

Town of Port Hedland

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

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



Town of Port Hedland

General Purpose Financial Statements for the year ended 30 June 2015

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Overview

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

General Purpose Financial Statements for the year ended 30 June 2015

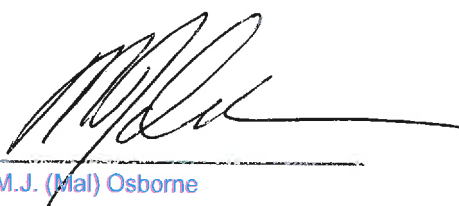
Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Statement by Chief Executive Officer

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

Signed on the 19th day of OCTOBER 2015



M.J. (Mal) Osborne

CHIEF EXECUTIVE OFFICER

Town of Port Hedland

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

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
Revenue				
Rates	24(a)	26,374	23,685	22,522
Operating Grants, Subsidies & Contributions	30	5,465	5,264	10,234
Fees & Charges	29	14,682	14,954	19,835
Interest Earnings	2(a)	3,572	2,045	3,297
Other Revenue	2(a)	8,999	5,473	2,109
		<u>59,092</u>	<u>51,421</u>	<u>57,997</u>
Expenses				
Employee Costs	33	(18,748)	(21,502)	(18,007)
Materials & Contracts		(19,271)	(19,087)	(23,651)
Utilities		(2,391)	(2,117)	(3,113)
Depreciation & Amortisation	2(a)	(11,331)	(9,852)	(9,777)
Interest Expenses	2(a)	(1,599)	(1,649)	(1,416)
Insurance		(933)	(973)	(1,003)
Other Expenditure		-	(3,088)	(4,947)
		<u>(54,273)</u>	<u>(58,268)</u>	<u>(61,914)</u>
Operating Result from Continuing Operations		<u>4,820</u>	<u>(6,845)</u>	<u>(3,917)</u>
Non-Operating Grants, Subsidies & Contributions	30	55,581	14,881	4,539
Profit on Asset Disposals	21	2,042	1	33
Loss on Asset Disposal	21	(114)	-	(280)
		<u>57,509</u>	<u>14,882</u>	<u>4,292</u>
Discontinuing Operations				
Net Profit/(Loss) from Discontinuing Operations	42	7,875	10,900	10,642
Net Result - Surplus (Deficit)		<u>70,203</u>	<u>18,937</u>	<u>11,017</u>
Other Comprehensive Income				
Items that will not be reclassified subsequently to profit or loss				
Changes on revaluation of non-current assets	13	114,953	-	89,410
Total Other Comprehensive Income		<u>114,953</u>	<u>-</u>	<u>89,410</u>
Total Comprehensive Income		<u>185,155</u>	<u>18,937</u>	<u>100,427</u>

Town of Port Hedland

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

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
Revenue				
Governance		33	35	48
General Purpose Funding		33,309	31,443	29,809
Law, Order, Public Safety		300	239	307
Health		121	94	158
Education & Welfare		1,139	307	414
Housing		298	337	309
Community Amenities		13,135	12,575	14,648
Recreation & Culture		1,737	2,222	3,405
Transport		261	255	714
Economic Services		7,020	6,773	7,163
Other Property & Services		1,740	631	1,023
		<u>59,093</u>	<u>54,911</u>	<u>57,998</u>
Expenses (excl. Finance Costs)				
Governance		(1,186)	(1,553)	(1,931)
General Purpose Funding		(1,129)	(485)	(589)
Law, Order, Public Safety		(2,043)	(1,891)	(1,808)
Health		(805)	(824)	(709)
Education & Welfare		(4,137)	(1,446)	(1,364)
Housing		(1,734)	(2,245)	(3,043)
Community Amenities		(8,091)	(10,586)	(10,197)
Recreation & Culture		(20,203)	(23,151)	(26,577)
Transport		(7,364)	(7,439)	(8,823)
Economic Services		(3,104)	(9,515)	(3,303)
Other Property & Services		(2,806)	(901)	(2,080)
		<u>(52,602)</u>	<u>(60,036)</u>	<u>(60,424)</u>
Finance Costs				
Governance		(59)	-	(2)
Law, Order, Public Safety		(10)	(11)	(13)
Education & Welfare		(93)	(82)	(15)
Housing		(371)	(311)	(261)
Community Amenities		(18)	(18)	(93)
Recreation & Culture		(1,052)	(1,187)	(1,026)
Transport		(60)	(103)	(78)
Economic Services		(8)	(8)	(3)
	2(a)	<u>(1,671)</u>	<u>(1,720)</u>	<u>(1,491)</u>
Operating Result from Continuing Operations		<u>4,820</u>	<u>(6,845)</u>	<u>(3,917)</u>

Town of Port Hedland

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

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

Town of Port Hedland

Statement of Financial Position

as at 30 June 2015

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

Town of Port Hedland

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

\$ '000	Notes	Retained Surplus	Reserves Cash / Investment Backed	Asset Revaluation Reserve	Total Equity
Balance as at 1 July 2013		225,281	74,559	853	300,693
Net Result		11,017	-	-	11,017
Total OCI / Asset Revaluation	13	-	-	89,410	89,410
Reserve Transfers	12	7,427	(7427)	-	-
Balance as at 30 June 2014		243,725	67,132	90,263	401,120
Net Result		70,203	-	-	70,203
Total OCI / Asset Revaluation	13	-	-	114,953	114,953
Reserve Transfers	12	(12,353)	12,353	-	-
Balance as at 30 June 2015		301,574	79,485	205,216	586,275

Town of Port Hedland

Statement of Cash Flows

for the year ended 30 June 2015

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

Town of Port Hedland

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

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

Town of Port Hedland

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

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
Revenue				
Governance		33	35	48
General Purpose Funding (Excl Rates)		6,935	7,799	7,287
Law, Order, Public Safety		300	239	307
Health		121	94	158
Education and Welfare		2,564	307	414
Housing		298	337	309
Community Amenities		14,639	12,575	14,648
Recreation and Culture		2,992	2,222	5,386
Transport		1,772	285	3,367
Economic Services		58,977	6,773	7,163
Other Property and Services		1,740	616	1,023
		<u>90,371</u>	<u>31,284</u>	<u>40,110</u>
Expenses				
Governance		(1,245)	(1,553)	(1,934)
General Purpose Funding		(1,129)	(485)	(589)
Law, Order, Public Safety		(2,053)	(1,902)	(1,821)
Health		(805)	(824)	(709)
Education and Welfare		(4,230)	(1,528)	(1,378)
Housing		(2,105)	(2,556)	(3,414)
Community Amenities		(8,252)	(10,604)	(10,414)
Recreation and Culture		(21,255)	(24,338)	(27,602)
Transport		(7,424)	(7,557)	(9,011)
Economic Services		(3,112)	(9,523)	(3,306)
Other Property and Services		(2,806)	(901)	(2,080)
		<u>(54,416)</u>	<u>(61,771)</u>	<u>(62,258)</u>
Results from Discontinuing Operations		<u>7,875</u>	<u>10,900</u>	<u>10,642</u>
Net Result Excluding Rates		<u>43,829</u>	<u>(19,587)</u>	<u>(11,506)</u>
Adjustment for Cash Budget Requirements:				
Non-Cash Expenditure & Revenue				
(Profit)/Loss on Asset Disposal	21	(1,928)	(15)	183
Movement in Non-Current Deferred Pensioner Rates		(12)	-	13
Movement in Non-Current Employee Benefit Provisions		62	-	71
Depreciation & Amortisation on Assets	2(a)	13,132	11,349	11,172
Other Non-Cash (Revenue)/Expenditure		(51,299)	(1,750)	-
Other Non-Cash - Initial recognition of Land Held for Resale		1,187	-	-
Bad debt expense		-	10	-
Net Non-Cash Expenditure & Revenue		<u>(38,858)</u>	<u>9,594</u>	<u>11,439</u>

Town of Port Hedland

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

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
Capital Expenditure				
Purchase Land and Buildings	20	(1,004)	(13,402)	(2,552)
Purchase Plant and Equipment	20	(4,309)	(3,386)	(3,808)
Purchase Furniture and Equipment	20	(459)	(986)	(410)
Work in Progress	20	(3,980)	-	(945)
Purchase Infrastructure Assets	20	(13,474)	(41,453)	(33,976)
Advances to Community Groups		-	-	(500)
Repayment of Debentures	23(a)	(3,027)	(1,370)	(1,305)
Other non-cash capital purchase offset		-	16,521	-
Net Capital Expenditure		(26,253)	(44,076)	(43,496)
Capital Revenue				
Proceeds from Disposal of Assets	21	3,170	11,020	819
Proceeds from New Debentures	23(b)	-	6,473	3,382
Self-Supporting Loan Principal Income	23(a)	87	325	68
Net Capital Revenue		3,257	17,818	4,269
Transfers				
Transfers to Reserves (Restricted Assets)	12	(19,307)	(1,804)	(33,586)
Transfers from Reserves (Restricted Assets)	12	6,954	14,318	41,013
Transfer (to) / from Unspent Grants		1,310	1,656	(310)
Transfer (to) / from Unspent Loans		808	145	(808)
Transfer (to) / from Restricted Receivables		6,135	-	13,786
Net Transfers		(4,100)	14,315	20,095
Surplus/(Deficit) July 1 B/Fwd	24(b)	817	54	(2,506)
Surplus/(Deficit) June 30 C/Fwd	24(b)	5,066	1,802	817
Amount Raised from Rates	24(a)	(26,374)	(23,685)	(22,522)

