune Restoration		0	0	0	0	0	0	0	0
BHP Sponsorship 2010 - Port Hedland International Airport Development Plan Project		0	0	0	0	0	0	0	0
BHP Contribution 2010 - GP Housing Project		0	0	0	0	0	0	0	0
Royalties for Regions 2010/2011 - GP Housing		0	0	0	0	0	0	0	0
Royalties for Regions 2010/2011 - Cemetery Park		0	0	0	0	0	0	0	0
Royalties for Regions - Sth Hedland Aquatic Centre		0	0	0	0	0	0	0	0
Royalties for Regions - Sth Hedland Library & Community Centre		0	0	0	0	0	0	0	0
Regional Local Council Incentive Program - Sth Hedland Aquatic Centre Upgrade		0	0	0	0	0	0	0	0
Pilbara Cities Port Hedland Growth Plan		0	0	0	0	0	0	0	0
PDC - Pilbara Regional Grant - Coastal Access & Managed Camping		0	0	0	0	0	0	0	0
Total		3,535,907	2,207,740	(2,646,154)	8,309,637	(3,448,242)	3,097,493	7,956,888	43,675

Notes:

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

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

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

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011	2010
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand - Municipal (Unrestricted)	5,230	5,570
Cash at Bank - Municipal	7,976,344	4,559,325
Cash at Bank - Reserves (Restricted)	<u>27,477,393</u>	<u>40,372,971</u>
	<u>35,458,967</u>	<u>44,937,866</u>
Cash at Bank - Municipal		
Unrestricted Balance	(467,368)	1,461,832
Restricted Balance	<u>8,443,712</u>	<u>3,097,493</u>
	<u>7,976,344</u>	<u>4,559,325</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Leave Reserve	909,268	941,931
Airport Reserve	11,256,168	6,808,985
Plant Reserve	272,663	260,000
Car Parking Reserve	158,275	150,924
Planning Projects Reserve	0	0
Waste Management Reserve	614,645	323,852
Bushfire Management Reserve	0	0
Lights Replacement Reserve	21,333	36,380
Depot Facilities Reserve	15,420	14,704
Oval Development Reserve	0	0
BHP - TPRH Alliance Reserve	0	0
South Hedland Library Reserve	13,602	12,970
SES Shed Reserve	32,903	31,375
Planning Permeability Reserve	0	0
Waste Management Recycle Reserve	422,895	403,255
BHP Reserve	8,347,897	13,384,242
Civil Building/Infrastructure Reserve	87,593	83,525
Newcrest Reserve	2,385	2,274
Spoilbank Reserve	514,333	490,446
Royalties for Regions Reserve	3,246,157	17,189,695
Community Facilities Reserve	<u>1,561,856</u>	<u>238,413</u>
	<u>27,477,393</u>	<u>40,372,971</u>
Unspent Grants	7,958,888	3,097,493
Unspent Loans	<u>484,824</u>	<u>0</u>
	<u>8,443,712</u>	<u>3,097,493</u>
Total Restricted Funds	<u>35,921,105</u>	<u>43,470,464</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	132,589	148,325
Sundry Debtors	5,189,198	6,514,076
Provision for Doubtful Debts	(24,981)	(24,981)
Loans - Clubs/Institutions	60,642	25,846
Other Receivables	76,410	91,753
Accrued Income	1,481,607	103,685
	<u>6,915,465</u>	<u>6,858,704</u>
Non-Current		
Rates Outstanding - Pensioners	19,279	19,279
Service Charges - Underground Power	1,105	83,579
Loans - Clubs/Institutions	<u>935,424</u>	<u>776,988</u>
	<u>955,808</u>	<u>879,846</u>
5. INVENTORIES		
Current		
Fuel	7,842	2,993
Matt Dann Kiosk	4,270	2,597
JD Hardie Centre	<u>2,339</u>	<u>1,744</u>
	<u>14,451</u>	<u>7,334</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Land - Cost	<u>1,403,748</u>	<u>1,290,632</u>
	1,403,748	1,290,632
Land and Buildings - Cost	68,153,650	36,259,132
Less Accumulated Depreciation	<u>(11,093,672)</u>	<u>(9,768,427)</u>
	57,059,978	26,490,705
Furniture and Equipment - Cost	4,877,321	4,551,608
Less Accumulated Depreciation	<u>(3,596,502)</u>	<u>(3,288,513)</u>
	1,280,819	1,263,095
Plant and Equipment - Cost	15,647,164	13,751,527
Less Accumulated Depreciation	<u>(7,804,533)</u>	<u>(6,736,100)</u>
	7,842,631	7,015,427
	<u>67,587,176</u>	<u>36,059,859</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land \$	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at the beginning of the year	1,290,632	26,490,705	1,263,095	7,015,427	36,059,859
Additions	113,116	31,894,519	328,816	2,188,022	34,524,473
(Disposals)	0	0	(236)	(160,388)	(160,624)
Revaluation - Increments	0	0	0	0	0
- (Decrements)	0	0	0	0	0
Impairment - (losses)	0	0	0	0	0
- reversals	0	0	0	0	0
Depreciation (Expense)		(1,325,246)	(310,856)	(1,200,430)	(2,836,532)
Carrying amount at the end of year	<u><u>1,403,748</u></u>	<u><u>57,059,978</u></u>	<u><u>1,280,819</u></u>	<u><u>7,842,631</u></u>	<u><u>67,587,176</u></u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
7. INFRASTRUCTURE		
Roads - Cost	80,944,790	78,738,421
Less Accumulated Depreciation	<u>(20,075,424)</u>	<u>(18,696,568)</u>
	60,869,366	60,041,853
Footpaths - Cost	9,591,999	8,684,053
Less Accumulated Depreciation	<u>(2,414,326)</u>	<u>(2,405,995)</u>
	7,177,673	6,278,058
Drainage - Cost	9,865,516	9,720,025
Less Accumulated Depreciation	<u>(3,216,416)</u>	<u>(3,084,996)</u>
	6,649,100	6,635,029
Parks & Ovals - Cost	34,345,613	26,267,692
Less Accumulated Depreciation	<u>(6,206,435)</u>	<u>(5,039,817)</u>
	28,139,178	21,227,875
Bridges - Cost	2,358,926	643,910
Less Accumulated Depreciation	<u>(390,523)</u>	<u>(332,892)</u>
	1,968,403	311,018
Bus Shelters - Cost	205,185	205,185
Less Accumulated Depreciation	<u>(118,787)</u>	<u>(98,268)</u>
	86,398	106,917
Depot - Cost	656,292	549,029
Less Accumulated Depreciation	<u>(138,591)</u>	<u>(124,793)</u>
	517,701	424,236
Airport - Cost	22,507,777	20,279,905
Less Accumulated Depreciation	<u>(11,170,619)</u>	<u>(10,643,755)</u>
	11,337,158	9,636,150
	<u>116,744,977</u>	<u>104,661,136</u>