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

Critical Accounting Estimates

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

Information about estimates and assumptions that have the most significant

Provision for impairment of receivables

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

Provision for impairment of inventories

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

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

Estimation of useful lives of assets

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

Employee benefits provision

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

(b) The Local Government Reporting Entity

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

(c) Goods and Services Tax

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

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

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

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

(e) Trade and Other Receivables

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

(f) Inventories

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

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

(ii) Land Held for resale

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

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

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

(g) Fixed Assets

Initial Recognition

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

Revaluation

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

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

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

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Land under Roads

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

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

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

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

(h) Depreciation of Non-Current Assets

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

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

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

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

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

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

(i) Financial Instruments

Initial Recognition and Measurement

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

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Classification and Subsequent Measurement

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

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

Amortised cost is calculated as:

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

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

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

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

designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

(v) Financial Liabilities

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

Impairment

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

(j) Fair Value Estimation

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

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

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

(k) Provisions

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

required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(l) Leases

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

(m) Impairment

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

For non-cash generating assets of the Council such as roads, drains, public buildings and the like, value in

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

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

(n) Trade and Other Payables

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

(o) Interest-bearing Loans and Borrowings

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

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

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(p) Employee Benefits

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

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

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

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

Long Service Leave (Long-term Benefits)

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

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

(q) Superannuation

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

(r) Joint Venture

The municipality's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the Statement of Financial Position and Statement of Comprehensive Income. Information about the joint venture is set out in Note 17.

(s) Revenue

Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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

Fees and Charges

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

Service Charges

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

Interest earnings

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

Other Revenue

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

(t) Current and Non-Current Classification

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

(u) Rounding Off Figures

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

(v) Comparative Figures

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

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

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

(w) Budget Comparative Figures

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

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

(x) Investment Property

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

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either:

- (i) their carrying amount; and
- (ii) fair value less costs to sell,

if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

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

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

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

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

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

(z) Intangible Assets

Council has not classified any assets as Intangible.

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

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

Council has not adopted any of these standards early.

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

AASB 11 Joint Arrangements replaced AASB 131 Interests in Joint Ventures for the 2014-15 financial year. AASB 11 specifies how a joint arrangement, where two or more parties have control, should be accounted for. Under AASB 11 joint arrangements are classified as either joint operations or joint ventures and this, in turn, determines the accounting treatment. This classification is based on the rights and obligations of the parties and, when relevant, other facts and circumstances. Previously, AASB 131 classified joint arrangements based primarily on legal form. Under that standard there were three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets.

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

Council has not applied any Australian Accounting Standards and Interpretations that have been issued

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

but are not yet effective. Council applies standards and interpretations in accordance with their respective commencement dates.

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

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

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

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

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

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

and disclosure of revenue from contracts with customers.

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

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

Effective for periods commencing 1 January 2015:

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

Effective for periods commencing 1 July 2015:

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

Effective for periods commencing 1 January 2016:

- AASB 14 *Regulatory Deferral Accounts*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

Town of Port Hedland

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

Note 1. Summary of Significant Accounting Policies (continued)

- AASB 2014-3 *Amendments to Australian Accounting Standards-Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2014-6 *Amendments to Australian Accounting Standards-Agriculture: Bearer Plants*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* [AASB 1, 127 & 128]
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [AASB 10 & AASB 128]
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* [AASB 10, AASB 12 & AASB 128]
- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

Effective for periods commencing 1 January 2018:

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

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

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

Not applicable to Local Government

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

Effective for periods commencing 1 July 2016:

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

Effective for periods commencing 1 January 2017:

- AASB 15 *Revenue from Contracts with Customers*

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
(a) Net Result				
The Result includes:				
(i) Charging as an Expense:				
Auditors Remuneration				
- Audit of the Financial Report		71	40	50
- Assistance with the finalisation of the annual financial report		-	-	8
- Other Services - Disbursements and Grant Acquittals		35	20	20
		<u>106</u>	<u>60</u>	<u>78</u>
Bad & Doubtful Debts				
Rates		2	10	131
General Debtors		88	3	219
	27(b)	<u>90</u>	<u>13</u>	<u>350</u>
Depreciation & Amortisation				
<i>Property, Plant & Equipment</i>				
- Buildings		3,984	3,170	2,670
- Furniture and Equipment		926	748	1,071
- Plant and Equipment		2,320	2,044	2,044
	7(b)	<u>7,230</u>	<u>5,962</u>	<u>5,785</u>
<i>Infrastructure</i>				
- Roads & Bridges		2,202	1,993	1,993
- Drainage		239	173	173
- Footpaths		9	9	9
- Parks & Ovals		2,465	2,266	2,266
- Airports		843	825	825
- Other Infrastructure		85	-	-
- Bus Shelters		21	-	-
- Depot		38	21	21
- Work in Progress		-	20	20
		-	80	80
	8(b)	<u>5,902</u>	<u>5,387</u>	<u>5,387</u>
		<u>13,132</u>	<u>11,349</u>	<u>11,172</u>
Depreciation Discontinuing Operations	42	(1,801)	(1,497)	(1,395)
		<u>11,331</u>	<u>9,852</u>	<u>9,777</u>
Interest Expenses (Finance Costs)				
Debentures	23(a)	1,671	1,720	1,491
Interest Discontinuing Operations	42	(72)	(71)	(75)
		<u>1,599</u>	<u>1,649</u>	<u>1,416</u>

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

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

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

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

COMMUNITY VISION

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

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

REPORTING PROGRAM DESCRIPTIONS

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

GOVERNANCE

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

\$ '000

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

GENERAL PURPOSE FUNDING

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

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

LAW, ORDER & PUBLIC SAFETY

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

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

HEALTH

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

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

EDUCATION & WELFARE

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

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

HOUSING

Objective: To provide and maintain adequate housing.

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

COMMUNITY AMENITIES

Objective: To provide services required by the community.

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

RECREATION & CULTURE

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

\$ '000

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

TRANSPORT

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

Activities: All activities relating to the Port Hedland International Airport. Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities, and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

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

Activities: Tourism and area promotion, leasing and administration of commercial properties, building regulation, land development, and saleyards and markets.

OTHER PROPERTY & SERVICES

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

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

(c) Nature or Type Classifications

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

REVENUE

Rates

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

Operating Grants, Subsidies and Contributions

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

Non-Operating Grants, Subsidies and Contributions

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

\$ '000

(c) Nature or Type Classifications (continued)

Profit on Asset Disposal

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

Fees and Charges

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

Service Charges

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

Interest Earnings

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

Other Revenue

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

EXPENDITURE

Employee Costs

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

Material and Contracts

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

Town of Port Hedland

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

Note 2. Operating Revenues and Expenses (continued)

\$ '000

(c) Nature or Type Classifications (continued)

Utilities (Gas, Electricity, Water, etc.)

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

Depreciation and Amortisation on Non Current Assets

Depreciation and amortisation expense raised on all classes of assets.

Loss on Asset Disposal

Loss on the disposal of fixed assets.

Interest Expenses

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

Insurance

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

Other Expenditure

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

\$ '000	Opening Balance ¹ 1-Jul-13	Received ² 2014	Expended ³ 2014	Closing Balance ¹ 30-Jun-14	Received ² 2015	Expended ³ 2015	Closing Balance 30-Jun-15
(d). Conditions Over Grants, Subsidies & Contributions							
<u>Law, Order & Public Safety</u>							
Environment Health - Dog Health Programme - 09/10	8	-	(6)	2	-	-	2
Aware Grant - SEMC - Update Emergency Risk Management	-	12	-	12	-	(12)	-
<u>Health</u>							
Environment Help - Pilbara Regions Aboriginal Health Workshop	4	-	-	4	-	-	4
Environmental Health - Prepare EH Plan for Yandeyarra	11	-	(11)	-	-	-	-
Department of Health - Port Hedland CLAG	-	33	(17)	16	12	(16)	12
<u>Community Amenities</u>							
Country Local Government Funding Round 12/13	-	808	(50)	758	-	(694)	64
Pilbara Development Commission -Wayfinding Signage - (Formally Coastal Access Managed Camped)	36	14	(41)	9	-	-	9
Building Safety (Fire) Grant	15	-	(15)	-	-	-	-
<u>Recreation & Culture</u>							
LandCorp - Skate Park/Youth Space	350	-	-	350	-	(350)	-
Government of WA - NPP - Foreshore Master Plan	30	45	(58)	17	-	-	17
Atlas Iron - Trails Master Plan	-	8	-	8	-	-	8
PH Enhancement Scheme - Foreshore Park	10	-	(10)	-	-	-	-
Royalties for Regions - South Hedland Library & Community Centre	665	-	(373)	292	-	(14)	278
Royalties for Regions - South Hedland Bowls and Tennis Club	500	1,500	(2,000)	-	-	-	-
Pilbara Development Commission - South Hedland Bowls & Tennis Club	250	250	(500)	-	-	-	-

(continued on next page)

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

\$ '000	Opening Balance ¹ 1-Jul-13	Received ² 2014	Expended ³ 2014	Closing Balance ¹ 30-Jun-14	Received ² 2015	Expended ³ 2015	Closing Balance 30-Jun-15
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
Recreation & Culture (continued)							
Community Contribution - Bicycle Plan	32	-	-	32	-	-	32
Dept of Sport and Rec - CSRFF Grant Master Planning	-	25	-	25	-	-	25
Atlas Iron - In term Swimming	-	25	(3)	22	-	(22)	-
WA Police Service - The Slam	-	20	(6)	14	-	(14)	-
Garnduwa Amboorny Wirnan Grant Indigenous Sport Program - The Slam and Port Bound	-	12	-	12	8	(12)	8
Creating Communities - The Slam	-	10	-	10	-	(10)	-
Dept of Corrective Services - The Slam	-	9	-	9	-	(9)	-
Atlas Iron "Catch for your thought" music at JD Hardie	-	12	(6)	6	-	(6)	-
Dept of Sport and Rec - Hedland Junior Basketball Program	-	5	-	5	-	(5)	-
Atlas Iron - "Through our eyes" - Oral history of Aboriginal people of Port Hedland	-	5	-	5	-	(1)	4
FMG - Helping others Community Grant - School Series	-	5	-	5	-	(5)	-
Kidsport Grant	57	10	(62)	5	6	(8)	3
Children Book Council of Aust	4	4	(4)	4	-	(4)	-
Contributions - Foreshore Rehabilitation	-	17	(14)	3	29	(15)	17
Australian Red Cross - The Slam	-	2	-	2	-	(2)	-
Port Hedland Chamber of Commerce - In Term Swimming Program	-	1	-	1	-	(1)	-
Dept of Sport and Recreation - Marie Marland Overhead Lighting	-	232	(232)	-	-	-	-
Atlas Iron - Partnership Funds - Mural & Multicultural Banner	-	-	-	-	8	(5)	3
Recfishwest Community Grant Scheme	-	-	-	-	2	-	2
FMG - The Slam Basketball Program	-	-	-	-	4	-	4
Pilbara Development Commission - Youth Space - Art Activation	-	-	-	-	20	-	20

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 2. Operating Revenues and Expenses (continued)

\$ '000	Opening Balance ¹ 1-Jul-13	Received ² 2014	Expended ³ 2014	Closing Balance ¹ 30-Jun-14	Received ² 2015	Expended ³ 2015	Closing Balance 30-Jun-15
(d). Conditions Over Grants, Subsidies & Contributions (continued)							
Transport							
Roads to Recovery	-	890	(354)	536	-	(536)	-
Regional Roads Group	201	883	(674)	410	984	(1,233)	161
Blackspot Funding	-	27	-	27	-	(27)	-
BHP - Wallwork Bridge	444	-	(444)	-	-	-	-
Federal Aboriginal Road Grant	44	-	(44)	-	-	-	-
Other Property & Services							
Northern Planning - Studies to Facilitate South Hedland Tip Relocation	-	184	(172)	12	-	(12)	-
Northern Planning - South Hedland East Planning Scheme Amendment	-	100	(99)	1	-	(1)	-
Pilbara Development Commission - Infrastructure Capacity Study	18	-	(18)	-	-	-	-
Land Corp - Port Hedland Infrastructure Capacity Study	9	-	(9)	-	-	-	-
Department of Housing - Port Hedland Infrastructure Capacity Study	18	-	(18)	-	-	-	-
BHP Kingsford Smith Business Park Landscaping	-	-	-	-	480	-	480
LGIS Member Initiative	-	-	-	-	150	-	150
Total Unspent Grants, Subsidies & Contributions	2,706	5,148	(5,240)	2,614	1,701	(3,014)	1,304

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 3. Cash and Cash Equivalents

\$ '000	Notes	2015 Actual	2014 Actual
Cash on Hand - Municipal: Unrestricted		1,648	4,855
Cash at Bank - Reserves (Restricted)		79,486	67,132
Less: Investments (Restricted)		(30,300)	(7,000)
Cash at Bank - Municipal: Restricted Grants		-	2,614
Cash at Bank - Municipal: Restricted Loans		-	808
Total Cash and Cash Equivalents	14(a)	50,833	68,409
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Asset Management Reserve	12	524	202
Plant Reserve	12	837	-
Airport Reserve	12	20,874	16,463
Unfinished Works and Committed Works Reserve	12	2,282	982
Leave Reserve	12	876	876
Developer Contribution Reserve- Car Parking	12	270	367
Waste Management Reserve	12	10,704	4,750
BHP Reserve	12	527	3,494
Spoil bank Reserve	12	38,990	39,608
Royalties for Regions Reserve	12	-	48
Community Facilities Reserve	12	10	-
GP Housing Reserve	12	184	184
Developer Contributions Reserve- Public Open	12	1,374	158
Staff Housing Reserve	12	730	-
Unspent Grants and Contributions Reserve	12	1,304	-
Total Reserves		79,486	67,132
Unspent Grants	2(d)	-	2,614
Unspent Loans	23(c)	-	808
Total Unspent Grants and Loans		-	3,422
Total Restricted Cash		79,486	70,554

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 4. Investments

\$ '000	Notes	2015 Actual	2014 Actual
Financial Assets at Fair Value through Profit and Loss		30,300	7,000
Movements in Financial Assets at Fair Value through Profit and Loss			
At beginning of the year		7,000	-
Additions		30,300	7,000
Disposals		(7,000)	-
At end of the year		30,300	7,000
Total Investments		30,300	7,000
Classified as:			
Current		30,300	7,000
Total Investments	36	30,300	7,000

Note 5. Trade & Other Receivables

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 6. Inventories

\$ '000	2015 Actual	2014 Actual
Current		
Fuel and Materials	498	2
Other		
Matt Dann Kiosk	2	5
JD Hardie Centre	-	3
	<u>2</u>	<u>8</u>
Total Current Inventories	<u><u>500</u></u>	<u><u>10</u></u>

Non-Current

Nil

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

Note 7a. Property, Plant and Equipment

Land - Fair Value	<u>93,775</u>	<u>73,880</u>
	<u>93,775</u>	<u>73,880</u>
Buildings - Fair Value	<u>87,940</u>	<u>99,197</u>
	<u>87,940</u>	<u>99,197</u>
Furniture & Equipment - Fair Value	843	3,198
Less Accumulated Depreciation	-	(1,071)
Reclassification of Assets	<u>138</u>	<u>162</u>
	981	2,289
Plant and Equipment - Fair Value	15,045	12,980
Less Accumulated Depreciation	(2,320)	(2,045)
Reclassification of Assets	<u>(2,147)</u>	<u>390</u>
	<u>10,578</u>	<u>11,325</u>
Work in Progress - Fair Value	<u>2,062</u>	<u>945</u>
	<u>2,062</u>	<u>945</u>
Total Property, Plant & Equipment	<u><u>195,336</u></u>	<u><u>187,636</u></u>
	7(b)	
Land - Council Owned	<u>88,005</u>	<u>68,110</u>
	<u>88,005</u>	<u>68,110</u>
Land - Council Controlled (Not owned)	<u>5,770</u>	<u>5,770</u>
	<u>5,770</u>	<u>5,770</u>
	<u>93,775</u>	<u>73,880</u>

Refer Note 37 for Fair Value Disclosures

Town of Port Hedland

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

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

Movements in Carrying Amounts

\$ '000	Notes	Land	Buildings	Furniture and Equipment	Plant and Equipment	Work in Progress	Total
		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	
Balance as at 1 July 2014		73,880	99,197	2,289	11,325	945	187,635
Additions							
- Renewal		-	844	366	4,309	2,153	7,672
- New		-	160	93	-	1,827	2,080
- Contributed Asset		37,803	1,424	-	-	-	39,227
	20	37,803	2,428	459	4,309	3,980	48,979
Disposals	21	-	-	-	(589)	-	(589)
Revaluation - Increments	13	-	-	1,291	-	-	1,291
Revaluation - (Decrements)	13	-	(410)	-	-	-	(410)
Impairment - Increments		-	525	-	-	-	525
Depreciation	2(a)	-	(3,984)	(926)	(2,320)	-	(7,230)
Reclassification - Land held for Sale		(17,908)	-	138	-	-	(17,770)
Reclassification - Disposal Group "Held for sale"		-	(9,814)	(2,270)	(2,147)	(2,863)	(17,094)
Property, Plant & Equipment at 30 June 2015		93,775	87,940	981	10,578	2,062	195,336