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

This policy also accords with AASB 116.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

	Roads \$	Footpaths \$	Drainage \$	Parks and Ovals \$	Bridges \$	Bus Shelters \$	Depots \$	Airport \$	Total \$
Balance at the beginning of the year	60,041,853	6,278,058	6,635,029	21,227,875	311,018	106,917	424,236	9,636,150	104,661,136
Additions	2,206,369	907,947	145,491	8,077,920	1,715,017	0	107,263	2,227,872	15,387,879
(Disposals)	0	0	0	0	0	0	0	0	0
Revaluation - increments - (Decrements)	0	0	0	0	0	0	0	0	0
Impairment - (losses) - reversals	0	0	0	0	0	0	0	0	0
Depreciation (Expense)	(1,378,856)	(8,332)	(131,420)	(1,166,617)	(57,632)	(20,519)	(13,798)	(526,864)	(3,304,038)
Carrying amount at the end of year	60,869,366	7,177,673	6,649,100	28,139,178	1,988,403	86,398	517,701	11,337,158	116,744,977

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	6,534,847	3,841,782
Income in Advance	621,980	1,652,880
Accrued Interest on Debentures	24,132	19,789
Accrued Salaries and Wages	93,218	48,613
	<u>7,274,177</u>	<u>5,363,064</u>

9. LONG-TERM BORROWINGS

Current		
Secured by Floating Charge		
Debentures	634,820	697,759
	<u>634,820</u>	<u>697,759</u>
Non-Current		
Secured by Floating Charge		
Debentures	9,288,722	5,994,359
	<u>9,288,722</u>	<u>5,994,359</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