Refer Note 37 for Fair Value Disclosures

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 8a. Infrastructure

\$ '000	Notes	2015 Actual	2014 Actual
Roads & Bridges - Management Valuation		189,390	87,438
Less Accumulated Depreciation		(28,109)	(1,993)
		<u>161,281</u>	<u>85,445</u>
Drainage - Management Valuation		29,900	9,568
Less Accumulated Depreciation		(6,676)	(173)
		<u>23,224</u>	<u>9,395</u>
Footpaths - Management Valuation		27,925	8,207
Less Accumulated Depreciation		(8,431)	(9)
		<u>19,494</u>	<u>8,198</u>
Parks & Ovals - Fair Value		49,498	39,070
Less Accumulated Depreciation		(11,636)	(2,267)
Reclassification		-	(347)
		<u>37,862</u>	<u>36,456</u>
Airport - Fair Value		-	22,660
Less Accumulated Amortisation		-	(825)
		<u>-</u>	<u>21,835</u>
Other Infrastructure - Management Valuation		1,232	529
Less Accumulated Amortisation		(612)	(80)
		<u>620</u>	<u>449</u>
Bus Shelter - Management Valuation		151	54
Less Accumulated Amortisation		(39)	(21)
		<u>112</u>	<u>33</u>
Depot - Management Valuation		1,016	678
Less Accumulated Amortisation		(177)	(20)
		<u>839</u>	<u>658</u>
Work in Progress		8,170	1,164
Less Accumulated Amortisation		-	-
		<u>8,170</u>	<u>1,164</u>
Total Infrastructure	8(b)	<u><u>251,602</u></u>	<u><u>163,633</u></u>

* Refer Note 37 for Fair Value Disclosures

Town of Port Hedland

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

Note 8b. Infrastructure (continued)

Movements in Carrying Amounts

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

Town of Port Hedland

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

Note 9. Trade and Other Payables

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

Note 10. Borrowings

Current			
Secured by Floating Charge			
- Debentures		1,135	1,278
Total Current Borrowings	23(a)	<u><u>1,135</u></u>	<u><u>1,278</u></u>
Non-Current			
Secured by Floating Charge			
- Debentures		24,583	27,463
Total Non-Current Borrowings	23(a)	<u><u>24,583</u></u>	<u><u>27,463</u></u>
	23(a)	<u><u>25,718</u></u>	<u><u>28,741</u></u>

Additional detail on borrowings is provided in Note 23.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 11. Provisions

\$ '000	2015 Actual	2014 Actual
Current		
Annual Leave	1,367	1,695
Long Service Leave	565	701
Sick Leave	629	236
Total Current Provisions	2,561	2,632
Non-Current		
Long Service Leave	166	225
Total Non-Current Provisions	166	225

Movements in Provisions

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 12. Reserves - Cash/Investment Backed

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

\$ '000	2015 Actual	2015 Budget	2014 Actual
(o). BHP Reserve			
Opening Balance	3,494	3,419	5,638
Amount Set Aside / Transfer to Reserve	241	37	112
Amount Used / Transfer from Reserve	<u>(3,208)</u>	<u>(3,428)</u>	<u>(2,256)</u>
	<u>527</u>	<u>28</u>	<u>3,494</u>
(p). Civil Building / Infrastructure Reserve			
Opening Balance	-	-	8
Amount Used / Transfer from Reserve	<u>-</u>	<u>-</u>	<u>(8)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
(q). Newcrest Reserve			
Opening Balance	-	-	2
Amount Used / Transfer from Reserve	<u>-</u>	<u>-</u>	<u>(2)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
(r). Spoil bank Reserve			
Opening Balance	39,608	39,310	40,760
Amount Used / Transfer from Reserve	<u>(618)</u>	<u>(350)</u>	<u>(1,152)</u>
	<u>38,990</u>	<u>38,960</u>	<u>39,608</u>
(s). Royalties for Regions Reserve			
Opening Balance	48	26	927
Amount Set Aside / Transfer to Reserve	-	-	16
Amount Used / Transfer from Reserve	<u>(48)</u>	<u>-</u>	<u>(895)</u>
	<u>(0)</u>	<u>26</u>	<u>48</u>
(t). Community Facilities Reserve			
Opening Balance	-	(324)	1,258
Amount Set Aside / Transfer to Reserve	10	-	1,326
Amount Used / Transfer from Reserve	<u>-</u>	<u>-</u>	<u>(2,584)</u>
	<u>10</u>	<u>(324)</u>	<u>-</u>
(u). GP Housing Reserve			
Opening Balance	184	184	194
Amount Used / Transfer from Reserve	<u>-</u>	<u>-</u>	<u>(10)</u>
	<u>184</u>	<u>184</u>	<u>184</u>
(v). Developer Contributions Reserve- Public Open			
Opening Balance	158	158	-
Amount Set Aside / Transfer to Reserve	<u>1,216</u>	<u>50</u>	<u>158</u>
	<u>1,374</u>	<u>208</u>	<u>158</u>

Town of Port Hedland

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

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

\$ '000	2015 Actual	2015 Budget	2014 Actual
Summary of Reserve Transfers			
Transfers to Reserves			
Asset Management Reserve	338	338	563
Plant Reserve	837	387	-
Airport Reserve	4,411	-	14,997
Unfinished Works and Committed Works Reserve	2,282	-	982
Leave Reserve	-	14	-
Developer Contribution Reserve- Car Parking	-	-	135
Waste Management Reserve	5,954	978	15,297
BHP Reserve	241	37	112
Royalties for Regions Reserve	-	-	16
Community Facilities Reserve	10	-	1,326
Developer Contributions Reserve- Public Open	1,216	50	158
Staff Housing Reserve	730	-	-
Unspent Grants and Contributions Reserve	1,304	-	-
Strategic Reserve	1,984	-	-
Total Transfers to Reserves	19,307	1,804	33,586
Transfers from Reserves			
Asset Management Reserve	(17)	(360)	(546)
Underground Power Reserve	-	-	(654)
Waste Collection Reserve	-	-	(4,204)
Airport Reserve	-	(9,198)	(17,594)
Unfinished Works and Committed Works Reserve	(982)	(982)	-
Leave Reserve	-	-	(19)
Developer Contribution Reserve- Car Parking	(97)	-	-
Waste Management Reserve	-	-	(10,547)
Lights Replacement Reserve	-	-	(23)
Depot Facilities Reserve	-	-	(17)
South Hedland Library Reserve	-	-	(14)
SES Shed Reserve	-	-	(35)
Waste Management & Recycling Reserve	-	-	(453)
BHP Reserve	(3,208)	(3,428)	(2,256)
Civil Building / Infrastructure Reserve	-	-	(8)
Newcrest Reserve	-	-	(2)
Spoil bank Reserve	(618)	(350)	(1,152)
Royalties for Regions Reserve	(48)	-	(895)
Community Facilities Reserve	-	-	(2,584)
GP Housing Reserve	-	-	(10)
Strategic Reserve	(1,984)	-	-
Total Transfers from Reserves	(6,954)	(14,318)	(41,013)
Total Net Transfer to/(from) Reserves	12,353	(12,514)	(7,427)

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

\$ '000

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

Asset Management Reserve

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

Plant Reserve

- to fund the Plant Replacement Program.

Underground Power Reserve

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

Waste Collection Reserve

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

Airport Reserve

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

Unfinished Works and Committed Works Reserve

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

Leave Reserve

- to fund employee annual and long service leave entitlements.

Developer Contribution Reserve- Car Parking

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

Waste Management Reserve

- to fund the development, operation and maintenance of the Council's waste management facilities including the landfill and waste collection activities

Lights Replacement Reserve

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

Depot Facilities Reserve

- to be used for the depot upgrade.

South Hedland Library Reserve

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

SES Shed Reserve

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

\$ '000

Waste Management & Recycling Reserve

- to fund future waste recycling products.

BHP Reserve

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

Civil Building / Infrastructure Reserve

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

Newcrest Reserve

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

Spoil bank Reserve

- to fund the development of the Port Hedland Spoil bank Precinct.