Current		
Provision for Annual Leave	862,559	782,743
Provision for Long Service Leave	198,129	144,260
Provision for Sick Leave	430,470	404,125
	<u>1,491,158</u>	<u>1,331,128</u>
Non-Current		
Provision for Long Service Leave	100,166	105,293
	<u>100,166</u>	<u>105,293</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011 \$	2011 Budget \$	2010 \$
11. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	941,931	931,183	897,283
Amount Set Aside / Transfer to Reserve	44,156	41,900	44,648
Amount Used / Transfer from Reserve	(76,819)	0	
	<u>909,268</u>	<u>973,083</u>	<u>941,931</u>
(b) Airport Reserve			
Opening Balance	6,808,985	5,586,698	4,175,516
Amount Set Aside / Transfer to Reserve	7,086,763	4,195,659	4,312,782
Amount Used / Transfer from Reserve	(2,639,580)	(3,956,544)	(1,679,313)
	<u>11,256,168</u>	<u>5,825,813</u>	<u>6,808,985</u>
(c) Plant Reserve			
Opening Balance	260,000	260,000	0
Amount Set Aside / Transfer to Reserve	12,663	11,700	260,000
Amount Used / Transfer from Reserve	0	0	0
	<u>272,663</u>	<u>271,700</u>	<u>260,000</u>
(d) Car Parking Reserve			
Opening Balance	150,924	150,196	144,896
Amount Set Aside / Transfer to Reserve	7,351	6,800	6,028
Amount Used / Transfer from Reserve	0	0	0
	<u>158,275</u>	<u>156,996</u>	<u>150,924</u>
(e) Planning Projects Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	130
Amount Used / Transfer from Reserve	0	0	(130)
	<u>0</u>	<u>0</u>	<u>0</u>
(f) Waste Management Reserve			
Opening Balance	323,852	1,460,565	837,075
Amount Set Aside / Transfer to Reserve	1,748,366	1,851,972	1,752,483
Amount Used / Transfer from Reserve	(1,457,573)	(1,541,867)	(2,265,706)
	<u>614,645</u>	<u>1,770,670</u>	<u>323,852</u>
(g) Bushfire Management Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	183
Amount Used / Transfer from Reserve	0	0	(183)
	<u>0</u>	<u>0</u>	<u>0</u>
(h) Lights Replacement Reserve			
Opening Balance	36,380	35,656	34,656
Amount Set Aside / Transfer to Reserve	1,772	1,600	1,724
Amount Used / Transfer from Reserve	(16,819)	(35,000)	0
	<u>21,333</u>	<u>2,256</u>	<u>36,380</u>
(i) Depot Facilities Reserve			
Opening Balance	14,704	14,607	14,007
Amount Set Aside / Transfer to Reserve	716	700	697
Amount Used / Transfer from Reserve	0	0	0
	<u>15,420</u>	<u>15,307</u>	<u>14,704</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011 \$	2011 Budget \$	2010 \$
11. RESERVES - CASH BACKED (continued)			
(j) Oval Development Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	15
Amount Used / Transfer from Reserve	0	0	(15)
	<u>0</u>	<u>0</u>	<u>0</u>
(k) BHP - TOPH Alliance Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	938
Amount Used / Transfer from Reserve	0	0	(938)
	<u>0</u>	<u>0</u>	<u>0</u>
(l) South Hedland Library Reserve			
Opening Balance	12,970	12,855	12,355
Amount Set Aside / Transfer to Reserve	632	600	615
Amount Used / Transfer from Reserve	0	0	0
	<u>13,602</u>	<u>13,455</u>	<u>12,970</u>
(m) SES Shed Reserve			
Opening Balance	31,375	31,088	29,888
Amount Set Aside / Transfer to Reserve	1,528	1,400	1,487
Amount Used / Transfer from Reserve	0	0	0
	<u>32,903</u>	<u>32,488</u>	<u>31,375</u>
(n) Planning Permeability Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	256
Amount Used / Transfer from Reserve	0	0	(256)
	<u>0</u>	<u>0</u>	<u>0</u>
(o) Waste Management & Recycling Reserve			
Opening Balance	403,255	399,840	384,140
Amount Set Aside / Transfer to Reserve	19,640	18,000	19,115
Amount Used / Transfer from Reserve	0	0	0
	<u>422,895</u>	<u>417,840</u>	<u>403,255</u>
(p) BHP Reserve			
Opening Balance	13,384,242	10,344,959	7,137,115
Amount Set Aside / Transfer to Reserve	8,596,208	8,465,500	8,501,138
Amount Used / Transfer from Reserve	(13,632,553)	(18,743,206)	(2,254,011)
	<u>8,347,897</u>	<u>67,253</u>	<u>13,384,242</u>
(q) Civil Building/Infrastructure Reserve			
Opening Balance	83,525	76,903	76,896
Amount Set Aside / Transfer to Reserve	4,068	3,500	6,629
Amount Used / Transfer from Reserve	0	0	0
	<u>87,593</u>	<u>80,403</u>	<u>83,525</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011 \$	2011 Budget \$	2010 \$
11. RESERVES - CASH BACKED (continued)			
(r) Newcrest Reserve			
Opening Balance	2,274	5,953	1,853
Amount Set Aside / Transfer to Reserve	100,111	100,300	421
Amount Used / Transfer from Reserve	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
	<u>2,385</u>	<u>6,253</u>	<u>2,274</u>
(s) Spoilbank Reserve			
Opening Balance	490,446	418,798	467,198
Amount Set Aside / Transfer to Reserve	23,887	18,800	23,248
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>514,333</u>	<u>437,598</u>	<u>490,446</u>
(t) Royalties for Regions Reserve			
Opening Balance	17,189,695	0	20,200,000
Amount Set Aside / Transfer to Reserve	686,336	0	647,554
Amount Used / Transfer from Reserve	<u>(14,629,874)</u>	<u>0</u>	<u>(3,657,859)</u>
	<u>3,246,157</u>	<u>0</u>	<u>17,189,695</u>
(u) Community Facilities Reserve			
Opening Balance	238,413	1,078,672	0
Amount Set Aside / Transfer to Reserve	1,323,443	1,169,680	238,413
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>1,561,856</u>	<u>2,248,352</u>	<u>238,413</u>
TOTAL CASH BACKED RESERVES	<u><u>27,477,393</u></u>	<u><u>12,319,467</u></u>	<u><u>40,372,971</u></u>

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

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

Leave Reserve

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

Airport Reserve

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

Plant Reserve

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

Car Parking Reserve

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

Planning Projects Reserve

- to be used to fund any unexpected costs should the needs arise and is ongoing.

Waste Management Reserve

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

Bushfire Management Reserve

- to be used for the replacement of Bush Fire plant and equipment.

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.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

11. RESERVES - CASH BACKED (continued)

Oval Development Reserve

- to be used for future upgrade and maintenance of the sporting ovals within the municipality.

BHP Billiton - ToPH Alliance Reserve

- to be used to support Community Services and such projects as agreed upon by BHP Billiton and Town of Port Hedland.

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.

Planning Permeability Reserve

- to fund future traffic permeability management facilities.

Waste Management & Recycling Reserve

- to fund future waste recycling products.

BHP Reserve

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

Civic Building /Infrastructure Reserve

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

Newcrest Reserve

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

Spoilbank Reserve

- for development projects on the Port Hedland Spoilbank Reserve.

Royalties for Regions Reserve

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

Community Facilities Reserve

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

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

12. RESERVES - ASSET REVALUATION	2011	2010
	\$	\$
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
(a) Land and Buildings		
Opening balance	662,217	662,217
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2011	<u>662,217</u>	<u>662,217</u>
(b) Roads		
Opening Balance	190,311	190,311
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2011	<u>190,311</u>	<u>190,311</u>
TOTAL ASSET REVALUATION RESERVES	<u><u>852,528</u></u>	<u><u>852,528</u></u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2011 \$	2011 Budget \$	2010 \$
Cash and Cash Equivalents	<u>35,458,967</u>	<u>27,443,705</u>	<u>44,937,866</u>

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

Net Result	28,974,659	46,263,954	14,733,171
Depreciation	6,140,570	4,442,873	4,847,366
(Profit)/Loss on Sale of Asset	21,939	92,700	5,102
(Increase)/Decrease in Receivables	60,509	(471,022)	(12,869)
(Increase)/Decrease in Inventories	(7,117)	(2,000)	23,810
Increase/(Decrease) in Payables	1,911,113	(241,204)	(722,983)
Increase/(Decrease) in Employee Provisions	154,903	56,380	139,779
Grants/Contributions for the Development of Assets	<u>(21,822,577)</u>	<u>(42,892,658)</u>	<u>(9,610,522)</u>
Net Cash from Operating Activities	<u>15,433,999</u>	<u>7,249,023</u>	<u>9,402,854</u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft limit	50,000	50,000
Bank Overdraft at Balance Date	0	0
Credit Card limit	13,000	11,000
Credit Card Balance at Balance Date	<u>(5,919)</u>	<u>(680)</u>
Total Amount of Credit Unused	<u>57,081</u>	<u>60,320</u>

Loan Facilities

Loan Facilities - Current	634,820	697,759
Loan Facilities - Non-Current	9,288,722	5,994,359
Total Facilities in Use at Balance Date	<u>9,923,542</u>	<u>6,692,118</u>

Unused Loan Facilities at Balance Date	<u>57,081</u>	<u>60,320</u>
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**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

14. CONTINGENT LIABILITIES

There were no known contingent liabilities as at 30 June 2011.

	2011	2010
	\$	\$
15. CAPITAL AND LEASING COMMITMENTS		
(a) Finance Lease Commitments		
Nil		
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	104,273	70,399
- later than one year but not later than five years	140,926	38,851
- later than five years	<u>0</u>	<u>0</u>
	<u><u>245,199</u></u>	<u><u>109,250</u></u>
(c) Capital Expenditure Commitments		
Contracted for:		
- Building expenditure projects	13,238,870	584,793
- Road expenditure projects	1,487,881	1,758,059
- Airport expenditure projects	888,103	5,995
- Drainage expenditure projects	133	20,844
- Footpaths expenditure projects	28,248	151,383
- Parks expenditure projects	6,969,996	2,313,674
- Land development expenditure projects	7,118	28,300
- Furniture & equipment purchases	24,030	76,089
- Plant & equipment purchases	<u>383,496</u>	<u>1,230,146</u>
	<u><u>23,027,875</u></u>	<u><u>6,169,283</u></u>
Payable:		
- not later than one year	23,027,875	6,169,283

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

16. JOINT VENTURE

The Town of Port Hedland together with the Pilbara Arts Craft Design Aboriginal Corporation (PACADC) 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:

	2011 \$	2010 \$
Non-Current Assets		
Buildings	455,350	445,668
Less: Accumulated Depreciation	(78,898)	(67,514)
	<u>376,452</u>	<u>378,154</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	1,408,167	420,295
General Purpose Funding	151,868	9,290,806
Law, Order, Public Safety	1,959,751	3,698,979
Health	451,174	96,334,822
Education and Welfare	2,190,439	4,164,903
Housing	10,459,571	22,816,873
Community Amenities	6,659,957	439,588
Recreation and Culture	66,445,490	2,260,400
Transport	118,649,302	771,782
Economic Services	642,534	373,974
Other Property and Services	4,135,317	148,573
Unallocated	14,523,274	52,683,750
	<u>227,676,844</u>	<u>193,404,745</u>

**TOWN OF PORT HEDLAND
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FOR THE YEAR ENDED 30TH JUNE 2011**

18. FINANCIAL RATIOS	2011	2010	2009
Current Ratio	1.489	1.245	1.530
Untied Cash to Unpaid Trade Creditors Ratio	0.002	0.385	0.841
Debt Ratio	0.083	0.071	0.070
Debt Service Ratio	0.026	0.033	0.030
Gross Debt to Revenue Ratio	0.226	0.192	0.150
Gross Debt to Economically Realisable Assets Ratio	0.089	0.075	0.060
Rate Coverage Ratio	0.209	0.258	0.160
Outstanding Rates Ratio	0.010	0.013	0.010

The above ratios are calculated as follows:

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

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

19. TRUST FUNDS

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

	Balance 1-Jul-10	Amounts Received	Amounts Paid	Balance 30-Jun-11
	\$	\$	(\$)	\$
Special Projects	1,300	0	0	1,300
Building Retention	4,616	0	0	4,616
Staff Bonds	13,596	7,010	(2,330)	18,276
Nomination Election Bonds	0	0	0	0
Ranger Services	1,100	1,397	(1,337)	1,160
Community Bank	960	0	0	960
Deposits - Halls	24,250	58,534	(67,234)	15,550
Deposits - Trailer/Comm Bus	400	500	0	900
Deposits - Sportsgrounds	14,040	21,500	(21,150)	14,390
POS Reserve	470,898	0	(470,000)	898
Blackrock Stakes Donations	178	0	0	178
Airport Cafe	16,129	0	(16,129)	0
BRB Levy	1,216	18,668	(16,753)	3,131
BCITF Levy	59,203	639,737	(643,546)	55,394
Unclaimed Money	2,547	0	0	2,547
Sundry	601	0	0	601
Garden Competition	4,850	0	0	4,850
MDCC Hire Events	0	500	(500)	0
Building Bonds	22,280	550	(550)	22,280
Cyclone George	130,256	3,766	(5,282)	128,740
	<u>768,420</u>			<u>275,771</u>