Royalties for Regions Reserve

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

Community Facilities Reserve

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

GP Housing Reserve

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

Developer Contributions Reserve- Public Open

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

Staff Housing Reserve

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

Unspent Grants and Contributions Reserve

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

Strategic Reserve

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 13. Reserves - Asset Revaluation

\$ '000	Notes	2015 Actual	2014 Actual
Asset revaluation reserves have arisen on revaluation of the following classes of assets:			
(a). Land			
Opening Balance		71,926	662
Revaluation Increment		-	71,264
		<u>71,926</u>	<u>71,926</u>
(b). Buildings			
Opening Balance		18,337	191
Revaluation Increment	7(b)	525	18,671
Revaluation Decrement	7(b)	(410)	(525)
		<u>18,452</u>	<u>18,337</u>
(c). Furniture and Equipment			
Opening Balance		-	-
Revaluation Increment	7(b)	1,291	-
		<u>1,291</u>	<u>-</u>
(d). Infrastructure			
Opening Balance		-	-
Revaluation Increment	8(b)	113,547	-
		<u>113,547</u>	<u>-</u>
Total Asset Revaluation Reserves		<u>205,216</u>	<u>90,263</u>

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 14. Notes to the Statement of Cash flows

\$ '000	Notes	2015 Actual	2015 Budget	2014 Actual
(a). Reconciliation of Cash				
For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:				
Cash and Cash Equivalents	3	<u>50,833</u>	<u>51,308</u>	<u>68,409</u>
(b). Reconciliation of Net Cash Provided By Operating Activities to Net Result				
Net Result		70,203	18,978	11,017
Depreciation		13,132	11,349	11,172
(Profit)/Loss on Sale of Assets		(1,928)	(16)	183
Decrease/(Increase) in Receivables		(2,831)	-	20,984
Increase/(Decrease) in Provision for Doubtful Debts		(77)	-	-
Decrease/(Increase) in Inventories		(541)	-	3
Increase/(Decrease) in Payables & Accruals		2,161	10	(5,381)
Increase/(Decrease) in Accrued Interest Payable		(29)	-	-
Increase/(Decrease) in Employee Leave Entitlements		(73)	-	415
Non-Operating Grants, Subsidies and Contributions		(4,282)	(14,881)	(4,539)
Contributed Asset		(51,299)	-	-
Net Cash from Operating Activities		<u>24,435</u>	<u>15,440</u>	<u>33,854</u>
(c). Undrawn Borrowing Facilities Credit Standby Arrangements				
Credit Card Limit		100	-	57
Credit Card Balance at Balance Date		(55)	-	(1)
Total Amount of Credit Unused		<u>45</u>	<u>-</u>	<u>56</u>
Loan Facilities				
Loan Facilities - Current	10	1,135		1,278
Loan Facilities - Non-Current	10	24,583		27,463
Total Facilities in Use at Balance Date		<u>25,718</u>		<u>28,741</u>
Unused Loan Facilities at Balance Date		<u>-</u>		<u>808</u>

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 15. Contingent Liabilities

\$ '000

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

(i) Bank Guarantee

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

(ii) Contaminated site

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

(ii) Other Contingent Liabilities

Council is not aware of any reportable Contingent Liabilities.

Note 16. Capital and Leasing Commitments

\$ '000

	2015 Actual	2014 Actual
--	----------------	----------------

(a). Finance Lease Commitments

Nil

(b). Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 16. Capital and Leasing Commitments (continued)

\$ '000	2015 Actual	2014 Actual
(c). Capital Expenditure Commitments		
Contracted for:		
- building expenditure projects	1,976	209
- road expenditure projects	28	1,560
- airport expenditure projects	825	1,674
- drainage expenditure projects	-	40
- footpaths expenditure projects	2	-
- parks expenditure projects	130	67
- land development expenditure projects	-	35
- furniture & equipment purchases	-	64
- plant & equipment purchases	13	381
Total Capital Expenditure Commitments	<u>2,974</u>	<u>4,030</u>
Payable:		
- not later than one year	2,974	4,030
- later than one year but not later than five years	-	-
- later than five years	-	-
Total Capital Expenditure Commitments	<u>2,974</u>	<u>4,030</u>

Note 17. Subsidiaries, Joint Arrangements & Associates

(a) Subsidiaries (i.e. Entities & Operations controlled by Council)

Council has no interest in any Subsidiaries.

(b) Joint Ventures & Associates

Council has no interest in any Joint Ventures or Associates.

(c) Joint Operations

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

(d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 18. Trust Funds

\$ '000	Balance 1-Jul-14	Amounts Received	Amounts Paid	Balance 30-Jun-15
Keep Australia Beautiful	2	-	-	2
Building Retention	5	-	-	5
Staff Bonds	38	4	(6)	36
Ranger Services	3	2	(2)	3
Community Bank	1	-	-	1
Deposits - Halls	11	4	(7)	8
Deposits - Trailer/Comma Bus	1	5	(5)	1
Deposits - Sportsgrounds	20	18	(18)	20
POS Reserve	1	-	-	1
BRB Levy	51	194	(208)	37
BCITF Levy	5	333	(335)	3
Unclaimed Money	2	2	-	4
Sundry	1	6	(6)	1
Garden Competition	5	-	-	5
MDCC Hire Events	1	1	(2)	0
Building Bonds	22	-	-	22
DAP	16	37	(43)	10
Cyclone George	103	-	-	103
Tech Services Bonds	27	94	(56)	65
Castamere Road Development	-	3,590	(2,463)	1,127
	315	4,290	(3,151)	1,455

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

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

Note 19. Total Assets Classified by Function and Activity

\$ '000	2015 Actual	2014 Actual
Governance	710	1,964
General Purpose Funding	81,157	196
Law, Order, Public Safety	1,421	1,786
Health	1,261	1,250
Education & Welfare	10,792	10,599
Housing	26,288	26,495
Community Amenities	4,541	9,707
Recreation & Culture	111,537	98,431
Transport	306,911	211,021
Economic Services	19,211	40,748
Other Property & Services	10,891	9,357
Unallocated	48,645	27,620
	623,365	439,174

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 20. Acquisition of Assets

\$ '000	2015 Actual	2015 Budget
By Program		
Governance	395	150
Law, Order, Public Safety	-	3
Health	-	3,670
Education & Welfare	1,425	-
Housing	244	5,561
Recreation & Culture	1,088	12,404
Transport	29,703	36,496
Economic Services	37,818	944
Other Property & Services	3,852	-
	<u>74,525</u>	<u>59,227</u>
By Class		
<i>Property, Plant & Equipment</i>		
- Land	-	904
- Land - Contributed Asset	37,803	-
- Buildings	1,004	12,498
- Buildings - Contributed Asset	1,424	-
- Furniture and Equipment	459	986
- Plant and Equipment	4,309	3,386
- Work in Progress	3,980	-
	7(b) <u>48,979</u>	<u>17,774</u>
<i>Infrastructure</i>		
- Roads & Bridges	2,461	3,326
- Roads & Bridges - Contributed Asset	7,135	-
- Drainage	9	980
- Drainage - Contributed Asset	4,937	-
- Footpaths	43	395
- Parks & Ovals	340	5,048
- Airports	2,977	29,594
- Sewerage	-	420
- Other Infrastructure	-	1,635
- Depot	-	55
- Work in Progress	7,644	-
	8(b) <u>25,546</u>	<u>41,453</u>
	<u>74,525</u>	<u>59,227</u>

Town of Port Hedland

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

Note 21. Disposal of Assets

\$ '000	Notes	Net Book Value		Sale Price		Profit/(Loss)	
		Actual	Budget	Actual	Budget	Actual	Budget
The following assets were disposed of during the year.							
<i>Land Held for Resale</i>		653	10,480	2,695	10,480	2,042	-
<i>Property, Plant & Equipment</i>	7(b)	589	526	475	541	(114)	15
Total		1,242	11,006	3,170	11,020	1,928	15

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 22. Financial Ratios

\$ '000	Amounts 2015	Indicator 2015	Target	Prior Periods 2014 2013	
<i>Liquidity Ratio</i>					
1. Current Ratio					
Current Assets less Restricted Current Assets	79,728	6.95 : 1	> 1.00 : 1	1.05	0.80
Current Liabilities less Liabilities Associated with Restricted with Restricted Assets	11,465				
This is a modified commercial ratio designed to focus on the liquidity position of the Council that has arisen from past year's transactions. The ratio exclude the value of the Discontinuing Operations as per Note 42. The ratio including this figure is 1.55:1					
<i>Debt Ratio</i>					
2. Debt Service Cover Ratio					
Operating Surplus before Interest and Depreciation	19,678	4.25 : 1	> 2.00 : 1	6.91	5.77
Principal and Interest Repayments	4,626				
This ratio is the measurement of Council's ability to repay its debt including lease payments. The ratio exclude the Operating Surplus and Principal Interest Repayments for the Discontinuing Operations as per Note 42. The ratio including these figures is 6.26:1					
<i>Coverage Ratio</i>					
3. Own Source Revenue Coverage Ratio					
Own Source Operating Revenue	57,427	105.59%	> 40%	94.63%	84.70%
Operating Expense	54,387				
This ratio is the measurement of Council's ability to cover its costs through its own revenue efforts. The ratio exclude the Operating Revenue and Expense for the Discontinuing Operations as per Note 42. The ratio include these figures is 116.6%					
<i>Financial Performance Ratio</i>					
4. Operating Surplus Ratio					
Operating Revenue less Operating Expense	6,748	11.75%	> 1%	9.78%	3.10%
Own Source Operating Revenue	57,427				
The ratio is a measure of Council's ability to cover its operational costs and have revenues available for capital funding or other purposes. The ratio exclude the Operating Revenue and Expenses for the Discontinuing Operations as per Note 42. The ratio including these figures is 19.07%.					
<i>Asset Management Ratios</i>					
5. Asset Consumption Ratio					
Depreciated Replacement Cost of Depreciable Assets	401,748	72.54%	> 50%	84.08%	n/a
Current Replacement Cost of Depreciable Assets	553,844				
This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. This ratio include the Depreciated Replacement Cost and Current Replacement Cost of Assets which form part of the Disposal Group "Held for sale" as per Note 42.					
6. Asset Sustainability Ratio					
Capital Renewal and Replacement Expenditure	13,075	99.57%	90-110%	107.88%	244.00%
Depreciation Expense	13,132				
This ratio indicates whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out. This ratio include the Capital Renewal and Replacement Cost and Depreciation Expense which form part of the Disposal Disposal Group "Held for sale" as per Note 42.					
7. Asset Renewal Funding Ratio					
NPV of Planned Capital Renewals over 10 years	132,947	85.80%	75-95%	n/a	n/a
NPV of Required Capital Expenditure over 10 years	154,948				
This ratio is a measure of the ability of Council to fund it projected asset renewal/ replacements in future. This ratio include the NPV of Planned Capital Renewals and Required Capital Expenditure of the assets which form part of the Disposal Group "Held for sale" as per Note 42.					