20. DISPOSALS OF ASSETS - 2010/11 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$
MDCC						
F642Popcorn Machine MDCC	236	0	0	0	(236)	0
Plant & Equipment - Transport						
PH9684 - Rodeo 4x4 Dual Cab	17,152	20,600	9,092	21,000	(8,060)	400
PH10045 - Hilux 4x2 Dual Cab	18,425	21,700	14,636	15,000	(3,789)	(6,700)
PH9861 - Hilux 4x4 Dual Cab	20,149	23,800	20,546	21,000	397	(2,800)
PH10069 - Hilux 4x4 Dual Cab	23,000	27,000	20,591	21,000	(2,409)	(6,000)
PH9872 - Hilux 4x4 Dual Cab	21,659	25,600	22,727	21,000	1,068	(4,600)
PH9904 - Hilux 4x4 Dual Cab	22,701	26,500	22,727	21,000	26	(5,500)
PH10018 - Landcruiser 4x4 Single Cab	25,626	0	22,455	0	(3,171)	0
PH9383 - Hilux 4x4 Dual Cab	11,676	0	5,912	0	(5,765)	0
PH 125 - Domestic Garbage Truck	0	109,900	0	50,000	0	(59,900)
PH9876 - Camry Altise	0	17,900	0	10,000	0	(7,900)
PH9083 - Camry Sportivo	0	12,400	0	11,000	0	(1,400)
PH10290 - Hilux 4x4 Dual Cab	0	29,000	0	21,000	0	(8,000)
PH9382 - Hilux 4x2 Single Cab	0	10,900	0	14,000	0	3,100
PH8474 - Loader	0	0	0	10,000	0	10,000
P12082609 - 4WD Motorbike	0	3,200	0	5,000	0	1,800
9JX622 - Roadsweeper	0	0	0	1,000	0	1,000
PH5171 - Kubota Tractor	0	0	0	15,000	0	15,000
PH5575 - John Deere Tractor	0	17,300	0	15,000	0	(2,300)
PH9870 - John Deere Tractor	0	50,600	0	80,000	0	29,400
P12083607 - Combination Roller	0	53,300	0	5,000	0	(48,300)
	<u>160,624</u>	<u>449,700</u>	<u>138,686</u>	<u>357,000</u>	<u>(21,939)</u>	<u>(92,700)</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-10 \$	New Loans \$	Principal Repayments		Principal 30-Jun-11		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance								
Admin/Civic Centre Upgrade	90,787		34,852	34,852	55,935	88,956	4,496	4,496
Law, Order & Public Safety								
State Emergency Services Shed(*)	297,072		25,363	25,363	271,709	295,532	18,497	18,497
Education & Welfare								
HACC House Upgrade	353,656		30,194	30,194	323,462	351,823	22,020	22,020
Housing								
Staff Housing	465,622		104,809	104,809	360,813	458,729	30,439	30,439
Staff Housing	221,504		50,892	50,892	170,612	218,779	11,660	11,660
Staff Housing - Morgans Street	1,462,863		39,686	39,686	1,423,177	1,460,314	99,015	98,085
Staff Housing - Morgans Street	2,134,485		55,121	55,121	2,079,364	2,147,879	145,109	143,799
Staff Housing Airport	0	1,300,000	18,876	18,876	1,300,000	1,481,124	0	51,090
Catamore Court Housing	0	0	13,330	13,330	0	1,081,670	0	37,421
GP Housing	0	0	0	0	0	1,500,000	0	0
Community Amenities								
Underground Power	200,033		200,033	200,033	0	186,950	10,804	10,804
Recreation & Culture								
Aquatic Centres	512,201		59,508	59,508	452,693	508,401	37,731	33,387
Swimming Pool Extensions	302,708		33,277	33,277	269,431	300,862	17,052	17,052
JD Hardie Upgrade	0	1,550,000	0	18,889	1,550,000	1,531,131	0	52,777
Tennis Courts	24,422		9,356	9,356	15,066	23,907	1,269	1,269
PH Gold Club (*)	5,998		5,114	5,114	884	5,700	222	222
Yacht Club (Carried Forward*)	495,023		20,732	20,732	474,291	479,268	31,760	31,469
Yacht Club Additional (*)	0	250,000	817	0	249,183	0	1,308	0
Marquee Park	0	830,000	0	10,104	830,000	819,896	0	28,477
Multi-purpose Recreation Centre	0	0	0	124,169	0	10,075,831	0	344,715
South Hedland Bowling Club	0	0	0	6,087	0	493,913	0	17,340
Transport								
Depot	50,810		24,594	24,594	26,216	49,288	2,905	2,905
Economic Services								
Port Hedland Visitors' Centre	74,934		4,228	4,228	70,706	74,699	4,278	4,278
	6,692,118	3,930,000	698,576	889,194	9,923,542	23,634,652	438,565	962,202

(*) Self supporting loan financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

21. INFORMATION ON BORROWINGS (Cont'd)

(b) New Debentures - 2010/11

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Staff Housing Airport	1,300,000	1,500,000	WATC	Debenture	20	0	6.04%	815,176	1,500,000	484,824
Catamore Court Housing	0	1,095,000						0	1,095,000	0
GP Housing	0	1,500,000						0	1,500,000	0
JD Hardie Upgrade	1,550,000	1,550,000	WATC	Debenture	20	0	6.05%	1,550,000	1,550,000	0
Yacht Club Additional (*)	250,000	500,000	WATC	Debenture	15	1,308	6.02%	250,000	500,000	0
Multi-purpose Recreation Centre	0	10,200,000						0	10,200,000	0
Marquee Park	830,000	830,000	WATC	Debenture	20	0	6.05%	830,000	830,000	0

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1-Jul-10 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-11 \$
Staff Housing Airport	30-Jun-11	0	1,300,000	815,176	484,824

(d) Overdraft

Council established an overdraft facility of \$50,000 with National Australia Bank to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2010 and 30 June 2011 was \$Nil.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

22. RATING INFORMATION - 2010/11 FINANCIAL YEAR

RATE TYPE	Rate In \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV Residential	4.2640	4,323	183,710,496	7,833,416	317,693	63,031	8,214,140	7,831,465	300,000	0	8,131,465
GRV Commercial	5.0762	187	15,629,115	793,365	9,032	(95)	802,302	795,543	0	0	795,543
GRV Industrial	4.2640	283	20,769,931	885,630	14,066	1,635	901,331	885,630	0	0	885,630
GRV Shopping Centre	8.5280	2	6,801,360	580,020	0	0	580,020	580,020	0	0	580,020
GRV Mass Accommodation	8.5280	16	17,740,980	1,512,951	9,932	26,586	1,549,469	1,512,951	0	0	1,512,951
UV Mining Improved	27.2218	50	1,500,110	408,357	10,879	199	419,435	408,357	0	0	408,357
UV Mining Vacant	27.2217	42	526,125	143,220	73,445	10,886	227,551	143,220	0	0	143,220
UV Pastoral	4.4390	8	1,611,665	71,542	312	488	72,342	71,542	0	0	71,542
UV Other	9.0201	14	1,302,560	117,492	(12,908)	488	105,072	117,492	0	0	117,492
UV Other Vacant	10.2393	1	100,000	10,239	0	0	10,239	10,239	0	0	10,239
Sub-Totals		4,926	249,692,342	12,356,232	422,451	103,218	12,881,901	12,356,459	300,000	0	12,656,459
Minimum Rates											
GRV Residential	800	489	3,798,854	391,200	0	0	391,200	391,200	0	0	391,200
GRV Commercial	800	182	1,562,600	144,800	0	0	144,800	145,600	0	0	145,600
GRV Industrial	800	33	300,560	26,400	0	0	26,400	26,400	0	0	26,400
UV Mining Improved	800	49	60,153	39,200	0	0	39,200	39,200	0	0	39,200
UV Mining Vacant	800	233	175,582	186,400	0	0	186,400	186,400	0	0	186,400
UV Pastoral	800	4	32,623	3,200	0	0	3,200	3,200	0	0	3,200
UV Other Vacant	800	9	48	7,200	0	0	7,200	7,200	0	0	7,200
Sub-Totals		999	5,930,420	798,400	0	0	798,400	799,200	0	0	799,200
Ex-Gratia Rates											
Specified Area Rate (refer note 23)							13,680,301	0			13,455,659
							0	0			0
Discounts (refer note 25)											
Totals							13,680,301	(108,609)			13,455,659
											(136,914)
											13,318,745

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

23. SPECIFIED AREA RATE - 2010/11 FINANCIAL YEAR

No specified area rates were raised in 2010/11.

24. SERVICE CHARGES - 2010/11 FINANCIAL YEAR

No service charges were imposed in 2010/11.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2010/11 FINANCIAL YEAR**

Discounts

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

Incentives

Council has expanded their Rates Incentive Program that provides an incentive to ratepayers who elect to pay their rates as per option 1 by 27 August 2010.

Platinum Sponsors

* Town of Port Hedland:-

\$15,500 - 2010 Nissan Micra including on-road costs

\$2,142 - Holiday Package for 2 to Bali including return flights, 7 nights accommodation, breakfast and transfers.

*Airnorth:-

\$2,800 - 2 return flight tickets from Port Hedland to Darwin

* First Choice Conveyancing:-

\$2,000 - Cash

* North West Telegraph:-

\$2,000 - Advertising for business or personal advertisements

Gold Sponsors

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

\$1,699 - Laptop Computer

\$949 - Stainless Steel 4 Burner BBQ

\$499 - Digital Camera

\$399 - Wii Computer Package

\$199 - Ipod Nano

* Dampier Salt:-

\$1,000 - Cash

* Real World Strength & Conditioning

\$1,000 - 2 x Memberships and 2 Workshops

Silver Sponsors

* Pike Plumbing & Gas & South Bound Electrical Joint Venture:-

\$500 - Cash

Bronze Sponsors

* The Esplanade Hotel:-

\$470 - Overnight accommodation including breakfast for 2 people plus dinner for 2 in the restaurant

* Goodearth Hotel - Perth:-

\$296 - Overnight accommodation in a one bedroom apartment including Full Buffet Breakfast for 4 guests. Expire May 2011.

* Perth Ambassador Hotel:-

\$255 - Two nights accommodation in a Corporate Room including Full Buffet Breakfast for 2 people. Expire May 2011.