Town of Port Hedland

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

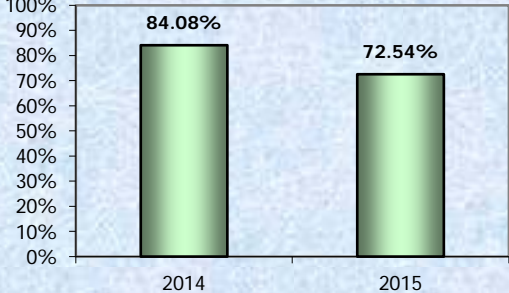
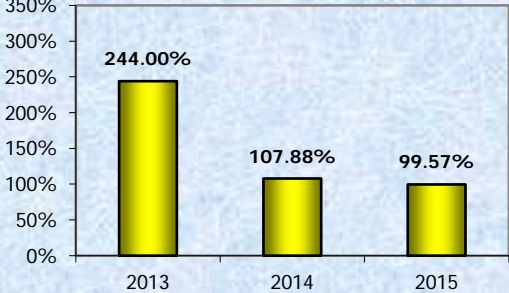
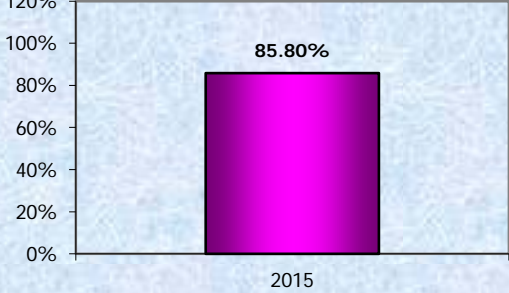
Note 22. Financial Ratios (continued)

<p>1. Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>0.80</td> </tr> <tr> <td>2014</td> <td>1.05</td> </tr> <tr> <td>2015</td> <td>6.95</td> </tr> </tbody> </table>	Year	Ratio : 1	2013	0.80	2014	1.05	2015	6.95	<p>Purpose of Current Ratio</p> <p>To assess the liquidity position of the Council that has arisen from past year's transactions.</p>	<p>Commentary on Result</p> <p>2014/15 Ratio 6.95 : 1</p> <p>The Department of Local Government and Communities has set a minimum standard of 1. The Town meets the standard meaning that it has sufficient assets that can be quickly converted into cash to meet immediate cash commitments.</p>
Year	Ratio : 1									
2013	0.80									
2014	1.05									
2015	6.95									
<p>2. Debt Service Cover Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>5.77</td> </tr> <tr> <td>2014</td> <td>6.91</td> </tr> <tr> <td>2015</td> <td>4.25</td> </tr> </tbody> </table>	Year	Ratio : 1	2013	5.77	2014	6.91	2015	4.25	<p>Purpose of Debt Service Cover Ratio</p> <p>To assess Council's ability to repay its debt including lease payments.</p>	<p>Commentary on Result</p> <p>2014/15 Ratio 4.25 : 1</p> <p>The Department of Local Government and Communities has set a basic standard if the ratio is greater or equal to two. The Town has achieved an advanced standard as the ratio is greater than five meaning that the town can easily cover debt servicing obligations.</p>
Year	Ratio : 1									
2013	5.77									
2014	6.91									
2015	4.25									
<p>3. Own Source Revenue Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>84.70%</td> </tr> <tr> <td>2014</td> <td>94.63%</td> </tr> <tr> <td>2015</td> <td>105.59%</td> </tr> </tbody> </table>	Year	Ratio %	2013	84.70%	2014	94.63%	2015	105.59%	<p>Purpose of Own Source Revenue Coverage Ratio</p> <p>To assess Council's ability to cover its costs through its own revenue efforts.</p>	<p>Commentary on Result</p> <p>2014/15 Ratio 105.59%</p> <p>The Department of Local Government and Communities has set a basic standard between 40% and 60%, intermediate standard between 60% and 90% and advanced standard greater than 90%. The Town has achieved the advanced standard meaning the Town can cover nearly all operating expenses from own source revenue, and is not heavily reliant on external funding.</p>
Year	Ratio %									
2013	84.70%									
2014	94.63%									
2015	105.59%									
<p>4. Operating Surplus Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>3.10%</td> </tr> <tr> <td>2014</td> <td>9.78%</td> </tr> <tr> <td>2015</td> <td>11.75%</td> </tr> </tbody> </table>	Year	Ratio %	2013	3.10%	2014	9.78%	2015	11.75%	<p>Purpose of Operating Surplus Ratio</p> <p>To assess Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.</p>	<p>Commentary on Result</p> <p>2014/15 Ratio 11.75%</p> <p>The Department of Local Government and communities has set a basic standard between 1% and 15% and an advanced standard greater than 15%. The Town's ratio is healthy indicating that the Town's operating revenue can cover operational costs with a surplus available for capital funding and other purposes i.e. transfer to Reserves.</p>
Year	Ratio %									
2013	3.10%									
2014	9.78%									
2015	11.75%									

Town of Port Hedland

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

Note 22. Financial Ratios (continued)

<p>5. Asset Consumption Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>84.08%</td> </tr> <tr> <td>2015</td> <td>72.54%</td> </tr> </tbody> </table>	Year	Ratio %	2014	84.08%	2015	72.54%	<p>Purpose of Asset Consumption Ratio</p> <p>To assess the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.</p>	<p>Commentary on Result</p> <p>2014/15 Ratio 72.54%</p> <p>The Department of Local Government and Communities has set a standard of 50%. The ratio seeks to highlight the aged condition of a local governments stock of physical assets. The Town's ratio is relatively healthy as the Town's asset base comprises of many significant new assets that have been constructed over the last ten years.</p>		
Year	Ratio %									
2014	84.08%									
2015	72.54%									
<p>6. Asset Sustainability Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>244.00%</td> </tr> <tr> <td>2014</td> <td>107.88%</td> </tr> <tr> <td>2015</td> <td>99.57%</td> </tr> </tbody> </table>	Year	Ratio %	2013	244.00%	2014	107.88%	2015	99.57%	<p>Purpose of Asset Sustainability Ratio</p> <p>To indicate whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.</p>	<p>Commentary on Result</p> <p>2014/15 Ratio 99.57%</p> <p>The Department of Local Government and Communities has set a standard of 90%. The Town exceeds the standard. This indicates that the Town is replacing or renewing existing assets at the same rate that the overall asset stock is wearing out.</p>
Year	Ratio %									
2013	244.00%									
2014	107.88%									
2015	99.57%									
<p>7. Asset Renewal Funding Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>85.80%</td> </tr> </tbody> </table>	Year	Ratio %	2015	85.80%	<p>Purpose Asset Renewal Funding Ratio</p> <p>To assess the ability of Council to fund its projected asset renewal / replacements in the future.</p>	<p>Commentary on Result</p> <p>2014/15 Ratio 85.80%</p> <p>This ratio is calculated from information contained in the Long Term Financial Plan and Asset management Plans, and not the Annual Financial Report. The Department of Local Government and Communities has set a basic standard of Between 75% and 95%. The Town meets this standards meaning that the Town is able to fund the replacement of assets in the future.</p>				
Year	Ratio %									
2015	85.80%									

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 23. Information on Borrowings

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 23. Information on Borrowings (continued)

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

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

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

2 WATC = WA Treasury Corporation

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 23. Information on Borrowings (continued)

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

\$ '000	Date Borrowed	Balance 1-Jul-14	Borrowed During Year	Expended During Year	Balance 30-Jun-15
Wallwork Rd Bridge	15/05/2014	303	-	(303)	-
Civic Centre Upgrade	30/05/2014	247	-	(247)	-
SH Bowls and Tennis Club	26/02/2014	108	-	(108)	-
JD Hardie Security Upgrade	26/02/2014	150	-	(150)	-
		808	-	(808)	-