* Elisi Therapies:-

\$110 - Beauty Therapy

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

Concessions

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

100% Concession

A113872 - Lot 43, 10 Steamer Avenue, South Hedland
A109930 - 36 Roberts Street, South Hedland
A130239 - Lot 5826 Forrest Circle, South Hedland
A106284 - 9 Hamilton Road, South Hedland
A130290 - Lot 5915 McGregor Street, Port Hedland
A113927 - 22 Beroona Loop, South Hedland
A400610 - 10 Smith Street, South Hedland
A802446 - 23 Boronia Close, South Hedland
A130114 - Sub Lot 5812 Reserve 39012, South Hedland
A401480 - 32 Demarchi Road, South Hedland
A156490 - Lot 5164 Shoata Road, South Hedland
A803051 - P48 Wharf Road, Port Hedland
A130005 - 29 Johnson Lane, Port Hedland
A156730 - Lot 2032 Stevens Street, Port Hedland
A156260 - Location 118 Madigan Road, Port Hedland
A802155 - Lot 5164 Shoata Road, South Hedland
A156550 - Lots 55, 56, 57 McKay Street, Port Hedland
A803501 - Lot 309, Hamilton Road, South Hedland
A106282 - 1-5 Hamilton Road, South Hedland
A406870 - Lot 2916 Stanley Street, South Hedland
A802207 - Lot 2466 Lawson Street, South Hedland

Baptist Church Manse
Bloodwood Tree Association
Bloodwood Tree Association
Bloodwood Tree Association
Freemasons Homes for Aged
Frontier Services - Uniting Church
Frontier Services - Uniting Church
Hedland Women's Refuge
Lotteries House
Pilbara Family Violence Prevention Legal Service
Port Hedland Golf Club
Port Hedland Peace Memorial Seafarers Centre
Port Hedland Pony Club
Port Hedland Retirement Village
Port Hedland Speedway Club
South Hedland Owners & Trainers
Volunteer Marine Rescue Service
Wangka Maya Pilbara Aboriginal Language Centre
Wirraka Maya Health Service
Youth Involvement Centre
Youth Involvement Centre

50% Concession

A402430 - Lot 2513 Dempster St, Port Hedland
A130286 - Lot 5653 Styles Road, Port Hedland
A154780 - 4 Treloar Street, South Hedland

Len Taplin Centre
Port Hedland Turf Club
Treloar Child Care Centre

Write-offs

Council in accordance with Section 6.12 of the Local Government Act 1995 (as amended) wrote-off debts amounting to \$11,040 during the financial year.

26. INTEREST CHARGES AND INSTALMENTS - 2010/11 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.50%	59	112,056	60,000
Interest on Instalments Plan	5.50%		44,061	40,000
Charges on Instalment Plan		59	41,512	42,000
			197,629	142,000

Ratepayers had the option of paying rates in four equal instalments, due on 22nd September 2010, 24th November 2010, 2nd February 2011 and 6th April 2011. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2011 \$	2010 \$
Governance	7,754	3,015
General Purpose Funding	100,072	82,320
Law, Order, Public Safety	86,006	99,805
Health	51,581	56,668
Community Amenities	6,741,180	5,475,127
Recreation and Culture	491,947	612,756
Transport	11,429,088	9,327,587
Economic Services	2,161,511	2,057,131
Other Property and Services	138,330	174,440
	<u>21,207,469</u>	<u>17,888,849</u>

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

28. GRANT REVENUE

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

	2011	2010
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	6,470,557	3,316,330
Non-Operating Grants, Subsidies and Contributions	21,822,577	9,610,522
	<u>28,293,134</u>	<u>12,926,852</u>
By Program:		
Governance	66,697	115,416
General Purpose Funding	3,519,381	1,917,124
Law, Order, Public Safety	496,381	107,542
Health	20,264	24,933
Education and Welfare	292,134	205,511
Housing	3,023,056	5,093
Community Amenities	756,584	1,650
Recreation and Culture	10,115,098	1,490,636
Transport	1,696,563	3,095,701
Economic Services	8,202,755	5,642,196
Other Property and Services	104,221	321,050
	<u>28,293,134</u>	<u>12,926,852</u>

29. ELECTED MEMBERS REMUNERATION

The following fees, expenses and allowances were paid to council members and/or the president.

	2011	2011	2010
	\$	Budget	\$
		\$	
Meeting Fees	60,083	63,000	68,193
Mayor's Allowance	60,000	60,000	60,000
Deputy Mayor's Allowance	11,250	15,000	18,750
Travelling Expenses	27,004	5,000	19,823
Telecommunications Allowance	18,200	19,200	20,981
Technology Allowance	6,833	7,000	7,492
	<u>183,370</u>	<u>169,200</u>	<u>195,239</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2011	2010
	<u>150</u>	<u>134</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

31. MAJOR LAND TRANSACTIONS

Port Hedland International Airport: Transient Workforce Accommodation

(a) Details

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

(b) Current year transactions	2011 \$	2011 Budget \$	2010 \$
Operating Revenue			
- Rental Income	785,739	785,528	815,251
Capital Revenue			
- Sale Proceeds	0	0	0
Capital Expenditure			
- Purchase of Land	0	0	0
- Development Costs	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

The above capital expenditure is included in land held for resale (refer Note 5).

There are no liabilities in relation to this land transaction as at 30 June 2011.

(c) Expected Future Cash Flows

	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	Total \$
Cash Outflows						
- Development Costs	0	0	0	0	0	0
- Loan Repayments	0	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Inflows						
- Lease Revenue	785,528	808,094	833,367	858,368	884,119	4,169,476
	<u>785,528</u>	<u>808,094</u>	<u>833,367</u>	<u>858,368</u>	<u>884,119</u>	<u>4,169,476</u>
Net Cash Flows	<u>785,528</u>	<u>808,094</u>	<u>833,367</u>	<u>858,368</u>	<u>884,119</u>	<u>4,169,476</u>

Port Hedland International Airport: Transient Workforce Accommodation

(a) Details

In December 2009 the Town of Port Hedland entered into a lease agreement with Mia Mia Port Hedland International Airport Pty Ltd for the development of a Transient Workforce Accommodation area at the Port Hedland International Airport. The lease revenue incorporated into the 2011/12 Budget is \$183,065 plus an additional contribution from the lessor of \$147,000 as an unconditional contribution to the Town of Port Hedland's community projects.