(d). Overdraft

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

\$ '000	Notes	2015 Carried Fwd Actual	2014 Brought Fwd Actual
Current Assets			
Cash - Unrestricted	3	1,648	4,855
Cash at Bank - Municipal: Restricted Grants	3	-	2,614
Cash - Restricted Reserves	3	79,486	67,132
Cash - Restricted Unspent Loans	3	-	808
Rates - Current	5	435	76
Sundry Debtors	5	12,024	10,936
Other Receivables	5	26	228
Inventories			
- Fuel and Materials	6	498	2
- Other	6	53	8
Provisions for Doubtful Debts	5	(233)	(310)
Land held for Resale	38	1,187	-
Accrued Income	5	1,821	245
		96,945	86,594
Current Liabilities			
Sundry Creditors	9	6,998	6,109
Accrued Interest on Debentures	9	318	347
Accrued Salaries and Wages	9	407	-
Current Employee Benefits Provision	11	2,618	2,632
Current Loan Liability	10	1,135	1,278
Income in Advance	9	865	-
		12,341	10,366
Net Current Assets		84,604	76,228
Less:			
Reserves - Restricted Cash	3	(79,486)	(67,132)
Restricted Receivables		-	(6,135)
Unspent Grants		-	(2,614)
Unspent Loans		-	(808)
Land Held for Resale		(1,187)	-
Add Back:			
Current Loan Liability	10	1,135	1,278
Surplus/(Deficit)		5,066	817

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

\$ '000

The Town has not imposed Specified Area Rates.

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

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

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

Charges - service charges are imposed as follows:

Connection Charge - \$1,027.58

kVA Charge - \$137.58

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

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

Payment Options:

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

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

Town of Port Hedland

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

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

\$ '000

(a) Discounts

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

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

(b). Write-Offs**Rate Assessment**

A130267	Lot 5235 Twelve Mile Creek Road, Pippingarra	2	2
	Small Balances under \$2	-	8
		<u>2</u>	<u>10</u>

General Debtors

8874		62	3
7875		6	-
8208		6	-
8840		3	-
7253		2	-
8367		1	-
1027		1	-
8001		1	-
7738		1	-
8059		1	-
9205		1	-
		<u>3</u>	<u>-</u>
		<u>88</u>	<u>3</u>
	2(a)	<u>90</u>	<u>13</u>

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

(c). Waivers

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

\$ '000

(d). Concessions

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

\$ '000	Interest Rate %	Admin. Charge	Revenue	Budgeted Revenue
Interest on Unpaid Rates	11.00%		116	116
Interest on Instalment Plan	5.50%		217	131
Charges on Instalment Plan		37.20	103	82
			<u>436</u>	<u>329</u>

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

Option 1 - Full Payment:

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

Option 2 - 4 Instalments:

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

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

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 29. Fees & Charges

\$ '000	2015 Actual	2015 Budget	2014 Actual
Governance	1	2	2
General Purpose Funding	47	280	75
Law, Order, Public Safety	226	126	171
Health	78	59	145
Education and Welfare	2	270	4
Housing	-	-	246
Community Amenities	6,061	11,088	13,252
Recreation and Culture	2,730	512	579
Transport	17,285	16,532	18,563
Economic Services	5,505	626	3,087
Other Property and Services	32	-	-
	31,967	29,495	36,124
Fees & Charges Discontinuing Operations	(17,285)	(14,540)	(16,289)
	14,682	14,954	19,835

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

Note 30. Grants, Subsidies & Contributions

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 31. Employee Numbers

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

Note 32. Councillor Remuneration

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

Meeting Fees	221	251	231
Mayor's Allowance	75	77	75
Deputy Mayor's Allowance	19	19	20
Telecommunications Allowance	28	31	31
	343	378	357

Note 33. Employee Costs

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

Town of Port Hedland

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

Note 33. Employee Costs (continued)

\$ '000	Salary Range	2015 Actual	2014 Actual
Employee Remuneration			
Set out below, in bands of \$10,000 is the number of employees entitled to an annual salary of 100,000 or more.			
Details			
LG Administration Regulations 19 B	100,000 - 109,999	18	14
	110,000 - 119,999	9	6
	120,000 - 129,999	3	8
	130,000 - 139,999	6	6
	140,000 - 149,999	5	5
	150,000 - 159,999	-	1
	160,000 - 169,999	1	2
	170,000 - 179,999	-	-
	180,000 - 189,999	1	2
	190,000 - 199,999	-	-
	200,000 +	2	1

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 34. Major Land Transactions

\$ '000

(a). Details

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

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

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

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

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

Catamore Court

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

The proposal from Megara involves the construction of 12 single family homes to be sold to the general public, and a 8 unit group dwelling that will be retained by the Town for staff housing. Construction of housing is contingent upon the presale of a minimum of 12 of the lots (with Lot 201 to be further subdivided) that will not remain with the Town. Proceeds from the sale of those lots will be held in the Town's Trust Account, and utilised to pay Megara for the construction of the staff houses. 5 of the minimum 12 lots have been presold. This transaction will be completed in the 2015/16 financial year.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 34. Major Land Transactions (continued)

\$ '000

General Practitioner Housing

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

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

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

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

JD Hardie Land

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

The 2014/15 Budget includes estimates for the acquisition of the land at \$150k, wholly funded by way of a loan. This purchase did not proceed in 2014/15 as the State Government is currently reviewing the Lazy Lands residential infill policy.

Kingsford Smith Business Park

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 34. Major Land Transactions (continued)

\$ '000

- BHP Billiton Iron Ore

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

The Town estimates that at the completion of subdivision construction works, the Town will recognise an asset estimated to be worth some \$45m. Handover occurred in the 2014/15 financial year and, as such the Town recognised a non cash contribution and corresponding non cash asset acquisition (Real Estate Inventory). The Town now has a number of fully serviced lots within the KSBP, available for sale or lease. Proceeds from the sale of Lot 34 have been allocated by the Town to the Spoilbank Marina Project. Any lease or sale proceeds from subdivision lots created other than Lots 34 and 35, are planned to be allocated from Municipal to the Airport Reserve up to an existing commitment of \$40m, to help fund the proposed Airport Redevelopment Capital Works program. Any associated rates revenue generated as a result of sale or lease will remain within normal Municipal operations, as will any interest earned on the investment of any such proceeds.

- Ausco Modular

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

- Bunnings

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 34. Major Land Transactions (continued)

\$ '000	2015 Actual	2014 Actual
(b). Current Year Transactions		
Operating Income		
Port Hedland International Airport - Compass Group Pty Ltd		
Lease Revenue	1,040	1,122
Rates	1,033	748
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Lease Revenue	657	190
Rates	304	220
Catamore Court		
Nil		
General Practitioner Housing		
Lease Revenue - Pilbara Medical Holdings	346	93
Lease Revenue - Kinetic Health		
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Lease Revenue	3,684	4,053
Rates	240	173
- Ausco Modular		
Nil		
- Bunnings		
Nil		
	<u>7,304</u>	<u>6,599</u>
Operating Expense		
Port Hedland International Airport - Compass Group Pty Ltd		
Nil		
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Nil		
Catamore Court		
Nil		
General Practitioner Housing		
Property Insurance	(17)	(13)
Utility Charges	(18)	(14)
Building Maintenance		(3)
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Nil		
- Ausco Modular		
Nil		
- Bunnings		
Nil		
	<u>(35)</u>	<u>(30)</u>
Total	<u>7,269</u>	<u>6,569</u>

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 34. Major Land Transactions (continued)

\$ '000	2015 Actual	2014 Actual
(b). Current Year Transactions (continued)		
Capital Income		
Port Hedland International Airport - Compass Group Pty Ltd		
Nil		
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Nil		
Catamore Court		
Loan Borrowings		1,618
Proceeds from Sale of Land		250
General Practitioner Housing		
Nil		
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Nil		
- Ausco Modular		
Nil		
- Bunnings		
Sale of land proceeds	2,695	
	<u>2,695</u>	<u>1,868</u>
Capital Expenditure		
Port Hedland International Airport - Compass Group Pty Ltd		
Nil		
Port Hedland International Airport - Mia Mia Port Hedland International Airport Pty Ltd		
Nil		
Catamore Court		
Land Development Costs	(2)	(1,682)
General Practitioner Housing		
Project Management Expenses	(1,424)	(5)
JD Hardie Land		
Nil		
Kingsford Smith Business Park		
- BHP Billiton Iron Ore		
Land development Costs	(49,875)	(191)
- Ausco Modular		
Nil		
- Bunnings		
Land Development Costs	(587)	
Drainage and Other Works		
Repayment of Borrowings		
Transfer to Land Development Reserve		
	<u>(51,888)</u>	<u>(1,878)</u>
Total	<u>(49,193)</u>	<u>(10)</u>

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 34. Major Land Transactions (continued)