Doctors Accommodation

(a) Details

During 2010/11 the Town of Port Hedland commenced a doctor housing project in conjunction with BHP Billiton and the State Government to facilitate the development and construction of housing for general practitioners throughout the Town of Port Hedland. The development is a staged project that is anticipated to be delivered in three phases. The proposal at this present time has a maximum yield of 23 lots with a central park and loop road. The first stage, and the only stage funded at this time will see the construction of 7 executive style residences. The total project incorporates funding of \$4.5 million from all parties (including a \$1.5 million self supporting loan from the Town which has been factored into the 2011/12 Budget. A Business Plan was developed and adopted by the Council in 2010/11. The project is still underway with construction anticipated during 2011/12.

**TOWN OF PORT HEDLAND
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FOR THE YEAR ENDED 30TH JUNE 2011**

31. MAJOR LAND TRANSACTIONS (continued)

South Hedland Recreation Centre

Expressions of Interest from small business and industry were called for part of Lot 5530 Hamilton Road, South Hedland for temporary transient workers accommodation of not more than 250 persons. Submissions have been received and awaiting assessment.

Mineral Resources Limited Lease Negotiations

Negotiations are underway with Mineral Resources Limited for the lease of land on Lot 2444, Great Northern Highway for Transient Workers Accommodation.

Transient Workforce Accommodation Portion Lot 2444

A request for proposal will be issued in October for the use of the 117,500sqm land on Lot 2444.

Airport Hotel

Expressions of Interest (EOI) was called for a Hotel at the Port Hedland International Airport. EOIs were received and assessments are completed. A request for proposal will be prepared and advertised.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2010/11 financial year.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

33. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2011 \$	2010 \$	2011 \$	2010 \$
Financial Assets				
Cash and cash equivalents	35,458,967	44,937,866	35,458,967	44,937,866
Receivables	<u>7,871,273</u>	<u>7,738,550</u>	<u>7,871,273</u>	<u>7,738,550</u>
	<u><u>43,330,240</u></u>	<u><u>52,676,416</u></u>	<u><u>43,330,240</u></u>	<u><u>52,676,416</u></u>
Financial Liabilities				
Payables	(7,274,177)	(5,363,064)	(7,274,177)	(5,363,064)
Borrowings	<u>(9,923,542)</u>	<u>(6,692,118)</u>	<u>(8,900,352)</u>	<u>(6,088,188)</u>
	<u><u>(17,197,719)</u></u>	<u><u>(12,055,182)</u></u>	<u><u>(16,174,529)</u></u>	<u><u>(11,451,252)</u></u>

Fair value is determined as follows:

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

Another risk associated with cash and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2011 \$	2010 \$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	354,590	448,223
- Statement of Comprehensive Income	354,590	448,223

Notes:

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

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2011	2010
Percentage of Rates and Annual Charges		
- Current	68.96%	97.85%
- Overdue	31.04%	2.15%
Percentage of Other Receivables		
- Current	77.65%	70.58%
- Overdue	22.35%	27.83%

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

33. FINANCIAL RISK MANAGEMENT (Continued)
(c) Payables
Borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

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

	<u>2011</u>	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	7,274,177	0	0	0	7,274,177	7,274,177
Borrowings	1,262,734	4,366,875	10,558,004	16,187,613	9,923,542	9,923,542
	<u>8,536,911</u>	<u>4,366,875</u>	<u>10,558,004</u>	<u>23,461,790</u>	<u>17,197,719</u>	<u>17,197,719</u>
Payables	5,363,064	0	0	0	5,363,064	5,363,064
Borrowings	1,028,678	3,742,450	5,833,996	10,605,124	6,692,118	6,692,118
	<u>6,391,742</u>	<u>3,742,450</u>	<u>5,833,996</u>	<u>15,968,188</u>	<u>12,055,182</u>	<u>12,055,182</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

33. FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year Ended 30 June 2011								
Borrowings								
Fixed Rate Debentures	27,100	71,000	0	531,425	0	9,294,017	9,923,542	6.36%
Weighted Average Effective Interest Rate	6.38%	5.43%	0.00%	6.42%	0.00%	6.37%		
Year Ended 30 June 2010								
Borrowings								
Fixed Rate Debentures	200,033	56,808	802,335	0	0	5,632,942	6,692,118	6.60%
Weighted Average Effective Interest Rate	6.88%	6.44%	6.35%	0.00%	0.00%	6.62%		

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE TOWN OF PORT HEDLAND**

Report on the Financial Report

We have audited the accompanying financial report of the Town of Port Hedland, which comprises the statement of financial position as at 30 June 2011, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as Management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 Council, as well as evaluating the overall presentation of the financial report.

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

Auditor's Opinion

In our opinion, the financial report of the Town of Port Hedland is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a giving a true and fair view of the Town's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE TOWN OF PORT HEDLAND (Continued)**

Report on Other Legal and Regulatory Requirements

During the course of the audit we became aware of the following instances where the Council did not comply with the Local Government (Financial Management) Regulations 1996 (as amended).

Annual Financial Report

The Annual Financial Report for the year ended 30 June 2010 was not submitted to the Director General of the Department of Local Government within 30 days of the auditor's report becoming available as required by Financial Management Regulation 51 (2).

Budget Review

A copy of the budget review was not submitted to the Department within 30 days of its adoption as required by Financial Management Regulation 33A (4).

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Town.
- b) Except as detailed above, no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) All necessary information and explanations were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

**UHY HAINES NORTON
CHARTERED ACCOUNTANTS**


**GREG GODWIN
PARTNER**

Date: 29 November 2011
Perth, WA