\$ '000	2015/16	2016/17	2017/18	2018/19	Total
(c). Expected Future Cash Flows					
Cash Inflows					
Port Hedland International Airport - Compass Group Pty Ltd					
Rates	1,027	1,058	1,090	1,122	4,297
Lease Revenue	1,072	1,099	1,126	1,154	4,451
Port Hedland International Airport - Mia Mia					
Rates	342	352	363	373	1,430
Lease Revenue	196	199	204	208	807
Community Contribution	487	487	487	487	1,948
Catamore Court					
Loan Borrowings	522	-	-	-	522
Land Sales	-	-	-	-	-
General Practitioner Housing					
Lease Revenue - Pilbara Medical Holdings	-	-	-	-	-
Lease Revenue - Kinetic Health	353	359	367	376	1,455
JD Hardie Land					
Loan Borrowings	-	-	-	-	-
Kingsford Smith Business Park					
- BHP Billiton Iron Ore					
Lease Revenue	3,795	3,909	4,026	4,147	15,877
Rates	338	348	359	369	1,414
- Ausco Modular					
Nil					
- Bunnings					
Rates	6	6	6	7	25
	8,138	7,817	8,028	8,243	32,226

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 34. Major Land Transactions (continued)

\$ '000	2015/16	2016/17	2017/18	2018/19	Total
(c). Expected Future Cash Flows (continued)					
Cash Outflows					
Port Hedland International Airport - Compass Group Pty Ltd					
Nil					
Port Hedland International Airport - Mia Mia					
Nil					
Catamore Court					
Loan repayments	(172)	(172)	(172)	(172)	(688)
Acquisition of Housing	(1,398)	-	-	-	(1,398)
General Practitioner Housing					
Materials and Contracts	(21)	(21)	(21)	(21)	(84)
Utilities	(60)	(60)	(60)	(60)	(240)
Depreciation	(145)	(145)	(145)	(145)	(580)
Interest	(75)	(75)	(75)	(75)	(300)
Insurance	(23)	(23)	(23)	(23)	(92)
Loan Repayments	(51)	(51)	(51)	(51)	(204)
JD Hardie Land					
Acquisition of Land					
Kingsford Smith Business Park					
- BHP Billiton Iron Ore					
Nil					
- Ausco Modular					
Nil					
- Bunnings					
Nil					
	(1,945)	(547)	(547)	(547)	(3,586)
Net Cash Flows	6,193	7,270	7,481	7,696	28,640

Note 35. Trading Undertakings and Major Trading Undertakings

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 36. Financial Risk Management

\$ '000

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

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

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

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

The Town held the following financial instruments at balance date.

	Notes	Carrying Value		Fair Value	
		2015	2014	2015	2014
Financial Assets					
Cash and Cash Equivalents	3	50,833	68,409	50,833	68,409
Receivables (Current & Non-Current)	5	15,309	12,486	15,309	12,839
Financial Assets at Fair Value through Profit or Loss	4	30,300	7,000	30,300	7,000
		<u>96,442</u>	<u>87,895</u>	<u>96,442</u>	<u>88,248</u>
Financial Liabilities					
Payables (Current & Non-Current)	9	8,588	6,456	8,588	6,456
Borrowings (Current & Non-Current)	10	25,718	28,741	25,718	28,741
		<u>34,306</u>	<u>35,197</u>	<u>34,306</u>	<u>35,197</u>

Fair Value is determined as follows:

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 36. Financial Risk Management (continued)

\$ '000

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

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

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

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

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

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

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

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

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

Notes:

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

2. Maximum impact.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 36. Financial Risk Management (continued)

\$ '000

(b). Receivables

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

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

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

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

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

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

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

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 36. Financial Risk Management (continued)

\$ '000

(c). Payables & Borrowings

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

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

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

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

\$ '000	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
2015					
Payables	8,588	-	-	8,588	8,588
Borrowings	2,514	9,720	26,905	39,139	25,718
	11,102	9,720	26,905	47,727	34,306
2014					
Payables	6,912	-	-	6,912	6,456
Borrowings	2,836	14,613	27,313	44,762	28,741
	9,748	14,613	27,313	51,674	35,197

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

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

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

Notes:

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

Town of Port Hedland

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

Note 37. Fair Value Measurements

\$ '000

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

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

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

Thereafter, in accordance with the regulations, each asset class will be revalued at least every three (3) years. In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations. All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory framework detailed above. The assets are to be assigned to a level in the fair value hierarchy as follows:

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as this is deemed by management to approximate Fair Value. These newly built or acquired assets will be categorised as a Level 2 input as depreciation is not considered an unobservable input. Assets will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory framework detailed above.

Valuation Process - Plant and Equipment

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

Valuation Process - Land

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

Valuation Process - Buildings

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

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

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

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

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

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

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

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

Valuation Process - Infrastructure

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

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

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

Roads & Bridges

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

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

Drainage

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

Footpaths

Footpaths were physically inspected and condition rated during the financial year by Pavement Management Services. This data was used in combination with useful life analysis, recent unit rate for replacement to derive the Fair Value using the Cost Approach. There was an increment to the written down value for this asset class.

Parks & Ovals

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

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

Airport

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

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

Bus Shelters, Other Infrastructure & Depot

Assets within this type included infrastructure within the Depot, Landfill and the various Bus Shelters around the area. The Cost approach was used with various other level 3 inputs including review of useful life, remaining useful life, pattern of consumption unit rates and condition.

Furniture & Equipment Assets

This asset type includes ICT assets, and other significant items above the capitalisation threshold of \$5000. All assets were validated and reviewed for remaining useful life. The cost approach was used with professional judgement from relevant business units. This asset class has been revalued 30 June 2015 using Level 3 inputs.

Work in Progress

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

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

2015	Date of latest Valuation	Fair Value Measurement using:			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Property, Plant & Equipment					
Land	30/06/14	-	93,775	-	93,775
Buildings	30/06/14	-	9,163	78,778	87,940
Plant & Equipment	30/06/13	-	10,578	-	10,578
Furniture & Equipment	30/06/15	-	459	522	981
Work in Progress	30/06/15	-	2,062	-	2,062
Total Property, Plant & Equipment		-	116,036	79,300	195,336
Infrastructure					
Roads & Bridges	30/06/15	-	-	161,281	161,281
Drainage	30/06/15	-	-	23,224	23,224
Footpaths	30/06/15	-	-	19,494	19,494
Parks & Ovals	30/06/15	-	-	37,862	37,862
Airport	30/06/15	-	-	44,582	44,582
Other Infrastructure	30/06/15	-	-	620	620
Bus Shelters	30/06/15	-	-	112	112
Depot	30/06/15	-	-	839	839
Work in Progress	30/06/15	-	8,170	-	8,170
Total Infrastructure		-	8,170	288,014	296,183

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

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

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

Class	Fair Value (30/6/15) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
PP&E					
Buildings	78,778	Cost Approach (Depreciated Replacement cost)	* Replacement cost * Asset condition * Remaining useful life * Residual Value	* varies significantly from asset to asset * Poor to excellent * 10-60yrs	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Furniture & Equipment	522	Cost Approach	* RC, condition, RUL, RV	* varies from asset to asset * Poor to excellent * 3-20yrs	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Infrastructure					
Roads & Bridges	161,281	Cost Approach	* RC, condition, RUL, RV	* varies significantly from asset to asset * Poor to excellent * 5-100yrs * varies significantly from asset to asset * Poor to excellent * 20-100yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Drainage	23,224	Cost Approach	* RC, condition, RUL, RV	* varies significantly from asset to asset * Poor to excellent * 75yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Footpaths		Cost Approach	* RC, condition, RUL, RV	* varies slightly with types * Poor to excellent * 30-40yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Airport		Cost Approach	* RC, condition, RUL, RV	* varies significantly from asset to asset * Poor to excellent * 5-100yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 37. Fair Value Measurements (continued)

\$ '000

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

Class	Fair Value (30/6/15) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Infrastructure (continued)					
Parks & Ovals		Cost Approach	* RC, condition, RUL, RV	* varies significantly from asset to asset *Poor to excellent *5-100yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Other infrastructure		Cost Approach	* RC, condition, RUL, RV	* varies slightly with types *Poor to excellent *30-40yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Bus Shelters		Cost Approach	* RC, condition, RUL, RV	* varies slightly with types *Poor to excellent *15-20yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.
Depot		Cost Approach	* RC, condition, RUL, RV	* varies slightly with types *Poor to excellent *10-20yrs	Significant changes to the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life will result in significant changes to fair value.

(3). Highest and best use

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 38. "Held for Sale" Non Current Assets

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

Note 39. Investment Properties

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

Note 40. Intangible Assets

Council has not classified any assets as "Intangible"

Note 41. Equity - Retained Earnings and Reserves Adjustments

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

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

(b). Voluntary Changes in Accounting Policies

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

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

\$ '000

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

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

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

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

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

Town of Port Hedland

Notes to the Financial Statements

for the year ended 30 June 2015

Note 43. Events occurring after the Reporting Period

\$ '000

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on the Financial Report

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

Chief Executive Officer's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

Independence

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

Auditor's opinion on the Financial Report

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

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

Report on Statutory Compliance

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



RSM BIRD CAMERON



D J WALL
Director

Perth, WA
Dated: 19 October 2015